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**Organizational retrenchment and reorganization: The case
of the United Nations' response to the financial crisis of the
mid-1980's**

Kanninen, Tapio Olavi, Ph.D.

City University of New York, 1990

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**ORGANIZATIONAL RETRENCHMENT AND REORGANIZATION:
THE CASE OF THE UNITED NATIONS' RESPONSE TO THE
FINANCIAL CRISIS OF THE MID-1980'S**

by

Tapio Kanninen

**A dissertation submitted to the Graduate Faculty
in Political Science in partial fulfillment of
the requirements for the degree of Doctor of
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1990

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PREFACE

This dissertation is based on official documentation, a number of interviews and discussions inside and outside the United Nations and my own experience in dealing with the financial crisis and structuring of the Organization mainly in the years 1986 and 1987. If the source is not otherwise indicated it is based upon my own notes on events during these years. I would like to thank all my present and former colleagues, and my academic supervisors Prof. John Mollenkopf (sponsor) and Prof. Abraham Bargman (reader), who all have generously contributed their time and advice and made documentation and literature available so as to make it easier for me to tell this story as accurately as possible and also to put the case study in an adequate theoretical perspective. I would also like to thank the Finnish Academy of Science which provided the means, at a critical time, to continue and finish the research work.

James S. Sutterlin, Research Fellow at the Yale Institution for Social and Policy Studies, former Director in the Office of the United Nations Secretary-General, has kindly reviewed the factual information in the case study in chapters 3, 4 and 5. I have tried to take his comments fully into account, as well as those of some other colleagues knowledgeable in the process, who have also read parts of the manuscript. I greatly appreciate their insightful comments. However, I take full responsibility for any factual errors, and, of course, the conclusions and interpretations reached on the basis of these events and circumstances are only mine. My colleague Dr. B.G. Ramcharan has kindly read the manuscript and offered textual suggestions for which I want to express my sincere thanks.

The discussion of the factual information in the case study in chapters 3, 4 and 5 has been influenced by my experience as a member of the planning and implementation team for the retrenchment and reorganization discussed here, first as a member of the Special Working Group and then part of the Office of the Special Co-ordinator, temporary

ad hoc structures established by the Secretary-General to deal with the crisis. This might produce a slight insider's bias although, since I was not one of the key players, it should not be exaggerated. The study is intended to complement others done by outsiders based on official documentation only. Due to the nature of the events and decisions surrounding the United Nations financial crisis of the mid-1980s', research done by outsiders might cover only visible parts of the process and may not be able to discuss the decision-making angle and its inside preparations, one of the main interests in this study.

Some information discussed in this thesis was confidential at the time of the actual decision making but have since become known in the Secretariat and outside. It is now time to put all the pieces together to get a coherent and logical picture of the retrenchment and reorganization exercise undertaken under the leadership of the United Nations Secretary-General Javier Perez de Cuellar and suggest some theoretical and practical lessons from this quite unique experience.

Besides lessons for the theory of retrenchment and reorganization the study would, hopefully, also be relevant to enhancing further changes in the United Nations, as well as in other international organizations, so as to help them survive better any financial crisis which the future may bring about. Possibly, the analysis that follows could also offer guidance for the more efficient management of international organizations during normal years and at the same time to help them to meet the needs of a changing environment. But to do this one has to strive to understand the complex phenomena which cover the organization's inside functions and its relationships to its environment. This dissertation tries to shed light on this difficult area of myriad relations, theoretically and practically, by describing and analysing the United Nations financial crisis, the decision making involved and the main implications of the reform process.

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PART I: THE SETTING

CHAPTER 1: INTRODUCTION AND SUMMARY

In 1986 and 1987, the United Nations experienced an unprecedented financial crisis (1) and the Organization has responded to this crisis by initiating a series of far-reaching reorganization and reform processes (see the Report of the High-level Intergovernmental Experts to Review the Efficiency of Administrative and Financial Functioning of the United Nations, hereafter called the Group of 18). (2) The long-term impact of these changes on the structure, efficiency and program delivery of the Organization can only be determined with the passage of time. However, the analysis of the changes originally proposed and those implemented provides a sufficient basis for evaluating their short-term implications and the prospects for their longer-term impact in light of the current literature on other known cases of retrenchment and reorganization. The planning and implementation process itself merits assessment as well as the reasons for the emergence of the financial crisis in the first place.

No one has yet developed an adequate theory or framework of retrenchment for international organizations. Since retrenchment has been studied in great detail both in theory and practice in national and local settings there is a promising literature available, warranting the application and modification of this experience and related theoretical findings to the international level. The present retrenchment literature seems, however, to downplay the political sources of retrenchment and does not seem to have looked at the special ways the macro-environmental factors affect decision making inside organizations. It presents the reasons for retrenchment as given and basically economic by nature. In the case of international organizations, however, retrenchment tends to have political causes emerging from the changes taking place in the environment.

Previous theoretical and practical studies of public retrenchment have dealt extensively with retrenchment in cities (3), public national

organizations (4), states (5) and human and community services. (6) Not enough attention has been paid to the specific problems large international organizations have to face in making strategic decisions about retrenchment. (7) It is logical to assume that, as compared to national public organizations, such as a city or a federal agency facing budgetary cuts, public international organizations have a more difficult task in guaranteeing a rational and coherent approach throughout the scaling-down process. The international constituency, which sets the Organization's objectives and strategies and provides the ultimate financial support, is a far more complex mixture of political ideologies, cultures, management practices, and national interests and patronage than can be found in any national setting. We shall examine this premise towards the end of the dissertation by relating it to our findings.

Besides retrenchment theories, another theoretical angle to this dissertation deals with conceptual and empirical analysis of reorganizations and their results. The current scholarly view of reorganizations and their impact is quite pessimistic. For instance major scholars in the field, James March and Johan Olson, based on a careful literature review of reorganizations in the U.S. state the following:

In terms of their effects on administrative costs, size of staff, productivity, or spending, most major reorganization efforts have been described by outsiders, and frequently by participants, as substantial failures. Few efficiencies are achieved; little gain in responsiveness is reported; control seems as elusive after the efforts as before. It is a record of "problems identified, but not solved, of promises made but not kept...the source of frustration and disillusionment"... The same conclusions have been reached about reorganizations at the state and local level in the United States... and about reorganizations at the national level in other countries..."(8)

Some other scholars have had, however, more positive things to say about retrenchment and reorganizations. (9) Even March and Olson see educational and symbolic values in reorganizations. Recent cases of scaling down in ILO, FAO, UNESCO, the World Bank and the United Nations

have provided important case studies for research on retrenchment in international organizations. So far, however, scholars have not studied them systematically with a proper framework of analysis. (10) Since many high authorities, including major governmental leaders, see growing usefulness in the role of these organizations in managing global problems, (11) studies of how retrenchment and reorganizations have changed them as organizational entities are clearly needed.

Retrenchment as such is a topic of increasing importance as well. Organizational growth is no longer a self-evident fact in the lifecycle of any organization, private or public, national or international. Managers have to cope with dwindling resources and may have to lead the organization from the brink of collapse to completely new forms of organization, smaller in size but not necessary less efficient, in performing original or even added functions. Sometimes, if the retrenchment is well planned and implemented, a leaner organization can be much more efficient than the old administration in the growth years. (12)

A careful analysis of the decisions taken by the United Nations Secretary-General to deal with the 1985-1988 financial crisis of the United Nations provides a basis for reviewing the adequacy of existing theories and, eventually, creating a new and more ample theoretical framework for describing international organizations going through excruciating decisions on negative growth. Moreover, two different but related aspects neglected in the literature will receive special attention in this dissertation. The role of leadership in making a rational strategy for retrenchment and reorganization and the role of the environment (milieu) in affecting this strategy are not often discussed together. The result is then a segmental approach, inadequate to bring about sound theoretical and practical findings. To correct this shortcoming in the research focus, the concepts of 'leadership' and

'milieu' and their interrelationship are treated as two major research questions of this study (chapters 7 and 8).

SUMMARY OF AND INTRODUCTION TO THE STUDY

The purposes, main research questions and findings of the dissertation are the following:

1. The study first explains the background and reasons for the emergence of the United Nations financial crisis which led to the retrenchment and reorganizations (literature review in chapters 1-3). Since the U.S.'s non-payment to the UN budget triggered the 1985 financial crisis, the study particularly explores what were the root causes behind the U.S. decisions. Three factors are found to have been important in this connection. (a) Economy: The UN fell victim of the U.S. policy of reducing its budget deficits in quite drastic measures starting in the mid-1980s. (b) Ideology and policy: The U.S. management ideology seems to reiterate the virtue of periodically downsizing private companies and streamlining bureaucracies for added efficiency. In addition, the policies of the Reagan Administration in the mid-1980s, with the aim of improving efficiency through market-oriented measures, resulted in the following retrenchment-related trends: scaling down the U.S. public sector, the private sector deregulation, triggering a takeover and acquisition boom, and withholdings from the U.S. contributions to international organizations. (The study later examines the similarities between private and public sector retrenchment in its concluding section 9.4.) (c) International scene: The U.S. had lost its dominance in the United Nations and the majority of the Member States was considered by the U.S. to act against its interests and to add unnecessary expenditures to the UN budget.

2. Secondly, the study tells the United Nations retrenchment and reorganization story from the organizational decision-making point of view, not given earlier in sufficient detail (chapters 3-4). The

analysis of these events and their background leads later, in the dissertation's conclusions, to the discussion of developing an adequate retrenchment theory or framework for international organizations (section 9.1), modifying the urban retrenchment model initially used as a starting point for research. In the case of international organizations, the 'reasons for retrenchment' variable, missing in the urban model, has to be factored in to explain fully the events and decisions taken.

3. The study then analyzes the impact of retrenchment and reorganization, organizationally and managerially (chapter 5). It concludes that inside the United Nations the retrenchment and reforms produced mixed results. Although the retrenchment cut the staff and structures in the Secretariat, it did not markedly change the personnel policies or efficiency of the UN. However, the effective handling of the crisis by Secretary-General Perez de Cuellar shows potential for the Secretary-General's leadership. It further supports the claim that some measure of the independence, innovation and integrity of the international civil service still exist in practice, in contrast to a common view in recent literature on international organizations (discussed also in concluding section 9.6). The Member States seem to allow the Secretary-General to show independence and initiative during a major crisis, unable themselves to act effectively as a collective body. In particular, the Secretary-General was able to restructure the political sector of the Secretariat, enhancing the potential for strategic leadership in the future.

4. Fourthly, the study goes further into analysis and applies urban retrenchment theory to the analysis of the United Nations retrenchment and reorganization (chapter 6). The study shows surprising similarity in the overall processes in urban retrenchment and retrenchment at the UN, indicating that all large public organizations follow similar patterns in scaling-down processes. Secondly, the

concepts and research framework derived from urban retrenchment theory are instrumental in explaining the specific nature of politics at the UN, especially its elitist nature, in contrast to local and national politics. This finding is later partly used to explain (a) the failure to prove the initial assumption that the retrenchment processes and decisions at the United Nations are more complex than in national and local contexts and (b) the finding that the U.S. governmental experience in reorganizations is not as such transferrable into the United Nations (both discussed in section 9.2).

5. Fifthly, the study analyzes in detail the leadership and decision making during the crisis (chapter 7). In comparing the UN case to the cases of New York, New Jersey state and the World Bank the study demonstrates surprising rationality in the retrenchment and reorganization strategy devised by Perez de Cuellar to deal with the crisis. The effectiveness of the informal ad hoc structure created by him to plan and implement the strategy seems to be able to explain most of this rationality. The other main reason is the elitist nature of politics at the UN, referred earlier, which enables during a crisis - when and if the Secretary-General takes active leadership - more rational policies to be carried out than in national and local politics. These findings are used in the concluding chapter, 9.5, to discuss the importance of creating an adequate leadership strategy and structure for a major crisis like this.

6. Finally, the study examines retrenchment and reorganization as a part of milieu change (chapter 8). The UN financial crisis exposes and reflects the present role, limitations and future direction of the major powers on the international scene. Japan could be seen slightly increasing its influence in the crisis through its financial might. The USSR, although initially somewhat reluctant, aligned itself with the call for the UN reforms, becoming a major proponent for further change. The U.S., although successful in getting the short term results it

wanted - cuts in personnel and a consensus budgetary process - also exposed its current limitations to the international community. Its 25 per cent share of the UN budget - reflecting its past dominance in the world economy and politics - seems to be beyond what it can now dispose of; the U.S. has lost its former domestic consensus in the U.S. Congress to maintain that share in practice. The continuation of a marked gap between the U.S. financial obligations and its ability to pay in practice brings international pressures to lower that 25 per cent share. But a formal change of the UN scale of assessment to reflect the lowered U.S. practical share would be a symbolic but clear sign of a relative decline in the U.S. role at the United Nations and international politics.

Theoretically, the study also finds the milieu concept useful in completing other approaches to explain the retrenchment strategies taken. It discusses, as a conclusion in chapter 9.3, whether it would be possible more generally to integrate the concepts of milieu (environment), decision making and organizational design into a theory of leadership to counter a common fragmentation in policy formulation research.

ENDNOTES

1. United Nations, General Assembly, "Current Financial Crisis of the United Nations, Report of the Secretary-General," 12 April 1986, A/40/1102, p.10.
2. United Nations, Secretariat, Report of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, 1986, A/41/49.
3. e.g. Charles H. Levine, Irene S. Rubin, and George G. Wolohojian, The Politics of Retrenchment: How Local Governments Manage Fiscal Stress (Beverly Hills, CA: Sage Publications, 1981); C. Brecher and R.D. Horton, "Retrenchment and Recovery: American Cities and New York Experience," Public Administration Review, vol. 41 no 4. (March/April 1985), pp.267-274.
4. e.g. Charles H. Levine and Irene Rubin, eds. Fiscal Stress and Public Policy (Beverly Hills, CA: Sage Publications, 1980); R.D. Behn, "The Fundamentals of Cutback Management," What Role for Government: Lessons from Policy Research, R.J. Zeckhauser and D. Leebaert, eds. (Durham, N.C.: Duke Press Policy Studies, 1983), pp. 310-357.
5. e.g. Marilyn Gittell, "Retrenchment and State Interest Group Politics: The Impact on Education," Readings on Equal Education volume 9 (1986), pp. 93-116; James Conant "Reorganization and the Bottom Line," Public Administration Review, volume 46, number 1, (January/February 1986), pp. 48-56.
6. e.g. Larry Hirschhorn and Associates, Cutting Back: Retrenchment and Redevelopment in Human and Community Services (San Francisco: Jossey-Bass Publishers, 1983).
7. John Stoessinger, however, did a detailed study on financial problems of the early years of the United Nations but the book is now 26 years old, see John G. Stoessinger, Financing the United Nations System (Washington D.C.: The Brookings Institution, 1964).
8. James G. March and Johan P. Olson, "Organizing Political Life, What Administrative Reorganization Tells Us about Government," American Political Science Review vol.77 (June 1983), p.288.
9. See e.g. Larry Hirschhorn and J. Militello, "Retrenchment in an Overstaffed Setting: Layoffs at a Freight Shipping Company," in Larry Hirschhorn and Associates, Cutting Back, pp. 320-336; Conant, "Reorganization and Bottom Line".
10. Some efforts have been made, however, to discuss necessary reforms in UN organizations; see for instance: United Nations Association of the United States, A Successor Vision: The United Nations of Tomorrow, UN Management & Decision-Making Project, Final Panel Report, September 1987. See also Johan Galtung "The United Nations Today: Problems and Some Proposals - and Some Remarks of the Role of the Nordic Countries," A paper given at the symposium on "The Nordic Countries and the Political and Financial Crisis of the United Nations," at the Center of European Studies of the Graduate School and University Center of the City University of New York, 3 November 1986. Others will be listed later in this dissertation.
11. As a source at the highest level one can just refer, for instance, to General Secretary Gorbachev's article on the comprehensive world

security system in Izvestia and Pravda on 17 September 1987 and his speech at the UN in December 1988, giving international organizations a central focus in managing all kind of international relations. Also, the speech by President Ronald Reagan in October 1988 at the UN, and later statements by President George Bush to same effect, have as well given indications that the U.S. is starting to see more value in international organizations than during the first Reagan term. See Mikhail Gorbachev, "The Reality and Guarantees of a Secure World," Pravda and Izvestia, 17 September 1987.

12. R.D. Behn, "The Fundamentals of Cutback Management," p.311; Larry Hirschhorn and J. Militello, "Retrenchment in and Setting," pp.320-336.

CHAPTER 2
REVIEW OF THE LITERATURE ON RETRENCHMENT,
REORGANIZATION AND MANAGEMENT ISSUES

2.1 Introduction

This review provides an overview of the literature, theories and research on retrenchment and other organizational and management issues relevant to the theoretical assumptions of the dissertation. The next chapter continues the literature review by describing the background and reasons for the UN crisis, as an introduction to the case study. In that connection the root causes behind the U.S. withholding decisions are of major interest.

Literature on cost cutting in the private sector is a field of long tradition. Recent literature in retrenchment on the public sector has gained from the cases, concepts and theoretical approaches of studies of the business world, although there are many basic differences between these sectors. The recent trend of corporate scaling-down and reorganization through corporate takeovers merit consideration since in this particular and new type of reorganization and downsizing the firm has to respond to the complicated sources of power emerging suddenly in its environment (the corporate raiders). The situation has some structural similarities - although remaining essentially different - to the UN case since the United Nations retrenchment and reorganization was forced upon the Organization through a change in the attitudes and interests of its major contributors. To go further, the question arises whether the dramatic change in U.S. funding policies towards the UN was related to the emergence of new environmental factors - e.g. the ideological change in the overall management philosophy - and whether this ideological factor also contribute to the takeover boom? This research question is partly discussed here and again in the milieu hypothesis (chapter 8) and our concluding chapter 9.

The term "retrenchment" is most often used in the scaling down operations in the public sector. The urban retrenchment is a particular well-defined field in this literature, and the subject is much studied in empirical terms. Urban retrenchment theories, drawing upon local experience, seem to offer promising theoretical prospects for a framework to be developed for this dissertation. At the national level, a description of recent cutback management trends in the budgetary politics in the OECD countries reflects a broader change in the management culture, going well beyond the specific American atmospheric change during the Reagan era. These topics are discussed in sections 2.3 and 2.4.

The literature on reorganization is also particularly relevant to the theme of this research. Recurrent reorganization efforts have been undertaken by American Presidents with poor or mixed results. Would that be the destiny of the reforms in international organizations as well? We shall discuss this question both in this chapter and the concluding chapter of the dissertation. A partial success story at the state level in the reorganization of the New Jersey government gives a more positive evaluation of the reorganization prospects, and the case is later used as a reference in analyzing the United Nations case. Finally, issues on management and reform in international organizations are reviewed in relation to a framework developed to explain the politics in the United Nations. The themes are later applied in the working assumptions of the dissertation, particularly concerning the leadership executed in the crisis and the milieu's impact on retrenchment strategy taken.

2.2 Reorganization and cost cutting in the private sector

Cost cutting, cost-benefits and cost effectiveness in the corporate world are concepts of long standing in the business administration literature. Private sector retrenchment seem to be a

recurrent American phenomenon. Our assumption is that the concepts and practices developed in the private sector have had an impact on the thinking and ideology in the public sector as well. The Reagan Administration's rise to power in the U.S. intensified this trend with its free market ideology applied increasingly to the public sector. It is, therefore, important to take a look at the underlining concepts, and trends embodied in these new policy theorists.

In the business world and literature of today, two related trends - corporate raiding and consequential, or independent, reorganization and downsizing - are discussed extensively. Both are related to efficiency through leaner organization. But the discussion also highlights the interaction of a firm with its environment, without which it would be difficult to understand the retrenchment and reorganization decisions at the microlevel, a problem-setting relevant to our milieu hypothesis (in chapter 8).

A number of factors in the corporate world which have forced a new downsizing principle of micro-management in private companies also poses challenges and demands upon their leadership. Company leaders have, more and more, to be able either to prevent a disaster in advance by downsizing or, failing that, to develop a credible retrenchment strategy to survive. These, it may be noted, are considerations we are also using to build up our leadership hypothesis for the UN case in chapter 7.

Concerning the emergence of downsizing in the corporate world, Robert M. Tomasko cites a statement by the former Deputy Secretary of the Treasury, and now the director of the Office of Management and Budget, Richard Darman, to a meeting of the Japan Society of New York in 1985 that the bloated, risk averse, inefficient, and unimaginative large corporations make up an American business "corpocracy" and were the key reasons behind the decline of the United States' global competitiveness.

(1) According to Tomasko, few firms, or government agencies for that

matter, set out deliberately to create organizational structures with an abundance of staff or excessive layers of management. But since the bureaucratic bloat seems to be very common in the American business world there should be specific reasons for that. The most common causes for excessive management, applicable to public organizations to great extent as well, are, for instance: (2)

- Age and prosperity: the more successful a company has been in the past, the more it is prone to adding unneeded managerial jobs.
- Size: as the total employment increases so does the number of management layers, required to keep things under control
- Growth by diversification: much of the past growth came through acquisitions the corporate executives were not familiar with, requiring new layers of executives able to cope with the new diversity.
- Management by decentralization: this new management philosophy was to support diversification but led in some companies to the destruction of economies of scale and the duplication of efforts.
- Strategic planning: as adopted in the late 1970s this philosophy promised executives a way to get around business diversity but also created jobs for strategic planners and other staff analysts at several levels, overlapping sometimes with line management and resulting in slow and over-analyzed decision-making.
- Increasing government regulation: in the 1970s growing government regulations generated increasing work loads, especially those caused by the need to provide information so as to demonstrate compliance with the regulations.
- Scarcity of expertise: knowledge and expertise dealing with new technologies and markets led companies to set up additional elites and specialized staff departments.
- Internal management practices favoring management positions: compensation systems and fast-track career development had a bias

in favor of higher management positions; on the other hand, management practices bred a corporate culture based on mistrust caused by self-protective management behavior - trying to cover serious mistakes (the Challenger disaster) and adding new watchdog layers of management instead of dealing with the root causes of problems.

Although the mid-1980s were a period of high overall employment, low interest rates, minimal inflation, a strong stock market, and an economy showing signs of continued growth, companies laid off thousands of managers and staff specialists in the process of downsizing. Tomasko sees a number of persistent factors in the U.S. business environment, such as a general privatization of the economy and strong overseas competition, to keep this a permanent trend. (3)

Deregulation has also intensified brutal competition and price cutting driven by excess capacity. A number of additional reasons for the downsizing trend are related, according to Tomasko, to developments taking place in the financial markets (to be discussed in the next subsection). (4)

These trends had also led to the emergence of a new philosophy of corporate management by the mid-1980s, brought about in part by efforts to look into the art of Japanese business management. In the American management literature, efforts were also made to respond to the new requirements of the time. These efforts culminated in the best seller book "In search of Excellence" by Thomas J. Peters and Robert H. Waterman Jr. in 1982. It examined America's best running companies in order to find the reasons for their success. Tomasko considers that a major principle recommended by the authors for the future, "simple form, lean staff" - the downsizing philosophy - was, in fact, the most important finding of the book with its other findings supporting this main conclusion. (5)

Takeovers for improved efficiency?

The takeover trend has been dramatic in recent years and characterized the American business world and culture of the 1980s. Directly or indirectly it had its impact on the public sector as well. The dollar value of mergers and acquisitions between 1985 and 1987 exceeded \$520 billion - ten times the value of mergers between 1975 and 1977 and business representing 5.5 - 7.0 per cent of the total market value of all U.S. companies have disappeared through acquisitions in 1985-1988. (6) Why has this activity taken place?

To take the opinion of a vigorous defender of takeovers, one of the most successful corporate raiders, Carl C. Icahn, argues that most of the approximately 2000 takeovers and leveraged buyouts between 1981-1989 have been characterized by a redeployment of assets to create competitive and economic gains. According to Icahn the takeover boom is a treatment for a disease that is destroying American productivity: gross and incompetent management. Takeovers are part of a free-market response, working to unseat corporate bureaucracies, control runaway costs and make America competitive again. (7) Amar Bhide interpreted his results based on a study of all hostile takeovers over \$100 million in 1985 and 1986 with the same conclusions. (8) But a qualified core of observers disagrees with takeover proponents, disputing the claim of increased efficiency and warning about the dangers involved for the economy. One of the most comprehensive public assaults has come from Felix G. Rohatyn, an old master of the merger-and-takeover trade; another critic of excesses was John Whitehead, the chief executive of Goldman Sachs. (Rohatyn's role in managing New York's fiscal crisis of the mid-1970's is discussed in chapter 7 and Whitehead's role in the United Nations case in chapter 3 and 4.) (9)

The Reagan Administration strongly endorsed the philosophy of takeovers. The Economic Report of the President for 1985 stated that "the available evidence...is that mergers and acquisitions increase

national wealth... improve efficiency, transfer scarce resources to higher valued uses, and stimulate effective corporate management". (10)

The takeover boom is also a recurrent phenomenon and characteristic of American business culture - and we will argue - of American culture in general. Nobel Laureate James Tobin sees the tendencies of the mid-1980s in corporate life and investment banking as a part of a larger cyclical trend in American political and social thought and considers that the undiluted pursuit of personal gain has been more accelerated in American society as a result of the conservative ideological revolution. (11) John Brooks relates the takeovers in 1980s to the periodic merger movements in America - the first at the turn of the century, the second in the 1920s, the third in the 1960s and the latest in 1980s and sees clear ideological and motivational factors (like the high fees involved) behind the latest one. (12)

At the micro level, inside a corporation, streamlining and downsizing is part of the reorganization of the corporation, taken by the management on its own, or by a new management after a takeover or reorganization. In the present business climate, the leaner approach to management has been used to fend off takeover bids.

According to William Fruhan, if the management of companies that have options for improved operations acts before the company attracts outsider's attention, it can adopt less painful measures than if it must defend itself against an actual takeover attempt. Early action may convince hostile suitors to look elsewhere. (13) An improvement in internal operations is usually the readiest element to address. The targets include revenue enhancement, cost reductions and more effective use of existing assets, of which the easiest is reduction in overhead. Progress in other areas tends to come more slowly. (14)

Downsizing seems to be, therefore, necessity for some companies to survive. In giving advice to managers called upon to face retrenchment realities, Tomasko sees strong leadership as crucial. The simplest way

for leadership to reduce the cost and pain of downsizing is to develop options for layoffs, whenever these are possible, whether voluntary or forcibly. (15) The following table shows that the sensible approach depends on both the magnitude of the reduction and the amount of lead time:

15% +	Deep, across-the-board terminations.	Spin off business units. Series of early retirement or buy-out offers.	Close down business unit and redeploy employees. Diversification based on skills of surplus employees.
6-14%	Widespread early retirement or buy-out program. Bring subcontracted work back in-house. Pay reduction, job sharing, move to lower paying jobs.	Mobilizing the troops. Selective terminations. Retrain; redeploy. Retain; find jobs outside the company. Loan staff.	Managed attrition. Spin off staff departments.
1-5%	Selective terminations. Targeted early retirement or buy-out program.	Managed attrition. Convert staff to consultants. Market staff services outside the company.	Managed attrition (and many of the other options).
	Less than 1 year (responding to immediate economic threat)	1-3 years	3 years+

Time required for implementation

Note: Percentages indicate the approximate head-count or payroll reduction needed.

Fig. 1. Selecting an approach to downsizing.

Source: Tomasko, Downsizing, p.200.

One strategy seen in the table, "mobilizing the troops", (located in the middle box of the table) is of interest here since the UN case could be considered against this strategy. This approach attempts to capitalize on participatory management techniques. Instead of a few senior executives or headquarters staff trying to make detailed cutbacks and work out rearrangements about individuals far away in the hierarchy, they turn to those whose jobs are at stake ("the troops").

Participatory management can build a committed work force through teamwork and innovation according to Tamasko. (16) While rarely used, there are illustrative success stories. (17)

In order to mobilize the troops certain internal conditions have to be present, according to Tomasko: (18)

- strong and focussed leadership must be provided from the top;
- employees must trust the leadership enough to become very committed to improving the business for the long haul, not just in preserving their current jobs;
- mechanisms must be put in place to short-circuit the ordinary, business-as-usual ways in which new ideas are developed, considered and tried.

Downsizing, retrenchment and reorganizations have been, and still are, definite trends characterizing the corporate world in 1980s. Although our examples are mainly from the U.S. the same economic conditions increasingly cover other OECD countries. As we will see in the next sections these trends, or their equivalents, have also found their ways to the management of the public sector. Later on, in our concluding chapter, we shall endeavour to draw some conclusions on the similarity of retrenchment in the private and public sectors.

2.3 Literature on retrenchment in the public sector: the case of urban politics

Public retrenchment has been extensively studied in urban politics. These studies with a focus on local politics add important new elements to our research focus, and some major findings are discussed here before we deal with national and state politics. An important example of the field, drawing upon the work of others, is the book "The Politics of Retrenchment" published in 1981 in which Charles Levine, Irene Rubin and George Wolohojian developed a model for urban retrenchment based on the experience of New York City. (19) This model

provides a promising, although a partial, starting point for a framework to study retrenchment in international organizations.

The model by Levine and his associates (hereafter simply Levine) relies heavily on the conception of a local government as a complex formal organization that shares properties and behavioral patterns with other organizations and can be expected to adapt to changes in resource levels in predictable ways. According to Levine this conceptualization of the relationship between resource levels and local government behavior is consistent with earlier studies of organizational retrenchment which dealt with the question of how organizations cut back. One of the key issues was whether cuts would be made across the board or whether they would be targeted to specific departments or programs. Another one was the existence of alliances and coalitions between bureaucrats, clientele groups and public officials as part of the legislative and budgetary process. (20)

A third issue raised in the literature, according to Levine, deals with the impact of the disappearance of "slack" resources, created originally by erratic or rapid growth and used to build an internal coalition of political support. A fourth issue involves whether there is a sequence of responses to fiscal stress - a sequence that accounts for both political opposition to cuts on the one hand and the deployment, depletion, and re-creation of slack on the other. An early formulation developed a three-stage response to fiscal stress in which the first responses included ignoring the problem and utilizing delaying tactics; the second set of responses involved rationing services and stretching resources in the face of resistance from many competing sources; and the third involved deep selective cutbacks and efforts to smooth operations after the cuts. (21)

Levine, Rubin and Wolohojian lament the absence of any theory or set of expectations other than a vague class analysis in previous

studies and attempt to remedy this deficiency. Their model is graphically presented in the following figure: (22)

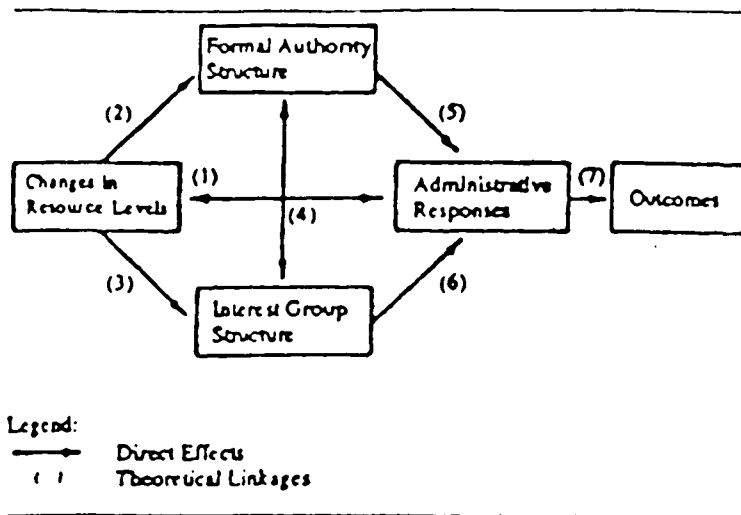


Fig. 2. Model of Levine, Rubin and Wolohojian for studying fiscal stress and local government responses.

Source: Levine et al, Politics of Retrenchment, p.35.

The model assumes that exogenous variable of changing resource level affects the two mediating political variables, "formal authority structure" and "interest group structure", which in turn produce "administrative responses", the dependent variable. Short- and long-term secondary effects of this process are accounted for by the "outcomes" cluster. The model assumes feedback among the variables.

(23) The model also utilizes the experiences of New York City to create an "ideal type"; that is, a pattern against which other responses may be compared. Levine and associates used four case studies - Oakland, Cincinnati, Baltimore and Prince George's county - to test the specific hypotheses derived from the model; the model was deemed adequate to a considerable extent although not perfect. (24)

While this dissertation will refer to and use the hypotheses developed by Levine and his associates, it will not make them the main theoretical focus of the research for the simple reason that they are inadequate for international organizations funded by member states. Changing resource levels cannot be taken as a given, but must themselves be explained.

The Levine-Rubin-Wolohojian model certainly offers, however, many practical elements and variables relevant for our research. For instance, one can certainly find similar stages in the UN's retrenchment process, its administrative responses, and the interactions between its formal authority structure and interest groups, and will be explored further in our first three research questions in chapter 6. But the basic theoretical starting point for this dissertation is that international organizations facing retrenchment have to deal with a more complicated political environment than national organizations do. The representatives in the UN General Assembly are both decision-makers for the Organization but at the same time promoters of their national interests in multilateral diplomacy. The political motives held by the sovereign states contributing resources must be factored in from the start. Doing so can contribute to the theory of retrenchment by elaborating on the consequences of this distinctive feature of international organizations.

2.4 Budgetary cutting, control and reorganizations in public policies

In the public sector, characteristic trends in retrenchment and reorganization are at the same time similar to and different from the private sector. The similarities concern mainly the economic reasons for financial stress and the particular ways the retrenchment and reorganization processes are undertaken. The differences refer mainly to the national and local politics having major impact on decision making. In this connection, the dynamic features pressure groups and constituencies are able to play in goal setting and decision making are of particular interest.

Urban retrenchment has been discussed in section 2.3. Here, we consider recent trends in formulating and making national public policies, especially budgetary politics, in most Western industrialized countries. Cutback management and retrenchment in the public sector was a new and quite common phenomenon in OECD countries in the late 1970's and throughout the 1980s.

Recurrent efforts to reorganize the U.S. bureaucracy have also undertaken with great enthusiasm by new American presidents as well as by newly elected state officials. New administrations evidently have wanted to leave their mark on the bureaucracy by organizing administrative structures and procedures into a new mold. Longer-term results have proved, however, to be very disappointing. Would that be the destiny of the reorganization either forced on the international organizations, or undertaken voluntarily, and under what conditions could this destiny be avoided? These questions are discussed throughout the rest of this dissertation.

Allen Schick completed a major study on the budgetary practices of the OECD countries in 1980s, based mainly on interviews conducted with high-level budget and political authorities. (25) According to him, the changes taking place can only be understood in light of the trends in the public sector during recent decades. In the era spanning the Second

World War to the 1970's OECD countries experienced sustained growth, widespread improvement in productivity and standards of living, as well as low rates of inflation and unemployment. Economic growth was accompanied by political stability. A consensus about the role of government in combatting unemployment and in ameliorating the financial distress of the jobless, aged, and ill led to steep increases in social expenditures and transfer payments. Economic expansion brought about incremental budgeting that concentrated governmental policies on the size and distribution of spending increases. Strict budgetary balance was abandoned in most OECD countries in this era. Deficits were, however, usually manageable. (26)

Economic and political stability were jarred in the late 1970s and early 1980s by stagflation - soaring inflation, high unemployment, and slowdown or halt in the productivity gains that had previously made it possible for both public spending and private consumption to rise, according to Schick. Economic adversity accompanying the change transformed budgeting from an engine of government expansion into a process of constrained further growth in the public sector. (27)

Cutback budgeting is, according to Allen Schick the trend applied to efforts to reduce spending below the level that would ensue if current policies were continued. It seeks to harmonize macro and micro decisions by implementing constrictive fiscal objectives through cutbacks in specific programs. Macro and micro decisions are linked by baselines which measure the gap between the trends in revenues and expenditures and the government's fiscal target. The gap is the amount of cuts that have to be made to implement macro objectives. When the gap is wide, as often was the case in the early 1980s, democratic governments have generally avoided deep cutbacks that would entail major changes in policy. They have settled instead for marginal reductions that can be achieved through regular budget procedures. This could be a laid-out schedule or a definite promise of a series of "down payments"

for closing the gap over a period of years. (28) The U.S. legislative targets of reducing the accumulating budget deficits could be seen as examples of this policy trend in 1980s.

Relative minor adjustments have usually sufficed in OECD countries because the cutbacks have been modest. The fact that spending, in total and for most programs, has continued to rise under cutback budgeting suggests that there has been a substantial difference between appearance and actions. However, some changes are clear. (29)

Marginal savings have been realized through old budget tricks such as across-the-board freezes and slowdowns in filling vacancies. Most industrialized democracies have made marginal cutbacks in entitlements and transfer payments, though they have carefully avoided tampering with basic benefits. The number of civil servants have, however, been reduced in some OECD countries. In the United Kingdom, the Thatcher Government was able to reduce the number of civil servants from 732,000 in 1979 to approximately 600,000 in 1985. (30) The Dutch Government decided in 1983 to reduce the size of its civil service by two per cent a year in order to eliminate idle capacity. (31) President Reagan pledged in 1980 to curb the size and influence of the Federal establishment and proceeded to cut 75,000 employees in domestic agencies. In 1987 the U.S. State Department prepared for the largest job cuts in its modern history - 1,270 positions - as it coped with severe budget restrictions. (32)

Most importantly, according to Allen Schick, cutback pressures have inspired efforts to import the techniques and ethos of business management into the public sector. The view is now widespread that, to obtain value for money, governments must hold spenders accountable for the costs they incur and the results they produce. There is also recognition that managers cannot be held accountable for costs or performance if they have no say over how resources are used. (33)

Reorganization is one way to cope with a financial stress. But departments and units could be reshuffled also without any obvious connection to immediate outside economic pressures if the ideological goal of the reform is to improve effectiveness on its own merit. Reorganization could be undertaken at all levels - national, state, local, in the private and public organization, as well as in international organizations. We will now study some reorganizations at the national and state levels, bringing the essentials of national and state politics into the picture, while underlining the role of ideological factors in bringing about a reorganization movement.

James Conant laments that the existing work on reorganization in the public sector is either conceptual or anecdotal. Empirically based studies of the results of reorganization are almost non-existing and thus our knowledge of the consequences of reorganization remains limited. Modern political scientists tend to think of reorganization as a political rather than administrative tool, according to Conant. Reorganizations, in terms of their impact on economy and efficiency, have been largely discredited in the contemporary academic literature. For instance, Donald Warwick and his associates analyzed a major reorganization in the U.S. State Department with somber evaluation of results achieved. (34) An illustrative but theoretically interesting example of that literature is provided below.

James March and Johan Olson examined the history of the efforts of comprehensive reorganization in the United States during the twentieth century, ending their research with President Carter's reorganization efforts. In their view the history of administrative reorganization is a history of rhetoric, trading, problematic attention - and symbolic action. (35) (We will later analyze the arguments that follow in our concluding chapter 9 by juxtaposing main propositions below with our findings from the case study.)

The authors found a few characteristics common in most reorganization efforts. The plans for reorganization are regularly defeated and abandoned and Presidents go through a cycle of enthusiasms and disappointments. Most reorganization plans fail to survive normal political trading. After all, it seems that the structure of the bureaucracy is less important politically to the President than it is to many legislators. Consequently, Presidents give up reorganization projects to secure legislative support for other more important things. (36)

To be more successful, bureaucratic reforms seems to require long-run commitment, patience and perseverance. March and Olson found that any major reorganization project is likely to fail, but persistent repetition of similar ideas and similar arguments over a relatively long period of time appears to make some difference. Persistence both increases the likelihood that the proposal will be current at an opportune time and creates a diffuse climate of availability and legitimacy. Reorganization can be viewed also as a form of civic education and will help to change the climate of opinion over time. Relevant ideas evolve over a series of experiences. There is a possibility of reorganization stimulating self-inspection of the agencies in general. Therefore, because of these secondary returns of persistence, the achievement record of reorganization efforts seem more impressive in the longer rather than shorter run. (37)

Theoretically speaking, March and Olson introduced concepts and approaches that help to put the reorganization efforts into a broader perspective. First, two pieces of orthodox rhetoric - administrative theory and realpolitik - are infused in the discourse on reorganization. It is a compelling historic feature of administrative reorganizations that such rhetorics has persisted throughout the twentieth century. (38)

Orthodox administrative theory speaks of the design of the administrative structures and procedures to facilitate the efficiency

and effectiveness of bureaucratic hierarchies. According to March and Olson orthodox administrative theory has been linked to religious and moral movements and is deeply ingrained in American culture. (39) Administrative orthodoxy emphasizes economy and control. It speaks of offices that could be abolished, salaries that could be reduced, positions that could be eliminated and expenses that could be curtailed. It calls for strong managerial leadership, clear lines of authority and responsibility, manageable spans of control, meritocratic personnel procedures, and the utilization of modern techniques for management. It sees the administration as the neutral instrument of public policies, and reorganization as a way of making that instrument more efficient through the application of some simple principles of organizing. (40)

Administrative rhetoric is the official language of laws governing reorganizations, many public statements about it, and the obligatory terminology of the reports. Although for many years most analyses of governmental expenditures have indicated that reorganizations cannot result in major savings the ritual of reorganization seems to require symbols of economy and efficiency to be used now and again. (41)

The second rhetoric of reorganization is the rhetoric of realpolitik, speaking of the reorganization in terms of a political struggle among contending interests. Fundamental political interests, within the bureaucracy and outside, seek access, representation, control and policy benefits. Organizational forms reflect victorious interests and establish a mechanism for future dominance. Conflicts and inconsistencies found in statutes, authorizations, and contradictory legislative mandates cannot be coordinated through reorganization. (42)

March and Olson see the rhetoric of realpolitik as an empirical and prescriptive counterpoint to an orthodox administrative perspective. To the emphasis on managerial control, it juxtaposes an emphasis on political control. It argues that a single individual has neither the cognitive capacity, nor the time and energy, nor the moral and

representational standing assumed by the managerial perspective. The dangers of a too powerful executive are real, good government cannot be reduced to good administration, and congressional and interest group parity or dominance in administrative affairs is a precondition for a good political system. Reorganization effort which ignores networks of power and interests - congressional committees, agencies and organized interests in societies cooperating in "iron triangles" - will fail or be inconsequential. It would thus appear that the real interests of political actors will find expression proportionate to their power, regardless of administrative arrangements such as reorganization. (43)

Reorganization could be also seen as a garbage can. Political bargaining over reorganization is sensitive to contextual fluctuations and to short-run changes in political attention. The general absence of precise rules controlling access makes it likely that reorganizations will become highly contextual combinations of people, choice opportunities, problems, and solutions. Thus the course of events surrounding a reorganization seems to depend less on properties of the reorganization proposals or efforts than on the happenstance of short-run political attention, over which reorganization groups typically have little control. Reorganization efforts also have difficulty in sustaining the attention of major political actors and drive reorganization into competition for scarce resources of attention. Presidents, congressional leaders, major interest groups, and higher civil servants are typically too busy to be more than very occasional participants. As a result, reorganization efforts often operate in an attention vacuum. (44)

Another garbage can character of reorganization is that reorganizations attract numerous otherwise-unoccupied participants as well as unresolved issues. Any particular reorganization proposal or topic for discussion is an arena for debating a wide range of current concerns and ancient philosophies. On the other hand, inviting more

people into the process involves compromises on the changes to be proposed. Extended participation tends to delay the process and radical changes need to be made fairly quickly if they are to occur at all. (45)

March and Olson also discuss reorganization as an expression of social values. Organizations are cultural systems embedded in a wider culture, and reorganizations are symbolic and rhetorical events of some significance to that wider culture. Although personal or group influences make it difficult to secure agreement on the specifics of any reorganization, the idea of reorganization rarely produces dissent. Everyone is for it. Although congressional actors protect their own committees, bureaucratic actors protect their own agencies, and presidents protect their own pet projects, they advocate the principles of simplification, reduction in government, and reorganization. (46)

Thus reorganization sometimes appears to be a code word symbolizing a general frustration with bureaucracy and governmental intrusion in private lives. Furthermore, efforts at comprehensive administrative reorganizations, like other governmental programs, are overall symbols of the possibility for meaningful action. Confessions of impotence are not acceptable; leaders are expected to act and reorganizations provide an opportunity to symbolize action. The most important thing appears to be statements of intent, an assurance of proper values, and willingness to try. March and Olson also argue that reorganization can become an alternative to action and a tactic for creating the illusion of progress where none exists. (47)

Finally, March and Olson give an interpretation of reorganization as a cultural ritual, and its rhetorical duality. The rhetoric of administration and the rhetoric of realpolitik are mutually supporting and are embedded in a culture in which each is important. The simultaneous recitation of the stories of classical administration and the stories of political realism are a reflection of the duality of social beliefs (faith in improvement through human intelligence with the

appreciation of the realpolitik involved), as are the uses of the sacred symbols of economy, efficiency, constituency pressure and interest groups. They conclude that because immediate structural change may be of less consequence than the reinforcement of social beliefs and long-term educational effects, there is little interest in studies of the immediate results of reorganizations. What people say and what they do are only loosely linked. (48)

Quite another and more optimistic picture than that provided by March and Olson emerges from a detailed empirical study on the New Jersey statewide reorganization in 1982-83, conducted by the Eagleton Institute of Politics in 1984 under the supervision of Alan Rosenthal and James Conant. (49) In answering the question whether reorganization is worth the time, effort, and resources James Conant says that the answer to this question hinges on one's objectives and expectations. If the objective is to balance the budget or reduce a large budget deficit the answer is no. However, if the bottom line objective is to slow the rate of growth, get a more efficient level of service for a given level of resources, or more money from low to high priority areas, the answer is probably yes. (50)

The New Jersey reorganization was not designed to curtail services or overhaul the general structure for the executive branch. At least at the outset, economy was the primary goal. The origins of the New Jersey reorganization can be found in a campaign promise. During his 1981 campaign for the governorship, Thomas Kean promised to reduce the size and cost of New Jersey state government. His primary objective was to make the state a more attractive place for business. In order to accomplish this goal business taxes had to be reduced and expenditures cut to make up for lost revenues. The business tax cut could cost the state \$100 million a year but this amount could be recovered by cutting government "waste and inefficiencies". (51)

The governor's election campaign coordinator was the chief architect of the reorganization plan. The organizational analysis was designed and supervised by one of the two consulting firms hired for the initiative. The organizational analysis was decentralized; each department was examined separately by a team or teams of "co-consultants", consisting of public managers and private sector executives. The recommendations generated from the reorganization plan emphasized: 1) structural change e.g. streamlining management levels, expanding the number of people supervised by each manager (span of control) and grouping functions together, 2) reducing management costs, and 3) reallocating resources by functional priorities. (52)

Even if the original objectives of the Kean administration, such as the \$100 million reduction in the bottom line, were not achieved, the reorganization had some important consequences. The study of the Eagleton Institute counted the value of some \$50 million in short term savings, representing 2.7 per cent statewide savings, if fiscal year 1984 funds were compared to those of 1983. (53)

Both Republicans and Democrats had their own methods of assessing the results, and partisan indicators were developed to study the impact of the reorganization. An indicator of savings, cost avoidance, was used by Governor Kean and his members for a short term study commissioned to identify the bottom line results of the reorganization. They argued that Kean's initiative provided a means to avoid costs that would have incurred without it and gave a figure \$102 million of savings. The measure used by Democrats, on the other hand, to document, publish and assess the results was the state budget (appropriation) totals. The results seem to contradict the governor's claim that savings were realized. State operating appropriations for fiscal year 1984 were \$110 million higher, not lower, than they were in fiscal year 1983, an increase of 5.9 per cent. (54)

In evaluating the New Jersey results James Conant states that while little evidence in the existing literature supports claims that reorganization can reduce costs or improve performance, this phenomenon may tell more about the methodological problems involved with measuring results than it tells about the results themselves. Empirical analysis of bottom line results is not only time consuming and expensive, it is also exceedingly difficult. However, results obtained at the departmental level in New Jersey show that reorganization can be an effective tool of administrative management. Savings (economy) can be achieved and performance (efficiency, effectiveness) improved. The reorganization study also shows, however, that improvements in economy are not likely to produce large savings on a statewide basis. (55)

The Eagleton Institute's study also provided a look at the role of leadership in the process of reorganization. The interviews conducted by the Institute were a key to locating one special type of bottom line result, namely the effect the reorganization initiative had on the attitudes and values of public managers in New Jersey. An executive expressed the role of leadership in giving new values in this way: "Before GMIP [the reorganization initiative], economy was just one of many values on our agenda. Now it's at the top of the agenda." Another said: "Without GMIP, we wouldn't have taken time to review our priorities and ask the question we asked. You just don't have the time." Another said: "You've have got to play it very conservatively in Government. No one wants to make decisions and no one wants to take risks. With GMIP, Governor Kean challenged us to do both." And still another: "Policy coming out of the executive office really does make a difference. It helps good managers do what they really need to do. Prior to GMIP, we were operating by the old rule of 'don't rock the bureaucracy.' When he announced GMIP, Governor Kean gave us the impetus we needed to take charge and make changes." (56)

2.5 Literature on management, and of political and financial crises in international organizations

Since this dissertation deals with the recent retrenchment and reform at the United Nations it is essential to know what makes the international organization unique - managerially and administratively - and what trends in UN politics tend to contribute to the emergence of political, organizational and financial crises in the Organization.

Two qualifications of the UN's staff, their independence from Governments and the highest standards of competence, have been regarded as cornerstones of the international civil service. Some argue that both are very much lacking in the present state of the affairs in the Secretariat. This dissertation argues, however, that some measure of independence and innovation still exists. The leadership provided by the Secretary-General can make a difference in this regard but he and the Secretariat do not function in a vacuum. The politics of the General Assembly and Member States have to be factored in to understand the political environment of decision making and the reasons for periodic crises battering the Organization. This milieu argumentation is used in our research question in chapter 8.

Two approaches to the UN's management are discussed below. The first one (Hammarskjold's approach) stresses the independence of the Secretary-General and his staff as a key to understanding the functioning of the Organization. The other approach sees the UN management basically reflecting the politics of the Member States and their coalitions, and the Organization as a vehicle to increase the influence of the actors involved in power politics.

Independence and competence of the international civil service:

Dag Hammarskjold laid down the tenets of the management principles of United Nations in his speech at the University of Oxford in 1961.

(57) According to Hammarskjold the Secretary-General and his staff have, contrary to the experience of the League of Nations, explicit

political functions in addition to their administrative and executive ones. Political responsibilities mean that sometimes controversial decisions have to be taken independently of the wishes of Member Governments, solely on the basis of the principles of the Charter, of international law, available precedents and political judgement. According to Hammarskold, this new conception originated principally from the United States, thus giving to the Secretary-General and the UN a certain reflection of the American political system with a strong executive at the top. (58)

In order to carry out the political function effectively, with only the interests of the Organization in mind (integrity of the staff), the heads of departments are supposed to report to the Secretary-General only, and not to their Governments. Thus the Secretary-General has personal responsibility for all actions taken in the Secretariat. (59) This feature stresses particularly the leadership requirement of the Secretary-General both inside and outside the Secretariat. Nothing should happen in principle if it is not authorized or at least tolerated by the Secretary-General. On the other hand, he or she has ample possibilities to take, and even implement on his or her own, political and administrative initiatives.

Article 101 of the Charter states that paramount consideration in the employment of the staff should be given to the necessity of securing the highest standards of efficiency, competency and integrity of the staff. According to Hammarskjold the drafters of the Charter clearly accorded priority to efficiency and competency over the staff's geographical representation. (60) The latter easily opens up doors for political patronage although being, at the same time, a legitimate assurance that all cultures and schools of thought are represented in the Secretariat.

Hammarskjold argued that the Secretary-General has consistently maintained the right to make the final determination on the credentials

of applicants on the basis of his own independent appreciation of the facts. (61) To help him in getting the best possible applicants the General Assembly accepted the so-called Noblemaire principle, as an employment enticement in determining the compensation level, according to which the staff would be compensated at least by the standards of the highest-paid national civil service. (62)

Over the decades, however, observers of the United Nations have lamented the negative trend noticed in the UN staff and administration. These developments have taken the UN far away from the original principles of an independent civil service, good management practices and high-quality performance. The following allegations are often made:

- political patronage has been rampant in the Secretariat, especially at the highest levels; (63)
- the powers of the Secretary-General have greatly diminished since (a) the departmental and executive heads have gained a much too powerful status, establishing independent national preserves in the UN system, challenging forcefully the authority of the Secretary-General to run the Organization (64) and (b) the General Assembly has impinged upon the political and managerial responsibilities of the Secretary-General by trying to regulate his actions through numerous and detailed resolutions; (65)
- the qualifications of the staff are poor; the staff's academic qualifications leave much to be desired; (66)
- efficiency has diminished due to poor co-ordination, inadequate management structures and substantial but superfluous increases in staff, especially in management positions, as the UN has amassed new mandates; (67)
- the independence of international civil servants from their Member Governments has deteriorated; this is partly due to double loyalty of the staff and the secondment practice of a number of governments (68) and to the uncompetitive salary situation, (69)

compelling a number of OECD Governments to support their nationals, especially high-level officials, through covert or overt supplementary payments and housing allowances, but at the same time making the officials financially dependent on their governments.

We will argue in this study that some measure of independence and innovation still exists - contrary to the view of many scholars of international organizations (70) - and the UN crisis, in fact, slightly increased the Secretary-General's future capacity for independent and strategic leadership.

The crises of international organizations in the context of UN politics:

L. Ronald Scheman analyzed the reforms in the Organization of American States between 1975-1983 and shed some light on the importance of addressing the political dimension of an organizational reform at the international level. According to Scheman the reorganization results were dramatic both in positive and negative terms. The secretariat staff was cut by 34 per cent at the same time as the budget increased from \$61 million to \$94 million and, as an outcome of the restructuring, direct services went up from 51 per cent to 73 per cent of the budget without increases in delays, backlog, or strain on the remaining staff. (71)

Politically, the effects were noteworthy for their almost total futility and resulted neither in changes in attitude toward the Organization nor any resolve among the Member States to deal with the underlying political issues which had motivated the effort. Scheman states that the reasons for reform were the need to adapt the OAS to current needs and to the economic situation of the member countries and to streamline the management system which had depressed staff motivation and paralysed policy-making. But one of the immediate reasons for change was, in fact, an American threat to lower its share of the OAS

budget, politicizing dramatically the reform discussions. (72) The leadership of any reform aiming to achieve longer-term results has to take into account this political environment in which retrenchment and reform takes place and which determines how and with what success the administrative reforms could be planned and implemented.

Lawrence Finkelstein, in providing a framework for a major 1987 compilation of contributions by authors on the United Nations, sees UN politics as a struggle over authoritative outcomes of the decisions in international bodies. The UN financial crisis and reform belongs to this struggle. He hypothesizes that a trend has taken place in the UN system from a decentralized to centralized decision making. The UN crisis is related to this trend. (73)

Finkelstein maintains that in the early days of the UN the approach to decision making was diplomatic. Bargaining was stressed and the sovereign equality of the members was a code of conduct, requiring the consent of all parties to the process. In this sense Finkelstein calls the old decision-making mode a decentralized one. (74)

In the 1960s and 1970s, the trend turned from a diplomatic approach to a political one. In this change majority-voting became a norm. Decision making changed to a more centralized direction in the sense that a majority could decide without the consent of the minority. In this drive the majority (the Third World) aimed at: (75)

- creating principles and rules (treaties) thought to be beneficial to the interests of the majorities; (76)
- legitimizing these principles (e.g. through reiterating them in a number of resolutions and in different forums);
- creating extra secretariat structures and positions planned to favor the implementation of above principles.

The minority was, however, by no means powerless, according to Finkelstein, and has now launched a strong initiative to redress this trend, using the financial dependence of the organizations as vehicle

for change. One aim was to go back to the consensus method (e.g. in decision making on the UN budget). The major instrument is both the threat to withdraw from the organization or to withhold part of financial contributions. (77) Sidney Weintraub sees in this context that there was in U.S. policy in 1970's and 1980's a tendency to prefer functionalistic agencies (like WHO) over multilateral institutions (like the UN) where issue linkage for political aims of the Third World are often used against American interests. (78)

Finkelstein finds partial evidence to support his hypothesis. One example of his asserted tendency towards centralized decision making is the increased authority gradually gained by the UN Secretary-General and other UN agency heads over the decades. (79)

Finkelstein's hypothetical framework invites critical comments. The decision making in the 1940's and 1950s in the UN could also be seen as centralized through American (and Western) hegemonic influence. This happened, for instance, in the reappointment of Trygve Lie in 1951 when the Western majority brought the issue from the stalemated Security Council to the General Assembly, against the Charter intent, and used the majority to reappoint Lie. Evan Luan states that "...the entire episode is a typical example of a gross abuse by ruling majority of its voting strength...to seek a spurious means of evading the clear meaning of the Charter provision was only to open the door to similar abuses, on similar questions, by any other majority which might finally come to power within the organization." (80)

Another approach to analyzing politics at the UN is - not to look at the voting patterns on the UN - but rather to the influence the states are wielding. In this context, economic power could explain part of the real influence of states. We will use this argumentation, parallel with Finkelstein's approach, in chapter 8 to explain the broader context of the mid-1980s UN crisis.

Conclusions:

As a conclusion, we present an alternative research framework to UN politics and management for this dissertation, using as a reference the above discussion and the concepts of influence and power in UN decision making articulated by Robert Cox and Harold Jacobson. (81) We postulate that the following two complementary levels of analysis have to be studied in tandem:

1. Multilateralism as an ideology: the UN is seen as a value as such. This approach assumes that there are forces in UN politics, especially embodied in the UN Secretary-General and a good part of his staff, as well as within some idealistic foreign policy officials and statesmen, seeing intrinsic value in nurturing the independence, integrity and efficiency of the UN as a useful instrument on its own right in international politics.

2. Struggle for power and influence: the UN is seen as an instrument to gain national and other parochial interests. This approach assumes that everything that happens at the UN is to be seen as fulfilling the interests of particular member states, blocs and their drive for power and influence. Therefore there exists no real interest in efficiency and streamlining per se, only to the degree the measures benefit the parochial interests of the Member States.

We will hypothesize in this dissertation that both these levels should be analyzed together in the UN retrenchment and reorganization carried out between 1985-1988. One could see an interplay of both forces in action and stress one at the cost of the other leads to biased research results.

ENDNOTES

1. Robert M. Tomasko Downsizing, Restructuring the Corporation for the Future (New York, American Management Association, 1987), p.1.
2. Ibid., pp.13-26.
3. Ibid., pp.32-35, 39.
4. Ibid. pp.35-39.
5. Ibid. pp.26-27. See Thomas J. Peters and Robert H. Waterman Jr. In Search of Excellence; Lessons from America's Best-run Companies (New York: Warner Books, 1982).
6. William E. Fruhan, Jr., "Corporate Raiders: Head'em Off at Value Gap," Harvard Business Review, number 4 (July-August 1988), p.63.
7. Carl C. Icahn, "The Case for Takeovers," The New York Times Magazine (29 January 1989), p.34.
8. Amar Bhidé, "In Praise of Corporate Raiders. Junking Three Fallacies about Hostile Takeovers," Policy Review, no. 47 (Winter 1987), p.21.
9. John Brooks, The Takeover Game (New York: E.P. Dutton), pp. 31-32; chapter 8 summarizes the views of the critics of corporate takeovers and mergers; see also e.g. Robert B. Reich, "Leveraged Buyouts, America Pays the Price," The New York Times Magazine (January 29, 1989), pp. 32,36,40.
10. Economic Report of the President (Washington D.C.: 1985), quoted in John Brooks, The Takeover Game, p.226.
11. James Tobin, New York Times (19 August 1984) section III, p.12.; quoted in John Brooks, The Takeover Game, p.33.
12. Brooks sees the latest takeover boom to be connected to a number of factors, among them: (a) The emergence of deregulation and increased competition for more efficiency, as a part of the ideology and practice of the Reagan Administration. In this connection the issuance of Rule 415 by the Securities and Exchange Commission in 1982 opened ways for increased takeover and merger activity. It allowed, among other things, a single firm like an investment house to buy an entire securities issue from a corporation and then market it unassisted using its own distribution facilities. This was, according to Brooks, a part of the far-reaching deregulation program undertaken by the Reagan Administration. (b) Breakdown of the old hierarchical Wall Street structure under the pressure of competition and a drastic reduction in the size of syndicates, resulting in the freeze-out of smaller broker-dealer firms. (c) The emergence of a new generation of young investment banking inventors, often with a background in mathematics, drawing a six-figure salary and possessing an inventive brain. (d) Increasingly frequent involvement of a raider - a handful of men whose personal resources, along with bank and other credit based largely on successful past deals, gave them the power to terrorize all but a few huge companies. (e) Prospects for extraordinary high fees involved in takeovers providing a strong motivational background for corporate aggressors. See Brooks, The Takeover Game, pp.10,16-17,110,186,253.
13. Fruhan, "Corporate Raiders", p.68.

14. Ibid. p.65.
15. Tomasko, Downsizing, p.199.
16. Ibid. p.203
17. A West German food retailer who had acquired a troubled supermarket chain presented the managers and employees of the chain with the following challenge, instead of launching massive layoffs : Find ways to increase sales by 5 per cent and no one would be out of work. In this case participatory management worked, and ultimately no one was fired since untapped innovative capacity was made to work. Ibid. p.204.
18. Ibid.
19. Charles Levine et al, Politics of Retrenchment. Other relevant books and articles relevant to urban retrenchment: Brecher and Horton "Retrenchment and Recovery"; Levine and Rubin, Fiscal Stress and Public Policy; Martin Shefter, Political Crisis/Fiscal Crisis. The Collapse and Revival of New York City (New York, Basic Books, 1985).
20. Levine et al, Politics of Retrenchment, p.16.
21. Ibid., p.17.
22. Ibid., p.35.
23. Ibid., pp.35-36.
24. Ibid., chapters 3-8.
25. Allen Schick, "Micro-Budgetary Adaptations to Fiscal Stress in Industrial Democracies," Public Administration Review volume 48, number 1, (January/February 1988), pp. 523-537.
26. Ibid., p.523.
27. Ibid.
28. Ibid., p.524.
29. Ibid.
30. Ibid. p.531.
31. Yves Beigbeder, Management Problems in United Nations Organizations, Reform or Decline? Studies in International Political Economy (London, Frances Pinter Publishers, 1987), p. 160.
32. Charles H. Levine, "The Federal Government in the Year 2000: Administrative Legacies of the Reagan Years," Public Administration Review, volume 46, number 3, (May/June 1986), p.196; John M. Goshko, "Budget Cuts Force State Department to Eliminate 1,270 Jobs," Washington Post, 9 October 1987. However, intention apart the whole picture in the Federal establishment turned out to be more complicated as another citation from Levine testifies: "Yet, despite President Reagan's persistence and his popularity, the federal government's budget continues to grow and its work force has actually increased since 1981." (p.196).
33. Schick, "Micro-Budgetary Adaptations," p.531.

34. In June 1965, the State Department launched one of the most extensive attempts made to reduce bureaucracy, eliminating 125 positions in the administrative area, decentralizing operations and removing levels of supervision. In June 1966, the department invited a team from the University of Michigan, including Warwick, to document and evaluate the reorganization. Before they finished in 1967, it was already evident that debureaucratization was giving way to rebureaucratization, pieces of old bureaucracy beginning to reappear. Donald P. Warwick (with Marvin Meade and Theodore Reed), A Theory of Public Bureaucracy: Politics, Personality, and Organization in the State Department (Cambridge: Harvard University Press, 1975), pp. 9-10; James Conant "Reorganization and the Bottom Line", p.48. Another example of a pessimistic view is the following: "Experience with reorganization suggests that it can indeed have the political advantages claimed for it. No evidence has yet been produced, however, to suggest that reorganizing government leads to greater competence in the performance of its functions or to specific gains in efficiency or effectiveness. The contrary is probably the case." Laurence Lynn, Managing the Public's Business (New York: Basic Books, 1981), p.90.

35. March and Olson, "Organizing Political Life," p. 291.

36. Ibid., pp.284-285.

37. Ibid., pp.287-289.

38. Ibid., p.282.

39. Ibid.

40. Ibid., pp.282-283.

41. Ibid., p.283.

42. Ibid.

43. Ibid., pp.283-284.

44. Ibid., p.286.

45. Ibid., p.287.

46. Ibid., pp.289-290.

47. Ibid., p.290.

48. Ibid., p.291.

49. See Conant, "Reorganization and the Bottom Line".

50. Ibid., p.55.

51. Ibid., p.49.

52. Ibid., p.50.

53. The calculations were based on the departmental listings of specific changes made and savings achieved during the initiative (such as savings from workforce reduction and administrative changes). Ibid., p.53.

54. Ibid., p.52.

55. Ibid., p.55.
56. Ibid.
57. Dag Hammarskjold, "The International Civil Servant in Law and Fact", a lecture delivered to Congregation, University of Oxford, on May 30, 1961; Original printed by Clarendon Press, Oxford, reprinted in Robert S. Jordan, ed., International Administration, Its Evolution and Contemporary Applications (London: Oxford University Press, 1971).
58. Ibid., pp. 252-254, 263-271.
59. Ibid., pp.251,255.
60. Ibid., p.256.
61. Ibid., p.259.
62. James O.C. Jonah, "Independence and Integrity of the International Civil Service: The Role of Executive Heads and the Role of States," New York University Journal of International Law and Politics, volume 14, number 4 (Summer 1982), p.845.
63. Seymour Maxwell Finger and John Mungo, "The Politics of Staffing the United Nations Secretariat," The Ralph Bunche Institute on the United Nations, The Graduate School and University Center of the City University of New York, December 1974, monograph, pp.6-27.
64. Theodore Meron, The United Nations Secretariat: The Rules and the Practice (Lexington, Massachusetts: Lexington Books, 1977), chapter 5: Erosion of the Powers of the Secretary-General: The New Barons and National Preserves, pp. 85-100.
65. Stanley Foundation, The United Nations: Mission and Management, Report of the 21st United Nations of the Next Decade Conference, 28 June - 3 July 1986, Quebec, Canada, p.23.
66. Maurice Bertrand, "Some Reflections on Reform of the United Nations, Joint Inspection Unit," Geneva, 1985, JIU/REP/85/9; Reprinted in UN document A/40/988; 6 December 1985, p.12.
67. United Nations, Report of the High-level Experts, A/41/49, p.1.
68. Robert S. Jordan, "'Truly' International Bureaucracies: Real or Imagined," in Lawrence S. Finkelstein, ed., Politics in the United Nations System (Durham and London: Duke University Press, 1988), pp.426, 436.
69. Donald J. Puchala and Roger A. Coate, The Challenge of Relevance: The United Nations in a Changing World Environment, The Academic Council on the United Nations System, Reports and Papers 1989-5, p.75.
70. See for instance Robert Jordan, a well-known scholar of international civil service, who recently noted: "Therefore, a "real" or "pure" international bureaucracy, in the sense of being politically neutral, must be viewed as imaginary in many if not most of the various agencies of the United Nations system. The reality more closely approximates the highly politicized bureaucracies of most of the member-states.".... "Why, then, continue to promote an image, or imaginary or mythical standard of conduct, for international civil

servants when the reality is often otherwise?" Jordan, "'Truly' International Bureaucracies," p.438.

71. L.R.Scheman, "Institutional Reform in the Organization of American States, 1975-1983: A Case Study in Problems of International Cooperation," Public Administration and Development, vol.7, number 2 (April-June 1987), Journal of the Royal Institute of Public Administration, Special Issue on The Administrative Reform Process in International Development Organizations, guest editor Paul Collins, p.215.

72. Ibid., pp.230-231.

73. Finkelstein "The Politics of Value Allocation in the UN System," in Finkelstein, Politics in UN System, p.6.

74. Ibid., p.5.

75. Ibid., pp.12-23.

76. The Third World did create principles quite effectively since minorities did not consider declarations to be salient to their national interests whereas the reverse was true with rules (treaties). Ibid.

77. Ibid.

78. Sidney Weintraub, "US Participation in International Organizations: Looking Ahead," in Toby Trister Gati, ed., The US, the UN, and the Management of Global Change. UNA-USA Policy Studies (New York: New York University Press, 1983), pp. 187,191.

79. Finkelstein, "Politics of Value Allocation," pp.10-11.

80. Evan Luard describes it in the following way: "There was a series of meetings to break the deadlock but still the Council was unable to agree. The matter then went to the Assembly. Under the Charter the Assembly could not make an appointment except on the recommendation of the Security Council. But at US instigation, the Assembly eventually decided that Lie should 'continue in office' for a further three years after the end of his five-year term...it was what the Western powers demanded; and since they controlled the organization it is what happened." Evan Luard, A History of the United Nations, Volume 1: The Years of Western Domination 1945-1955 (New York: St. Martin's Press, 1982), p.351.

81. Robert W. Cox and Harold K. Jacobson, The Anatomy of Influence: Decision Making in International Organization (New Haven: Yale University Press, 1973), chapter 1.

CHAPTER 3

ONSET OF CRISIS AND FORMULATION OF RESPONSES

3.1 Previous financial crises of the United Nations

The financial problems of the Organization started as early as the 1950s. At the end of 1956 the General Assembly began to levy assessments on Member States to cover part of the costs of the United Nations Emergency Force in Suez, which resulted in the first shortfalls in the payment of contributions to the Organization. The first crisis of some proportions emerged in 1960 when some Member States, led by the Soviet Union and France, refused, as a matter of principle, to pay contributions assessed by the General Assembly for financing the costs of the UN Operations in the Congo. (1)

The crisis of the early 1960s was serious but did not result in retrenchment or reorganization, nor in any serious rethinking of the administrative and budgetary processes of the Organization. At that time, however, the financial crisis did evolve into a major political crisis. The U.S. sought to invoke Articles 17 and 19 of the Charter against the Soviet Union. These articles provide that Member States should pay the portion of the budget assessed to them by the General Assembly, and that any state that falls two years in arrears will lose its vote in the General Assembly. By 1964, the Soviet Union was delinquent on this amount. If the Soviet Union had been denied the right to vote it might well have withdrawn from the Organization. (2)

A major political confrontation was averted when the United States, which no longer commanded automatic majorities in the Assembly, decided not to press the General Assembly to invoke Article 19. The U.S. Ambassador, Arthur Goldberg stated, in 1965, however, that if any member of the UN made an exception to the principle of collective financial responsibility, the United States would reserve the same option if there were strong and compelling reasons for doing so. (3)

By 1962 the United Nations budget deficit was already projected in the amount of \$ 170 million, bringing the Organization to the brink of bankruptcy. U Thant, after considering various alternatives, sought the General Assembly's approval for a special issue of UN bonds in the amount of \$200 million. The bonds bore interest at 2 per cent and were issued to Member States and UN Specialized Agencies. They could be issued to private organizations subject to approval by the Secretary-General. President Kennedy in 1962 sent to the Congress a message requesting an appropriation for the purchase of \$100 million of UN bonds and after protracted discussion funds were finally approved. Many other Member States followed suit and contributed to ease the effects of the crisis. (4)

Although General Assembly resolution 1739 (XVI) of December 1961 authorized the issuance of United Nations bonds to solve the crisis, some Member States began to withhold part of their regular budget assessments in respect of their shares of the costs of servicing the bond issue, and also, in some cases, to their shares of the costs of specific activities which they considered illegally included in the regular budget. During the period 1957 to 1965, the General Assembly took the following actions to deal with the situation: (a) it increased the level of the Working Capital Fund from \$20 million in 1956 to \$40 million in 1963; b) it authorized the sale of UN bonds; c) it requested Member States to make advance payments (\$54 million were realized) and d) it appealed in 1965 for voluntary contributions to assist the Organization to overcome its financial difficulties. A United Nations Special Account was established for that purpose. The response was \$26.3 million. (5)

Four intergovernmental bodies reviewed the financial problems of the Organization. The Special Committee on Peace-keeping Operations was established in 1965 and it concluded by consensus that the funding problems should be solved through voluntary contributions by Member

States, with substantial contributions from highly developed countries.

(6)

In 1966, the General Assembly established the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies. The Committee estimated that the continued servicing of the UN Bond Issue would lead to increases in the cumulative deficit in the regular budget at the rate of approximately \$2.4 million per year, and that the additional withholdings related to other items would result in further increases in the deficit at the rate of \$0.8 million a year. In its second report, it made a number of recommendations aimed at improving the planning, budgeting and administration of international programmes and the establishment of a Joint Inspection Unit (JIU), an independent Geneva-based evaluation agency which came into being in 1968. (7)

In 1972, the General Assembly established the Special Committee on the Financial Situation of the United Nations. This Committee addressed the cash liquidity situation; the development of a sound and agreed budget and financing structure from which there would be no withholding in the future, and the elimination and financing of the past deficit. After an extensive discussion of a "total package" solution to the financial problems, it reported to the Assembly that it was unable to formulate a common position. There was, however, again a general agreement that the major part of the deficit could be eliminated only by voluntary contributions from Member States. The General Assembly, in resolution 3049 (XXVII) of 19 December 1972, requested all Member States - and invited non-Member States - to make voluntary contributions to a Special Account. In response, contributions totalling \$16.3 million were received. (8)

In 1976, the General Assembly established the Negotiating Committee on the Financial Emergency of the United Nations with a mandate "to bring about a comprehensive settlement of the financial

situation of the United Nations". After detailed examination of a number of measures the Committee reported to the Assembly that it had been unable to reach a consensus on the financial difficulties of the Organization and, consequently, was not able to put forward recommendations to the General Assembly for an agreed solution. (9)

The General Assembly requested the Negotiating Committee to submit a supplementary report on future developments. Since then an item has been included on the agenda of the Assembly entitled "Financial Emergency of the United Nations". Under this item, the Secretary-General has provided annually detailed information on the extent, rate of increase and composition of the deficit as well as on voluntary contributions received from Member States and other sources. (10)

In 1981, in his report to the thirty-sixth session of the General Assembly, the Secretary-General stated that the financial difficulties had assumed alarming proportions, and that it was no longer possible to defer arriving at some solution to those difficulties. He therefore presented various options to the Assembly to deal with the situation. The General Assembly in its resolution 36/116 B of 10 December 1981, on the basis of the analysis of the Secretary-General and of the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), approved an increase in the Working Capital Fund from \$40 million to \$100 million as from 1982. (11)

3.2 The events in 1985

In the summer and fall 1985 the U.S. Congress passed legislation that posed a serious financial threat to the Organization. The first important piece of legislation was the Kassebaum Amendment (Section 151 of PL 99-93, the 1986 State Department Authorization Act), which was enacted in August 1985. It provided that, starting in U.S. fiscal year 1987 (which began October 1, 1986) the United States could pay no more

than 20 per cent of the annual budgets of the UN or any of the Specialized Agencies unless the agency had established a system of weighted voting on budgetary matters. Weighted voting was defined as voting strength proportional to a country's share of the total financial burden of the agency. (12)

The other law was the Gramm-Rudman Act (The Balanced Budget and Emergency Deficit Control Act of 1985, PL 99-177), enacted in December 1985. It provided for reduced federal deficits over the next five years, leading to a balanced budget in 1991. If deficits were higher than those specified, starting in the 1985-86 fiscal year, then funds were to be cut from most federal programs ("sequestered") in an automatic way to produce needed savings. (13) Both of these laws led to American withholdings from the UN budget.

Background for a new American attitude:

Donald Puchala and Roger Coate provide a vivid account of the background leading to American withholdings. They describe the attitude of many U.S. officials toward the UN as one of disenchantment, noting that recent U.S. Administrations have had low expectations about the UN as an instrument for U.S. foreign policy. From the mid-1960s onwards Washington view was that the United Nations had increasingly become a preserve of the Third World, which had sought to use it to press for a restructuring of the global economy by extracting resources from the wealthier countries. Particularly annoying to the U.S. Government was that a number of developing countries had also used the Organization's public forums to decry the policies, question the values, reject the ideologies, and insult the governments of the West. (14)

Over time, Washington also began to perceive the UN as a cold war barometer. It was not only losing the cold war in the UN, but losing it partly because the UN was cleverly and effectively used by the friends of communism and the foes of capitalism. The American government tended

to perceive the UN as a place where "double standards" of international morality were applied. The UN membership's practice of highlighting and condemning the misdeeds of some governments and excusing by silence the wrongdoing of others frequently embarrassed the friends of the United States. Israel had long been treated as a pariah by the majority of UN members. (15)

Robert Meagher also saw that the loss of the controlling influence of the U.S. and the Western Europe at the UN was an important factor in this connection. Over time, various political actions of the General Assembly (such as equating Zionism with racism -resolution of 1975) and the use of the UN by the developing countries to bring about a New International Economic Order (NIEO) caused congressional disaffection with the UN. The Reagan Administration was then able to capitalize on these attitudes with a dramatic effect on the evolving American UN policy: (16)

Most importantly, the election of Ronald Reagan opened the United States foreign policy shop to the politically conservative extreme Right. For years prior to their gaining office, these representatives of the Right had operated from bases, such as the Heritage Foundation, to compose a most damning brief against multilateralism, the UNO, and the entire United Nations system. The new U.S. Administration accepted and integrated most of the arguments rehearsed there, and they fired themselves up to very high levels of indignation over the ideologically sensitive elements of the case against the UN concerning the organization's anti-capitalism, its leaning towards statist policies, and the supposed opportunities it afforded to the Eastern bloc. Then they added a particularly sharp set of their own criticism concerning the inefficiency, extravagance, politicization, depravity, and the corruption of major international organizations. UNESCO, the World Food Programme, the FAO, the UNDP, and the UNO appear to have been targeted for direct assault. The stated object of this attack on the UN system from the newly empowered American Right was "reform", but United States withdrawal upon failure to "reform" according to U.S. guidelines was a serious option.

About 1985, with passage of the first Kassebaum amendment, three evolving situations converged in American politics to cause non-support for the UN. Disenchantment with the United Nations in the Executive Branch of the U.S. Government was widespread. Some of the highest officials appointed to deal directly with the UN both in New York

Delegation and the State Department's International Organization Bureau, harbored strong reservations about the worth of the Organization. (17) The composition of the Congress had also shifted to the right and while public opinion remained generally favorable towards the UN in most parts of the United States, there were now active extreme right-wing factions in almost every state and district. While pro-Israel attitudes predominated in Congress, the UN was perceived to be an anti-Israel institution. Congressmen and senators found out that right-leaning and pro-Israel groups could be placated, and their votes garnered, by disapproving gestures directed at the UN. UN bashing was politically a rather cheap way to pay off the right-wing voters in their districts. (18) This in turn reflected the perception of the UN as a player of marginal significance in a larger scheme of international politics.

Finally, the emergence of the U.S. budget deficit was a major development that helped to concretize American non-support for the UN. Most decisions emanating from Washington were "deficit driven". What looked affordable in the years before - like modest dues owed to international organizations - now looked expensive. In this political and budgetary climate UN expenditures were "expensive" and the American assessment "unfair". (19)

Financial situation at the end of 1985 and prospects for 1986:

For the United Nations the financial situation became precarious. By the end of 1985, all reserves already had been committed to meet the deficits resulting from withholdings of 18 Member States from the regular budget and, to a lesser extent, from the late payment of assessments. Under these circumstances the long-standing problem assumed a totally new dimension when at the end of 1985 (and the beginning of 1986) likelihood of major U.S. withholding became apparent. Suddenly the shortfall in the contributions for calendar years 1985 and 1986 had to be estimated in the range of \$90.5 to \$102.5 million.

Previous withholdings could be managed since the U.S. contribution, 25 per cent of the total, was always received. Now this predictability vanished. The Secretary-General did not even receive notification of the exact amount of the U.S. shortfall. (20)

The payments from Member States in 1986 were expected to be from \$59.0 million to \$71.0 million less than the amount assessed for 1986. As a consequence the arrears, projected to 31 December 1986, would increase in the range from \$263.0 to \$275.0 million. Both amounts were greater than the combined total of the reserves estimated at \$199.2 million. The resulting difference, i.e. arrears minus reserves, was therefore a projected shortfall between \$63.8 and \$75.8 million. (21)

The first signs of a major crisis had been noted by the Secretariat and a number of delegations earlier in 1985. The Japanese Foreign Minister, Shintaro Abe, proposed on 24 September 1985 the setting up of a high-level expert group to study the efficiency and functioning of the Organization, as a response to the criticism voiced against the shortcomings of the United Nations. On 18 December 1985, the General Assembly agreed on the establishment of the 'Group of 18' to review the administrative and financial functioning of the Organization. (22) The Group did not, however, plan to address the short-term financial problems. The Secretary-General's responsibility for managing the crisis was therefore clear and imminent.

3.3 The first set of responses by the Secretary-General to the financial crisis

3.3.1 Early economy measures

The early economy measures taken in the Secretariat were planned in the Office of the Secretary-General and the Department of Administration and Management without changes in normal budgetary procedures and organizational structure. (These would come later). As a

first step, on 17 January 1986, the Secretary-General put into effect the following measures: (a) A 20 per cent reduction in costs relating to travel, the hiring of consultants, temporary assistance and overtime; (b) Deferral of a number of alteration and maintenance projects; (c) Strict application of the resolutions of the General Assembly and of the Economic and Social Council on the control and limitation of documentation.

These measures were expected to yield savings of approximately \$15 million. (23) Secondly, on 20 March 1986, the Secretary-General implemented the following additional measures (24): (a) A freeze in recruitment; (b) Non-extension of staff beyond the age of 60; (c) Suspension of the payment of the second half of the representation allowance for staff at Director level and above; (d) A further 10 per cent reduction of costs relating to overtime payments; (e) Suspension of the promotion process for six months; (f) Deferment of the implementation of cost-of-living adjustment in the salaries of secretarial and related staff at the eight main duty stations; (g) A number of house-keeping economies and adjustments.

These further measures were estimated to produce additional savings of some \$15 million. The Secretary-General also announced that he had asked the fortieth session of the General Assembly to reconvene on 28 April 1986 to consider the urgent steps required to cover the overall cash shortage of some \$100 million. In addition, he mentioned that all Department and Offices had been asked to indicate how a reduction of 10 per cent in their budget expenditures could be best achieved. (25)

3.3.2 Establishment of the High-level Steering Committee Inside the Secretariat

In February 1986 the Secretary-General established a group of high-level Secretariat officials, headed by the Under-Secretary-General

for Administration and Management, Patricio Ruedas (Spain), to advise him on how to deal with the rapidly deteriorating financial crisis. Originally, this in-house Committee was charged with the task of reviewing the information and policy suggestions to be provided to the Group of 18 by the Secretary-General. But during the course of its first months of existence it was decided to broaden its mandate to include the discussion of the measures contemplated by the Office of the Secretary-General to deal with the financial crisis. (26)

The composition of the nine-member Steering Committee was of some importance. First, three members came from the Office of the Secretary-General: Virendra Dayal, Chef de Cabinet (India), Alvaro de Soto, Executive Assistant of the Secretary-General (Peru) and James S. Sutterlin, Director (the U.S.). (27) Three other came from the Department of Administration and Management (DAM). The original DAM members were, however, all replaced or retired within a year. Whether this replacement was a deliberate policy or a coincidence is discussed later. Other members of the Committee were the Director General for Development and International Economic Co-operation, Jean Ripert (France), the Under-Secretary-General for Political and General Assembly Affairs, William B. Buffum (the U.S.) and the Assistant Secretary-General for Programme Planning and Co-ordination in the Department for International Economic and Social Affairs, Luis Gomez (Argentina), who later took over a key position in the reorganized Department of Administration and Management.

The strong presence of high-level political officials suggests that the financial crisis was also regarded as a political crisis, a point which the Secretary-General made repeatedly in public statements and reports. The composition reflected geographical concerns, about 50 per cent of the members coming from the Third World countries. However, it was not balanced in terms of East-West axis: two Americans and no Soviets. To a great extent this imbalance reflected the fact that the

Soviets did not hold high-level posts in the administrative field or in the Secretary-General's Office.

Work of the Steering Committee: preparations for the reconvened Assembly

The first main task of the Steering Committee was to consider the measures the Secretary-General was planning to take regarding the impending financial crisis of the Organization. The Secretary-General had decided to reconvene the 40th General Assembly to discuss ways to tackle the immediate financial situation. But before presenting anything to the Assembly the planned measures had to be discussed in the Secretariat at the managerial level.

The main results of the Steering Committee discussions were included in the Report of the Secretary-General on the "Current Financial Crisis of the United Nations". (28) In this report the Secretary-General identified additional savings of \$30 million toward the expected shortfall of some \$76 million for 1986, in addition to the \$30 million accounted for by the measures already taken.

The further savings identified as achievable included: deferment of major capital expenditures, in particular the construction of the new conference centers at ESCAP (Economic and Social Commission for Asia and the Pacific) and ECA (Economic Commission for Africa); modification in the calendar of meetings and conferences (such as curtailment of the forty-first session of the General Assembly by three weeks), and in the provision of meeting records; general reduction in the acquisition of furniture and equipment; curtailment of the 1986 publications program and the deferment of certain additional program activities.

There was still a shortfall of approximately \$16 million of the projected deficit of \$76 million. (29) Given these circumstances, the Secretary-General recommended to the General Assembly to call upon Member States to make advance payments towards their assessed

contributions for 1987 and to endorse the appeals which he has already made to the Member States, namely to comply with the provisions of the Charter in promptly paying arrears and in meeting current assessments, and to augment the Special Account through voluntary contributions. (30)

The reconvened General Assembly endorsed these recommendations in its resolution 40/472. (31) However, at the time there was no clear prospects for the UN to meet the financial shortfall which even with the savings was now calculated at \$46 million (\$16 million shortfall after all savings plus additional \$30 million due to the depreciation of the dollar). Therefore, the critical issue for the Organization still was how to get the U.S. to pay more - i.e. to reduce its arrears. This issue formed the underlining framework for the work of the Secretary-General in the months to come.

Policy discussions in the Steering Committee:

Since the Steering Committee was originally established to deal with the flow of information provided by the Secretariat to the Group of 18, it naturally also discussed three key policy issues that the Secretary-General wanted to pose to the Group. They were presented by James Sutterlin, the director in the Secretary-General's Office, who had started to function as de facto executive secretary of the Committee, after having gathered a team, the Special Working Group, for various preparatory tasks (see next section).

The first issue taken to the Committee was the original reorganization plan for the political sector of the Secretariat which later formed the basis of the review of the political offices and departments called for by the recommendations of the Group of 18. The planning work was done in the Office of the Secretary-General, and the results were presented to the Committee in late May 1986. (32)

The basic idea of the plan was to reorganize the political function of the Secretariat along four basic dimensions: (a) the servicing of political organs and bodies, including the General Assembly, the Security Council, the Trusteeship Council, disarmament bodies and the Law of the Sea machinery (b) regional cooperation, conflict resolution and peace-keeping; (c) political analyses and information (a new office of political information and analysis was proposed to be established by merging a number of old structures); (33) (d) representation of the Secretary-General. The proposal elaborated on two basic problems in the political structure of the Organization of that time: duplication and politically problematic location, both to be discussed in section 4.3.1. The Steering Committee supported the plan in principle. It had to be noted, however, that the main "losers" of the reorganization in the Secretariat were not represented in the Committee. (34)

The second issue was the streamlining of the budgetary process in the General Assembly which had been one of the main targets of criticism voiced by the Americans and, specifically, of the Kassebaum Amendment. The Special Working Group spent much time in May and June interviewing specialists and collecting ideas for desirable principles in pursuing a reform. After several attempts a proposal was suggested to the Steering Committee in mid-June. (35)

The proposal started off from the observation that the current UN budget practices did not adequately carry out the mandate for program budgeting. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Committee for Programme and Co-ordination (CPC) shared the mandate for examining the level and content of the program budget and making recommendations thereon, with unsatisfactory results. The two bodies had partly overlapping mandates and an unclear distribution of labor. Bridging the contradiction between ACABQ and CPC fell to the Fifth Committee of the General Assembly which was too large

(including all Member States) to perform this function effectively. To remedy this situation it was proposed that the CPC should be eliminated and an intergovernmental program and budget board established. (36)

The new body should be an authoritative negotiating instrument (around 20 members), reflecting both geographical representation and, in an acceptable way, levels of assessed contributions. The board would proceed on the basis of the medium-term plan of the Organization and focus on (a) priorities among programs (b) resource distribution among programs to reflect these priorities and (c) determination of the level of the biennial program budget. The board would take over any remaining function of the CPC, and ACABQ would stay as a purely technical financial watchdog. An important new proposal was the introduction of a ceiling for the budget. In the spring of non-budget years, the Secretary-General would consult with the new program and budget board on the level of the next biennial budget, gaining agreement on a ceiling. The board would report on these consultations, including the level of the proposed ceiling, to the General Assembly for its endorsement. (37)

The plan, which included also recommendations on the curtailment of add-ons (unforeseen expenses) and on the new budgetary cycle, was discussed in the Steering Committee and endorsed with only minor modifications. Later, the plan was brought informally to the attention of the Chairman of the Group of 18 and some members of the Group. (38)

The third issue taken to the Committee was the elimination of a number of high-level positions in the Secretariat. It was known in the Office of the Secretary-General that the Group of 18 was concerned about the top-heaviness of the Organization and that it was contemplating drastic proposals for cuts. Therefore, it would make a lot of sense if the Secretary-General were to come forward with his own proposals and in this way mold the discussions of the High-level Group.

Preparatory work for the elimination of the higher positions started in the Special Working Group in May 1986. The purpose was to

create some objective standards against which the importance of each position (but not the performance of the incumbents) could be weighted. All Under-Secretary-General and Assistant Secretary-General positions were reviewed in light of the organizational realignment later to be undertaken. A proposal was prepared including all high-level positions with recommended level and appropriate justification. (39)

The proposal was presented to the High-level Steering Committee in late June but no agreement was reached. The discussions proved to be so difficult that the members of the Office of the Secretary-General in the Committee decided to stop any further discussion. But the original proposal was presented, with some minor modifications, to the Secretary-General. It had an important impact on his later decisions about high-level positions. (40)

3.3.3 Establishment of the support work of the Group of 18: Secretariat of the Group of 18 and the Special Working Group:

From its first meeting it was clear that the Group of 18 took its work seriously and wanted to review a lot of factual material on the functioning of the Secretariat. The Office of the Secretary-General quickly realized that the requests were so extensive that no present structure in the Organization could respond to them. If the Secretariat's work in producing reports, statistics and analysis was slow and of poor quality this would further undermine the image of the Organization and its staff, the qualifications of which were already forcefully challenged by one of the members of the high-level Group, Maurice Bertrand. On the other hand, any provider of information and analysis can often influence the conclusions and define the terms of reference of discussion. It was thus decided to make special arrangements to support the Group.

The responses devised by the Office of the Secretary-General with regard to the support work for the high-level Group could be

characterized both as official and unofficial arrangements. The official response was to create the Secretariat to the Group of 18 and the unofficial one was to establish the Special Working Group under the direct control of the Office of the Secretary-General. As the further analysis demonstrates the unofficial response proved to be strategically more important than the official one.

Secretariat of the Group of 18:

The Japanese were behind the resolution 40/237 of 18 December 1985, establishing the High-level Group. Therefore, the Japanese Government also agreed to pay its expenses and the Secretariat of the Group came under this budgetary allotment. Mr. Jean Gazarian, retired French Director of the Division of the General Assembly Affairs in the Department of Political and General Assembly Affairs was appointed as Secretary of the Group. He was supported by a Japanese and an Irish officer and some secretarial staff. (41)

The Chairman of the Group of 18, Ambassador Tom Vraalsen, had initially wanted the Group of 18 to be totally independent from the Secretariat, to allow a hard-nosed critical outside review of the activities of the Organization. During the first months of the work of the Group of 18 the Chairman evidently realized and told the Secretary-General that, besides statistics and assimilation of old reports, he also badly needs some analytical staff support and proposals reflecting the Secretary-General's own thinking on the improved functioning of the Secretariat. The official Secretariat designed to serve the Group was, however, meant basically to give technical and procedural support and had been selected on that basis. (42)

This discreetly formulated wish of the Chairman coincided with the interests of the Office of the Secretary-General to have influence on the work of the Group of 18. As a practical step this led the Special Working Group, originally meant only to provide documentation to the

High-level Group, to assume analytical functions in support of the Group of 18 as well.

Special Working Group:

The Special Working Group had been established solely on the authority of the Secretary-General and the Group of 18 was never notified formally about its existence. (43) The creation of this team inside the Secretariat also bypassed normal bureaucratic practices. Its members did not get any official notification of their appointments. Administrative matters, like handling the transfer of the staff, were done orally to accomplish quick results and to prevent bureaucratic foot-dragging. Official recognition of the arrangements was not, however, necessary. The head of the team, James Sutterlin, was generally known to have the Secretary-General's full confidence and authority to prepare his decisions on the financial crisis and all related matters, forcing various officials to co-operate. (44)

Some special features in the composition and work of the Special Working Group contributed to its exceptionally effective role. Firstly, Sutterlin was one of the three or four key advisers of the Secretary-General, especially on matters related to Washington. The Secretary-General's leadership style, as this research will further demonstrate, contributed to Sutterlin's role. The Secretary-General preferred to listen carefully to what his closest advisers suggested and would rarely overrule them, especially in administrative matters. As a former career U.S. State Department official, Sutterlin also had excellent contacts in Washington, including the Deputy Secretary of State, John Whitehead, his former college classmate. (45)

Sutterlin had held strategically important positions in early 1970s in Nixon Administration, including a short tenure as Director of the Policy Planning Staff. (46) In 1974, uncharacteristically for American political strategists of his experience Sutterlin decided to

come to the UN, first as a Chief of Political Affairs Division in the Department of Political and Security Council Affairs, headed by a Soviet Under-Secretary-General. Later, in early 1980s, Perez de Cuellar brought him to his own Office as a highest ranking American official.

Sutterlin contributed not only contacts but substance: the crisis needed a strategist of broad vision who understands political realities in Washington as well multilateral diplomacy. Sutterlin knew the UN bureaucracy well and was able to deal smoothly and effectively with the Soviets, a factor of importance in reorganizing the political sector of the Secretariat. (47)

The six members of the Special Working Group were handpicked by the Office of the Secretary-General and released from their other duties. It was agreed from the beginning that they would not represent their own departments so that they could resist the parochial interests that were inimical to finding new solutions to the problems facing the Organization. The administrative and budgetary experience of the team members also complemented Sutterlin's, which was not originally in financial and managerial matters. The geographical base of the members of the Special Working Group was also wide although with a strong Western influence.

During the spring 1986 the Working Group developed into an informal think tank, resembling that of a U.S. 'policy planning staff', for the Secretary-General's decisions on retrenchment and reorganization in the Secretariat. That role was later carried out by the Office of the Special Coordinator, as discussed later, with practically the same staff. (48)

During the spring and summer 1986 the Working Group was utilized by the Office of the Secretary-General to influence the work of the Group of 18 concerning a number of policy questions. In this regard, its work aimed at: (49)

- Making sure that the Secretary-General would speak to the Group of 18 on critical occasions and would suggest policy orientation. The first appearance of the Secretary-General was already of major importance since in his speech he suggested three broad areas which the high-level experts should study: budgetary reform of the UN; reductions of the staff; and scale of assessment questions. These suggestions were followed by the Group of 18 although it failed to make any recommendation on scale of assessment.
- Preparing position papers for the Secretary-General on short notice on the issues the Group of 18 was dealing and making these positions of the Secretary-General known to the Chairman and to the members.
- Helping the Chairman (who had assumed de facto rapporteur functions of the Group as well) to prepare the final draft report, providing substantive and technical assistance but making also suggestions for the draft formulations of the report.

3.3.4 Establishing improved contacts to Washington

In working towards finding solutions to the financial crisis, it was essential to establish new contacts in Washington, and to cultivate the old ones. The U.S. Administration had been in a key position to encourage the thinking which eventually led to the action by the Congress to withhold part of the U.S. contribution. Therefore, it was important to change any negative thinking about UN matters, not only by changing the Organization, but also by distributing objective facts and positions of the Secretary-General to the State Department officials, to the members of the Congress and their staff, the non-governmental organizations and the press.

Key American members in the Secretariat knew that lobbying is an established and accepted practice in American politics, without which

any common cause is at the losing end among other competitors for attention and funding. The UN is precluded from lobbying a Member State. But if the others, hostile to the Organization, were doing it by using misinformation as a vehicle then any incorrect information has to be corrected before Congressional decisions were taken based only on one-sided views.

Maintaining close and constructive relations to State Department officials is important since the State Department drafts proposed U.S. contribution levels for the UN system (which are part of the State Department's own budget), defends those proposals within the Administration as the President's budget is put together, and then supports them with the Congress once the President's Budget is finalized. State Department officials work closely with Congress on the wording of legislation, the timing of hearings, the selection of witnesses at hearings and are generally present at key stages of the process. They have close working relationships with strategically placed Members communicating the Administration's positions and influencing the process. (50)

United Nations officials must avoid direct involvement in this process. They do not testify at hearings and avoid any action which might be construed as interference in the domestic affairs of a Member State. However, information officers of the UN and many of the UN Agencies work in Washington monitoring policy making and legislation in order to report home on the funding prospects for their organization. Monitoring involves attending open hearings, maintaining contact with Congressional staff and arranging visits with U.S. Government officials (in co-ordination with the State Department) for officials from their agency or organization. (51)

In the Reagan years, both the Administration and the Congress were divided over UN policy. Some favored honoring Charter obligations in the payment of assessed contributions, while others contended the

obligations were conditional. When the Heritage Foundation would issue a press release describing some "scandalous wrongdoings" of the UN, the State Department did not quickly and publicly come to the UN's defense. Similarly, when some Members of Congress would cite a Heritage Foundation report and denounce the UN other members would rarely rise to speak on behalf of the UN. Part of the problem was a lack of timely rebuttal information, and part was the general climate in which, for the sake of credibility, one would not want to be viewed as an automatic supporter of the UN. (52) There was little to be gained in domestic politics by supporting full payment to the UN.

Non-Governmental Organizations, too, were affected by the climate of the times. The United Nations Association of the United States of America (UNA-USA), evidently concerned about its credibility, was slow to respond to Heritage Foundation attacks. Other NGOs, with less specific focus on the UN, had seen the UN slide, over many years, ever lower on their list of program priorities. Most no longer had a staff person following UN issues and tended to share the general perception that many of the UN's critics had valid points. They were therefore neither equipped to nor inclined to rush to the UN's defence. (53)

The United Nations Information Center (UNIC) in Washington was a natural place to initiate and co-ordinate all kind of contacts in the city. Prior to 1983, the position of the Director of UNIC in Washington had been held by a UN career civil servant. With the retirement of the incumbent that year, the U.S. Administration took an interest in the selection of his replacement. The United Nations has a general policy of not appointing UNIC directors of the same nationality as the country in which they serve. An exception was made during Waldheim's administration for UNIC in Moscow and subsequently in other Eastern European countries. This was cited as a reason for appointing an American in Washington in 1983 as was done. Many considered that the appointee, a Republican party loyalist with no UN experience, failed to

ensure that UNIC would fulfill its role as conveyor of timely and accurate information to the Washington community, including the Congress, before and during the crisis. (54)

The Office of the Secretary-General decided to deal with Washington contacts by using UNIC as much as possible but also by cultivating direct links to key decision makers and interest groups in Washington. The Under-Secretary-General Patricio Ruedas, in charge of Administration and Management, visited Washington once in 1986 but the main contacts were established through American officials in the Secretariat.

In the Reagan years, given the factional infighting in Washington over UN policy, the Secretary-General needed an American adviser who could help him interpret the often confusing signals emanating from capital of the largest contributor. The ranking American in the Secretariat, Under-Secretary-General William Buffum, responsible for General Assembly Affairs, had contacts to Washington and was intimately familiar with the U.S. foreign policy process as a former State Department career official. He would have been a natural choice of initiating and coordinating the contacts but seemed disinclined to fill this role. (55) Nor was he as close to the Secretary-General as the other high level American in the political sector of the Secretariat, James Sutterlin.

Sutterlin seemed to have all necessary credentials for this job, except ties to Republicans in the Congress or to the Reagan White House. He had been a senior official in the U.S. State Department and still knew key career officials there, as well as bureaucracy, politics and working procedures. He had direct access to Deputy Secretary of State John Whitehead, which was vital given that the Assistant Secretary of State for International Organizations, Alan Keyes, was known through his previous service in the U.S. Mission in New York and through his frequent public statements to be highly critical of the UN. (56)

Whitehead in turn had been given wide responsibility for UN matters by Secretary of State Schulz. Beyond all this Sutterlin was evidently well-regarded in Washington and known to represent directly the UN Secretary-General which opened many doors. Sutterlin, therefore, was relied on by the Secretary-General to arrange direct contacts to Washington, whether in form of visits, letters or phone calls. A substantial amount of time was spent on this in 1986 and Sutterlin used the experience of the Special Working Group in administrative and budgetary areas in preparing talking points and other notes for the contacts. (57)

Direct contacts to the staff in Congress and the non-governmental sector in Washington had to be still established. In late 1985, the UN hired UNA-USA's chief editor of 12 years, Frederick Eckhard, as a senior information officer in the Department of Public Information (DPI) and assigned him to work as liaison to Washington. Eckhard was originally hired to fill an editorial position at the UN, which never materialized. Consequently, in early 1986, the Office of the Secretary-General decided to use him full-time as a Washington contact man and public relations specialist. As in the case of the appointments of the staff members of the Special Working Group no formal record of this decision was made. Eckhard had only a temporary appointment, paid from the Department of Public Information (DPI) budget. With the oral concurrence of the head of DPI he was assigned to report directly to James Sutterlin and therefore represented, at least informally, the thinking in the Office of the Secretary-General, again opening necessary doors. He used the services of the DPI, the Special Working Group and the UNIC in Washington but was independent from DPI's direct control, a fact that at times annoyed the UNIC leadership (all UNICs administratively belong to DPI). (58)

Using a network of non-governmental organizations (NGO) and prominent "friends" of the UN organized more or less spontaneously, the

UN's new Washington team spread the news of the UN's impending bankruptcy to NGOs, Congressional staff and the press and, importantly, of the reforms instituted by the Secretary-General. Elliot Richardson, the Chairman of UNA-USA, called a "summit" of NGO representatives in Washington at which participants were warned of the possible bankruptcy of the UN by the end of the 1986. The NGO summit induced a handful of new NGO leaders to take on UN advocacy work, including the Friends Committee on National Legislation, the lobbying arm of the Quaker church. In two short months, the Friends Committee organized an all-day program on Capitol Hill sponsored by some 55 NGOs designed to focus official attention on the UN's plight. The event, which drew standing-room-only crowds, got written up in the New York Times. It was the first impressive demonstration of support for the UN in years. (59)

Out of this event came the UN Advocacy Group, a core of committed NGO representatives chaired by Nancy Alexander of the Friends Committee that met monthly throughout the three-year crisis period, generating sign-on letters in support of the UN, issuing rebuttals to Heritage Foundation material, and sponsoring events that served as a counter-weight, however small, to the Heritage views. Its monthly meetings were both rallying points and strategy sessions, but most importantly they provided up-to-the-minute information on what was happening with the funding process. Nancy Alexander frequently invited guest briefers from Congressional staff, the UN and the State Department. Some of the most savvy observers of the UN funding question attended regularly, including the Director of the UNA-USA's Washington Office, and several Washington representatives of the UN agencies, and Ambassador James F. Leonard, the arms control expert and former Deputy U.S. Permanent Representative to the UN who once served as President of the UNA-USA. He devoted much time to the UN cause, meeting when possible with Members of Congress and their staff to press for an end to the withholdings of UN funding. (60)

3.4 The setting up, the work and the results of the Group of 18

The General Assembly adopted at its 121st plenary meeting, on 18 December 1985, resolution 40/237, entitled "Review of the efficiency of the administrative and financial functioning of the United Nations". It decided to establish a Group of High-level Intergovernmental Experts to "conduct a thorough review of the administrative and financial matters of the United Nations, with a view to identifying measures for further improving the efficiency of its administrative and financial functioning, which would contribute to strengthening its effectiveness in dealing with political, economic and social issues." (61)

The original Japanese proposal for the resolution, dated 9 December 1985, would have given some direct responsibility over the work of the Group to the Secretary-General. In the Japanese proposal the High-level Group of Knowledgeable Persons would have to submit, through the Secretary-General, to the Assembly a report containing the Group's observations and recommendations. (62) However, the General Assembly, concerned evidently for the independence of the Group from the Secretariat, decided that the report would be submitted directly to the Assembly.

The Group consisted of eighteen members, appointed by the President of the General Assembly after consultation with regional groups, and it was geographically representative. (63) The Assembly also requested the Secretary-General to convene a meeting of the Group as soon as possible to enable it to elect its officers, and to provide the Group with the necessary staff and services. It further requested the Secretary-General to provide full assistance to the Group, in particular by submitting his views and providing information necessary to conduct the review. (64)

The leadership of the Group, the Chairman and four vice-chairmen, represented various regional groupings and were from Norway (chair),

Yugoslavia, Japan, Brazil and Algeria. The Group held 67 meetings and ended its work on 15th of August 1986, well before the start of the 41st General Assembly, after a final session of three weeks in which the Group adopted a final report after intense discussion and extensive compromise. (65)

Method of work:

In the crisis atmosphere within which the Group of 18 was set up and began its work, the leadership of the Group was of major importance. In the opinion of a number of the members of the Group and Secretariat officials, Ambassador Vraalsen did his job effectively as chairman and was able to produce a consensus package of recommendations - except for budgetary procedures where three alternatives were put forward - acceptable by and large to the whole UN membership as well as to the Secretary-General. Vraalsen was much less successful in dealing with the delegations of the General Assembly in the process of debating and negotiating the final reform package for implementation. In fact, he was totally left out of the final stage of negotiations because of unhappiness with his performance among the Non-aligned Group. (66)

While the Secretary-General was facing an immediate cash-crisis the Group of Experts concluded from the beginning that it was not within their mandate to address the immediate and short-term financial problems of the United Nations. The Group had been mandated by the General Assembly to identify measures for improving the administrative and financial functioning of the Organization in the medium and long term. However, individual members of the Group concerned by the crisis made public statements in news media addressed directly to Washington.

The Group started its work with an overall debate of the financial and administrative functioning of the Organization. When its agenda was

decided the Secretariat was asked to produce a vast amount of information and analysis on various items. The extent of proposals put forward by the members of the Group at this stage testified to the seriousness of the members if not a commonly-agreed point of departure. There was a feeling that this time its recommendations could have a major impact, and could be critical in restoring the Organization's financial viability.

During the second and third sessions of the Group the Chairman was able to produce a list numbering well over 100 recommendations proposed by the members of the Group. At this time, the Chairman proposed the first outline of the final report to the members and started writing the first drafts of individual chapters. (67)

Between the third and fourth sessions, the Chairman's capacity was reinforced by an experienced Norwegian Foreign Service officer. At this time the Chairman concentrated on whether the proposals made substantive and technical sense, leaving aside their political repercussions, and whether the Secretary-General as the key implementor of the final recommendations would feel comfortable with them. With the encouragement of the Chairman, the Special Working Group prepared for him comprehensive analyses of the proposals contained in the draft chapters. (68)

When the last session was about to start the Chairman privately asked the Secretary-General to lend him one or more Secretariat members, who knew the Organization well and understood the Secretary-General's thinking, to assist in writing the final report of the Group. The Special Working Group was used for this assignment. In a private meeting, Vraalsen also obtained the Secretary-General's views on the extent of staff cuts that would be tolerable. (69)

At the last session the members of the Group of 18 considered drafts on all chapters of the final report prepared by the Chairman. After the first reading the Chairman and his ad hoc team prepared a

second draft which was then approved with certain modifications. The Secretary-General did not address the Group at this time but he discussed the report with the Chairman and his direct and indirect influence on the Group's work, through the members of the Special Working Group, was perhaps stronger than ever. (70)

Recommendations of the Group:

The report of the Group of 18 contained 71 recommendations including, as already noted, three alternative ones concerning planning and budget mechanisms. The report contained an overall assessment of the state of the Organization, reflecting many of the views of its critics: "overlapping agendas and duplication of work", "overly complex structures which generally lacks cohesion", "the volume of documentation.. has surpassed the limit of what can be studied by the Member States", "management capacity has lagged behind the growth of the Organization", "the quality of work needs to be improved", "the qualifications of the staff, in particular in the higher categories are inadequate", etc. (71) Some of the recommendations were more or less repetitions of past "toothless" proposals, but now these were included for the first time in a package which the Secretary-General and Member States, through the action of the General Assembly Committee, were determined to take seriously and make a good faith effort to implement. The work of the high-level experts thus provided the basis for a historical breakthrough in reform of the Organization.

ENDNOTES

1. United Nations Current Financial Crisis, A/40/1102, p.12; Margaret E. Galey, "Reforming the Regime for Financing the United Nations," Howard Law Journal, vol.31 (1988), p.547. The crisis is explained in detail in Stoessinger, Financing the UN system, pp.113-157.
2. Johnny Itty, "The Financial Crisis in Perspective," Secretariat News, vol. XLI, no. 14, United Nations, 15 August 1986, p.4; Galey, "Reforming the UN", p.548.
3. Ibid.
4. Itty, "Financial Crisis", p.4.
5. United Nations, A/40/1102, p. 12.
6. Ibid.
7. Ibid, pp. 12-13.
8. Ibid,. p.13.
9. Ibid.
10. Ibid.
11. Ibid., pp.13-14.
12. Elisabeth Zoller "The 'Corporate Will' of the United Nations and the Rights of the Minority," American Journal of International Law, vol.81, no.3 (July 1987), pp.611-612.
13. Ibid.
14. Donald J. Puchala and Roger Coate, The State of the United Nations, 1988, The Academic Council on the United Nations System, Reports and Papers 1988-2, p.17.
15. Ibid., pp.18-19.
16. See Robert F.Meagher, "United States Financing of the United Nations" in Gati, The US, the UN, p.103; quotation from Puchala and Coate, State of the UN, p.20.
17. Ibid.; Robert Meagher, "U.S. Financing of the UN", p.103.
18. Puchala and Coate, The State of the UN, pp.21-22.
19. Ibid., p.22.
20. United Nations, A/40/1102, p.2.
21. Ibid. The detail are as follows. The estimated reserves of \$ 199.2 million were:
 - Working Capital Fund - \$100 million;
 - Special Account - \$90 million;
 - Monies realized from the suspension of Financial Regulations 4.3, 4.4 and 5.2 - \$25.8 million;
 - Minus the unpaid assessments transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII) - \$16.6 million.

The whole situation could be summarized as follows:

(Million of US dollars)	
A. Arrears as of 1 January 1986.....	242.4
B. Amount of 1986 assessment.....	735.6
C. Total payments due (A+B).....	978.0
D. Less expected payments in 1986.....	715.0 to 703.0
E. Arrears projected to 31 Dec. 1986 (C-D).	263.0 to 275.0
F. Less estimated reserves projected to 31 December 1986.....	199.2
G. Resulting shortfall projected to 31 December 1986 (E-F).....	63.8 to 75.8

22. United Nations, Department of Public Information, Press Release, GA/7275, 25 February 1986, p.3.

23. United Nations, Secretariat, Secretary-General's Bulletin, "The Financial Situation of the Organization," ST/SGB/215, 17 January 1986, pp.1-2.

24. United Nations, Secretariat, Secretary-General's Bulletin, "The Financial Situation of the Organization," ST/SGB/217, 20 March 1986, p.2.

25. Ibid., p.3

26. James J. Sutterlin, interview by author, Yale Institution of Social and Policy Studies, New Haven, 29 June 1988.

27. Besides Ruedas the DAM-members were the Assistant Secretary-General for Financial Services, J. Richard Foran (Canada) and the Assistant Secretary-General for Personnel Services, Louis Negre (Mali).

28. United Nations, A/40/1102, pp.3-10.

29. To this one had to add the estimated additional costs of \$30 million due exclusively to the depreciation of the U.S. dollar.

30. United Nations, A/40/1102, pp.9-10.

31. United Nations, General Assembly, Resolutions and Decisions Adopted by the General Assembly during its Fortieth Session, Officials Records Fortieth Session Supplement No. 53 (A/40/53), Resolution 40/472. Current Financial Crisis of the United Nations. (Adopted 9 May 1986.)

32. In order to prevent harmful leaks, possibly destroying the whole effort, all the copies of various plans presented to the Steering Committee were numbered and collected at the end of each session. Sutterlin, interview.

33. Why did information and analysis get such an important and novel part in the reform in the political sector? First, Javier Perez de Cuellar was himself interested in the preventative diplomacy and had stated in his 1982 Annual Report of the Organization that in order to carry out effectively the preventive role foreseen for the Secretary-General under Article 99, he intended to develop a wider and more systematic capacity for fact-finding in potential conflict areas. Sutterlin was consequently instructed to try organizational innovation, with mixed results at that time. Sutterlin's own background in the U.S. State Department had familiarized himself with systematic methods of data gathering and analysis and the UN's systems should have looked primitive or non-existent from this perspective. Thirdly, a number of younger-generation Secretarial officials as well outside scholars had

done research on early warning and political data management, in response to the Secretary-General's 1982 Report, or independently. Drawing upon these informal efforts Sutterlin was able to create an intellectual support network in the Secretariat for the reform idea. On outside scholars' related work, see Thomas E. Boudreau, The Secretary-General and Satellite Diplomacy: An Analysis of the Present and Potential Role of the United Nations Secretary-General in the Maintenance of International Peace and Security (New York: Council on Religion and International Affairs, 1984); Lincoln P. Bloomfield "Computerizing Conflicts," Foreign Service Journal (June 1988), pp. 46-49.

34. Sutterlin, interview.

35. Senior official of the Department of Administration and Management (DAM) in the United Nations, interview by author, United Nations, 12 January 1990.

36. Sutterlin, interview.

37. Ibid.

38. Ibid.

39. Ibid.

40. Ibid.

41. Senior official of DAM, interview.

42. Sutterlin, interview.

43. Although the existence of the Special Working Group was not a formal one its presence could not have been missed by the members of the High-level Group either. For example, two team members sat behind the Chairman during the last weeks of the Group of 18, openly assisting in the writing of the final report.

44. Senior official of DAM, interview.

45. Frequent contacts with Sutterlin during the financial crisis might have had a longer term impact. Whitehead was later appointed Chairman of the United States Association of the United Nations after Elliot Richardson in 1989.

46. He headed the Office of Central European Affairs in the State Department, directing the preparations for the Four-Power Berlin Agreement of 1971, opening ways of lessening tensions in Europe and culminating in the Helsinki agreement in 1975, and was Director of the Policy Planning Staff under William Rogers in 1973 and then Inspector-General under Kissinger for about a year. Berlin agreement negotiations explained in James S. Sutterlin and David Klein Berlin, From Symbol of Confrontation to Keystone of Stability (New York: Praeger, 1989).

47. Sutterlin's background and qualifications were evidently also a factor in winning the confidence of the Chairman of the Group of 18. Senior official of DAM, interview.

48. Ibid.

49. Sutterlin, interview.

50. A communication received from an official of the Department of Public Information (DPI) to the author, dated 18 January 1989.
51. DPI official.
52. Ibid.
53. Ibid.
54. Ibid., Sutterlin, interview.
55. DPI official.
56. The relations between Keyes and Whitehead were not good and this tension led eventually to Keyes' resignation.
57. Senior officials of DAM, interview.
58. Sutterlin, interview.
59. DPI official. Note also that the Chairman of the UNA-USA, Elliot Richardson, was a while Sutterlin's supervisor in the State Department in early 1970's.
60. DPI official.
61. The General Assembly resolution 40/237 of 18 December 1985, setting the mandate for the high-level group, the Group of 18, reads as following: The General Assembly...1. Expresses its conviction that an overall increase in efficiency would further enhance the capacity of the United Nations to attain the purposes and implement the principles of the Charter of the United Nations; 2. Decides to establish a Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, with a term of one year, to carry out in full accordance with the principles and provisions of the Charter the following tasks: (a) To conduct a thorough review of the administrative and financial matters of the United Nations, with a view to identifying measures for further improving the efficiency of its administrative and financial functioning, which would contribute to strengthening its effectiveness in dealing with political, economic and social issues; (b) To submit to the General Assembly, before the opening of its forty-first session, a report containing the observations and recommendations of the Group..."; United Nations, General Assembly, Resolution Adopted by the General Assembly, 40/237, Review of the Efficiency of the Administrative and Financial Functioning of the United Nations, A/RES/40/237, 17 January 1986.
62. Japanese draft resolution: United Nations, General Assembly, "Improvement of the Administrative Efficiency and Financial Soundness of the United Nations," A/40/C.42, 9 December 1985.
63. The major powers appointed influential members to the Group: e.g. the U.S.'s Jose S. Sorzano later replaced Oliver North in the National Security Council staff to carry out the U.S. new Central American policy and the USSR representative Vasilii Safronchuk was later appointed to the post of a highest ranking Soviet in the Secretariat.
64. United Nations, A/RES/40/237.
65. United Nations, A/41/49, Annex.

66. Senior official of DAM, interview.
67. Sutterlin, interview.
68. The practice by the Secretary-General of using "friendly" members of different organs of the United Nations to advance his positions is old. See Thomas M. Frank, "Finding a Voice: How the Secretary-General Makes Himself Heard in the Councils of the Nations," Essays in International Law in Honour of Judge Manfred Lachs, edited by Jerzy Makarczyk (The Hague: Martinus Nijhoff Publishers, 1984), p.484.
69. Sutterlin, interview.
70. Ibid.
71. United Nations, A/41/49, p.1.

CHAPTER 4

ADOPTION AND IMPLEMENTATION OF REFORMS

Summary of implementation measures:

The Secretary-General moved ahead quickly before the General Assembly had agreed on the final package of the reforms. He set up a new structure to plan the implementation measures and at the same time substantially reduced high-level positions, thus sending a message of resolve to change the Organization. After the General Assembly resolution on the Group of 18 recommendations was passed he was able to restructure the administrative and political sectors of the Secretariat, and to start the reform process in the Department of Public Information. The Member States initiated a study on streamlining the UN economic and social sectors but no results were achieved.

Besides the structural reforms the Secretary-General proceeded with the implementation of numerous administrative, personnel and housekeeping reforms, and the General Assembly approved the proposals of the Secretary-General without major changes. Since the full U.S. funding to the Organization was not restored, the Secretary-General's representatives continued contacts in Washington to provide information about the steady progress achieved in the UN reform process.

4.1 First implementation measures by the Secretary-General

4.1.1 Establishment of the Office of the Special Coordinator

The Secretary-General, taking into account the advice from his senior staff, decided that the planning for the implementation of reforms recommended by the Group of 18 would need a special high-level official working directly for the Secretary-General, to be assigned to this work on a full-time basis as long as initial planning and implementation work was necessary. The establishment of a special unit headed by a senior chief with the sole responsibility to ensure implementation of recommendations would give a further important signal

to the General Assembly, as well as to Washington, that the Secretary-General was committed to fundamental reform of the Organization. (1)

On 15 September 1986 the Secretary-General appointed Assistant Secretary-General Margaret J. Anstee as Special Coordinator to "to assure the timely and orderly implementation of the relevant decisions that I may take in this area" [concerning the Group of 18 report]. (2) In describing the the Coordinator's functions, the Secretary-General stated later: (3)

The ambitious and comprehensive programme of reforms now envisaged clearly requires special impetus and careful preparation. To that end I appointed, in September 1986, a Special Coordinator, working out of my office in close co-operation with the Director-General for Development and International Economic Co-operation and the Under-Secretary-General for Administration and Management, and assisted by a small team of officials redeployed from their regular functions. The intention was not to duplicate existing mechanisms or create new structures, but to provide, under my personal direction, the necessary planning and coordinating framework and the initial momentum. In short, the role of the Special Coordinator's Office has been catalytic rather than operational.

Margaret J. Anstee, a native of Britain, had excellent qualifications for the job. She was close to the Secretary-General and able to reflect his views. As the longest serving Assistant Secretary-General at the time, she knew the house inside out and was regarded as an intelligent, open-minded but at the same time a forceful manager. To guarantee continuity in the planning work most of the staff of the Special Working Group was transferred to the new unit, now officially working in the Secretary-General's Office. The staff worked basically with the same terms of reference as under James Sutterlin's leadership in the Special Working Group and was still closely co-operating with him, especially in undertaking the review of the political sector in which he was the focal point to the end. (4)

The Special Coordinator started a comprehensive round of consultations with the program managers and reported to the Secretary-General frequently on the progress achieved. A plan for

action was prepared for each recommendation of the Group of 18. This planning work was undertaken in anticipation of the agreement of the General Assembly on the recommendations. The fact that the whole staff in this temporary Office were relieved from their other duties made it possible to present a comprehensive plan and, in fact, move ahead promptly on implementation in the fall of 1986.

The Office prepared extensive groundwork for the implementation of a number of recommendations (the political sector, the reform in the Department of the Public Information, the vacancy management and redeployment system and the reduction of posts by 15 per cent). The Office ultimately prepared the first progress report of the Secretary-General on the implementation of all recommendations, submitted to the General Assembly in accordance with recommendation 69 of the report of High-level Experts. (5)

4.1.2 "Halloween massacre"

The Secretary-General wanted to move quickly on those recommendations that did not require the concurrence of the General Assembly and where he saw clear opportunities to keep up the momentum. One such opportunity emerged towards the end of the year when practically all contracts of the high-level officials of the Secretariat, Under-Secretaries-General and Assistant Secretaries-General, were due to expire. This would be right time to give meaning to the recommendation 15 of the Group of 18, calling for a 25 per cent reduction in top echelon positions in the Secretariat over a three years period. Changing the guard would also make planned reorganizations easier to implement. Moreover, reducing staff first at the top would give the right signal to the staff at large, whose morale had to be maintained. (6)

In May 1986 a list was made of all top-level positions in the United Nations with suggestions to eliminate a good number of them.

This list was discussed in the Secretariat's Steering Committee with partial and inconclusive results (see section 3.3.2). This was not surprising since it was awkward for the members of the Steering Committee to discuss the elimination of the posts of their close colleagues or even their own posts. If their views were leaked, it would put them in a difficult position viz-a-viz other high-level staff members and eventually with some Member States that were to lose a respected position in the Secretariat. To eliminate rumors as much as possible James Sutterlin took all the copies of the "reduction list" back from the members of the Steering Committee. (7)

Although the Steering Committee could not agree on the reductions this initial process was, however, essential for the Secretary-General for two reasons.

First, it gave him some assurance of the justification and fairness of the decisions on top-level cuts he could have to make. Second, it guaranteed that these decisions which were sure to irritate some Member States, not to speak about incumbents, would not be torpedoed by the Secretary-General's senior colleagues.

The New York Times describes the reductions announced early November 1986 as follows: (8)

As part of cost-cutting reorganization Secretary-General Javier Perez de Cuellar has told 11 high-level staff members that he will not renew their contracts at the end of the year, diplomats and United Nations officials said today. The 11 - five Under Secretaries General and six Assistant Secretaries General - received letters Friday informing them of the decision, and other cuts are expected shortly, according to officials. The cutbacks came so suddenly that diplomats have dubbed it "the Halloween Massacre".

The following were the non-renewals of contracts mentioned in the New York Times :

- USG for Administration and Management (Spain)
- USG for Public Information (Japan)
- USG for the Department for Economic and Social Affairs (Nigeria)

- USG for UN Office in Vienna (Syria)
- USG of the UN Office in Geneva (Belgium)
- ASG for Personnel Services (Mali)
- ASG for the Department for Economic and Social Affairs (USSR)
- ASG for General Services (USA)
- ASG for Special Political Affairs (China)
- ASG for the Center against Apartheid (Pakistan)
- ASG for Department for Political Affairs, Trusteeship and Decolonization (Syria).

Not all of these were posts slotted for elimination and some of the officials had earlier expressed their desire to retire voluntarily at the end of the year. One official, Yasushi Akashi from Japan, was consequently appointed a head of disarmament affairs in the Secretariat. In any case the impact of the announcement was dramatic. Business was not any more as usual.

4.1.3 High-level appointments (9)

The top staffing in the Department of Administration and Management was considered as a first-priority decision. The staffing would give a signal of change or a signal status quo. Since the basic thrust of criticism against the inefficiency of the Organization was attached to poor administrative and budgetary procedures, the Department responsible for the functions was, of course, a key place to start with the reorganization and renewal.

Under-Secretary-General Patricio Ruedas had indicated already early in 1986 that he would like to retire at the end of 1986. What credentials would his successor require?

It seemed evident that the person should have the full confidence of the Secretary-General. In order to maintain in practice his duty as a chief administrative officer under the Charter, the Secretary-General

should have such an administrative head who would not challenge and battle with him at times when he needed to keep control over key decisions and policies. The candidate should know the Organization and its political and cultural subtleties since totally fresh talent from outside, how impressive his or her credentials might be, could create political havoc. (10) Obviously, the candidate should have strong administrative credentials and be willing to carry out effectively recommendations made by the Group of 18. Finally, the candidate should have human relations skills viz-a-viz program managers, staff and Member States. This would be of major importance, especially in staff-management relations and contacts in Washington. (11)

In November 1986, the Secretary-General announced that he had picked his Namibia representative, Under-Secretary-General Martti Ahtisaari, a native of Finland, for the post. He was known to be close to the Secretary-General and he knew the Organization through ten years experience on Namibia questions. His human relations skills were appreciated and he had been in charge of an organizational reform in the Finnish Foreign Aid Agency. He did not, however, have educational credentials in management. The Group of 18 voiced concern about this stating that the qualifications of the staff, in particular in higher categories, were inadequate. (Even sharper criticism had been made by Inspector Bertrand.) In Secretary-General's view other credentials, however, were more important. It was decided that he would also keep his functions as a Special Representative of the Secretary-General for Namibia, thus in theory eliminating a further top level post in the Secretariat. (12)

The Assistant Secretary-General for Personnel Services, later to be called Human Resources Management, was also replaced. Successive Secretaries-General had appointed Africans to the post and this happened also this time. Director of the Budget Office, Kofi Annan, a native of Ghana, was promoted to the job. He had overseen a number of management

related reforms both in the Secretariat and in the Office of the UN High Commissioner for Refugees and was known for his smooth and effective management style. Besides, contrary to his predecessor, he had an advanced degree in management from the Sloan School of Management at MIT, Cambridge, which was not without importance given the call of the Group 18 to improve the professional credentials of the high-level officials. (13)

The Controller, Assistant Secretary-General for Financial Services J. Richard Foran, a native of Canada, stayed in his post at this time but early in 1987 he assumed a new function as an Assistant Secretary for General Services, at the time of the reorganization of the Department of Administration and Management. The post of Assistant Secretary-General for General Services, supervising a vast array of services such as security, transportation, purchases, communications, records, building management, etc, was one of those announced for elimination in October 1986. But evidently in light of the magnitude of tasks in controlling services of the UN, with a potential of making substantial savings under proper leadership, the post of the Assistant Secretary-General was retained and the separate post of Controller eliminated instead. (14)

A politically sensitive issue was the top staffing in the Office for Programme Planning, Budget and Finance which was established in 1987 as a part of DAM reorganization (see section 4.3.3). The incumbent together with the Director of the Programme Planning and Budget Division would be the key Secretariat officials dealing with the politically sensitive budgetary reform. With the appointment of Ahtisaari DAM was headed by a Finnish Under-Secretary-General, a Canadian Controller and an American Deputy Controller, all from Western Countries. Evidently partly to counterbalance this Western influence, a decision was made to appoint Assistant Secretary-General Luis M. Gomez, a native of Argentina, to this important position. Gomez, who had headed the Office

for Programme Planning and Co-ordination (OPPC), had long experience in the field and was known for his intelligence and efficiency; in that light the decision was not that difficult. (15)

Other appointments:

One of the most widely criticized area of the Organization was the Department of Public Information (DPI). The Secretary-General considered it ineffective. Heavy criticism also came from the U.S. Congress which saw it as an anti-U.S. propaganda center. (16) The Secretary-General was anxious to make a change in the leadership of the Department. On 26 November 1986 it was announced that the incumbent, Under-Secretary-General Yasushi Akashi from Japan, would become head of the Department of Disarmament as of 1 March and the incumbent Under-Secretary-General, Jan Martenson of Sweden, would head the UN Office in Geneva supervising also the UN human rights program in this position. Mrs. Therese P. Sevigny, a native of Canada and a senior official in the Canadian Broadcasting Service was appointed consequently to head the Department of Public Information. (17)

A Canadian national would seem well suited for the job, given the major advances in the broadcasting, media utilization and media outreach techniques that have been made in North-America. It was obviously important to get someone for the job who was knowledgeable of the latest developments in the field. To appoint an American would appear to yield to political pressure from one superpower - moreover the one not fulfilling its Charter obligations - and would likely alienate the Third World. A good compromise seemed to be a Canadian well experienced in the field as Mrs. Sevigny was. (18)

On 26 November 1986, the Secretary-General announced Margaret Joan Anstee's appointment as a Director-General of the United Nations Office at Vienna, at the level of Under-Secretary-General and starting 1 March 1987. At the same time, in response to recommendation 25 of the Group

of 18, United Nations activities on social policy and development were concentrated under Ms. Anstee, including the Center for Social Development and Humanitarian Affairs (which was thus detached from the Department of International Economic and Social Affairs in New York). Ms Anstee would also serve as coordinator for all United Nations Drug-related programs, a function previously performed by the [American] Under-Secretary-General for Political and General Assembly Affairs.

(19) Miss Anstee, a national of United Kingdom and at the time serving as the Secretary-General's Special Coordinator for the implementation of the recommendations of the Group of 18, and his Special Representative for Bolivia, also had strong credentials for the new job. (20)

Under-Secretary-General Rafael M. Salas, the Executive-Director of the UN Fund for Populations Activities (UNFPA), died on 4th of March 1987. While the Fund has its own Governing Council and is in practice largely independent from the Secretary-General's control he has the right to appoint high level officials in the Fund. The report of the Group of 18 had stated in recommendation 15 that the high-level posts funded from extrabudgetary sources should be also reduced by about 25 per cent. The posts of two Assistant Secretaries-General and an Under-Secretary-General at UNFPA belonged to this category but the governing bodies of UN Organizations, including that of the UNFPA, were opposed to making reductions. (21)

The Secretary-General faced the choice of appointing an outsider to the post of the Executive Director or an insider from the ranks of the two Assistant Secretaries-General. To appoint one of the deputies to head UNFPA would offer an opportunity to eliminate one of the positions in the Fund. On 20 April 1987 the Secretary-General announced the appointment of one of the deputies, Dr. Nafis Sadik, a native of Pakistan. A deputy post was going to be eliminated. On many accounts Dr. Sadik was a good candidate for the job, meeting many of the recommendations of the Group of 18. She was a women (recommendation 46

of the Group), from a developing country (recommendation 47) and had both long-time experience in the Fund and in the field and high academic credentials. (22)

4.2 The discussions and decision of the General Assembly on the Group of 18 Report

The General Assembly started the discussions of the report of the Group of 18 on 13 October 1986. Negotiations proved to be a very intense and difficult process and the whole session was extended for three weeks. (23) The report was first discussed in the plenary session where 74 statements were made. The response to the report was generally positive. It was considered at least a useful first step for reform. Some delegations from the Western Group, especially Japan, wanted it to be approved in its totality, leaving only the budgetary process for negotiations. (24) This seemed to be also Ambassador Vraalsen's view, putting the Chairman of the Group of 18 against several Third World delegations. (25)

In the plenary, different regional groups had different interpretations of the findings of the Report, but no one categorically rejected the recommendations. The Africans were clearly the most critical of the Report, and at the same time, of the American policy of withholdings seeing this as political blackmail. (26) The procedure for budgetary decision making was also of great concern to a number of African delegations. They saw the new proposals for a single budgetary committee and consensus voting as an effort to give the major contributors a veto on budgetary matters. This they rejected. For the United States, however, the principle of consensus on budgetary questions was a key issue. Ambassador Walters stated: (27)

The United States supports, at an absolute minimum, the establishment of a programme and budget decision-making mechanism which would operate on the basis of consensus in establishing both an agreed budget level and clear-cut priorities for the Organization within that level.

The Western countries and a number of Asian and Latin-American countries were the most positive about the recommendations of the Report as the following table shows:

Table 1. The relative position of the Member States toward the recommendations of the Group of 18. Based on the verbatim records of the statements in the plenary debate of the General Assembly. (28) The table indicates a general trend and not necessarily the exact position of each country since a number of statements could be considered as borderline cases.

<u>More or less full support</u>	<u>Qualified support</u>	<u>Strong or extensive reservations</u>
Australia	Algeria	Bolivia*)
Argentina	Bahamas	Burundi
Austria	Barbados	Cameroon
Bangladesh	Bulgaria	Cote d'Ivoire
Brazil	China	Tanzania
Burma	Colombia	Tunisia
Canada	Congo	Uganda
EEC (as a group of 12)	Cuba	
Egypt	Czechoslovakia	
Fiji	GDR	
India	Ghana	
Indonesia	Guyana	
Japan	Finland	
Jordan	Iraq	
Lao	Jamaica	
Malaysia	Kenya	
Nepal	Kuwait	
New Zealand	Libya	
Norway	Mexico	
Oman	Morocco	
Samoa	Nicaragua	
Saudia Arabia	Nigeria	
Singapore	Pakistan	
Solomon Island	Peru	
USA	Philippines	
Viet Nam	Poland	
Yugoslavia	Romania	
	Rwanda	
	Senegal	
	Somalia	
	Sri Lanka	
	Sudan	
	Sweden	
	Syria	
	Thailand	
	Trinidad	
	UKSSR	
	Uruguay	
	USSR	
	Venezuela	
	Zaire	

*) Bolivia's main problems with the Report seemed to emanate from its feeling of having been inadequately consulted in the Group 18 process. It later introduced a proposal to increase the membership in CPC, the main budgetary committee, and the membership was raised from 21 to 34. (29)

The question of the scale of assessment also came up in the Assembly debate although the Group of 18 had decided to make no recommendation on the issue. The U.S. had rejected in the Group of 18 a proposal to reduce the American assessment of 25 per cent of the U.N.

budget and increase the share of other countries (30) - the proposal Secretary-General de Cuellar had also referred to in his interview with Washington Times 20 February 1986 (31) - but proposals toward a more equal distribution of the scale of assessment were put forward, for instance, by Saudia-Arabia, Kuwait and Finland. Concurring with these views, Ambassador Fern from Sweden stated: (32)

I regret that the High-level Group has not addressed the sharing of the expenses of the Organization. The Swedish Government believes that a revision of the present method of assessing contributions is an essential reform that should be included in a comprehensive solution of the problems facing the United Nations...a more even apportionment of assessments would reflect, better than at present, the fact that the United Nations is the instrument of all nations. The Organization would be less dependent of contributions from any single Member State.

A number of the delegations were concerned to avoid any erosion of the Secretary-General's authority and his role in the implementation process was repeatedly stressed (e.g. Algeria, Rwanda, Bahamas, Libya, Uruguay, Burundi, Somalia, Tunisia, Cote D'Ivoire). (33) Small Third World countries clearly placed much importance on the independent role of the head of the Organization.

After intense negotiations it was decided to send the report for technical review to the Fifth Committee of the General Assembly (administrative and financial), where all Member States were represented by their administrative and budgetary specialists. The Chairman presented the report of the Group of 18 at the beginning of the discussions in the Fifth Committee. His role as a mediator between the regional groups diminished thereafter. A number of African delegations concluded that Ambassador Vraalsen's views were too close to those of American and other Western powers. The task to facilitate agreement among the different groups was therefore left to the President of the Assembly, his aides, individual delegations and to the Secretary-General. (34)

The report of the Fifth Committee to the Assembly was agreed on 5th of November. (35) The report constituted an approval of most of the

recommendations of the Group of 18, as such it was an historic achievement even though some recommendations were approved with modifications. The only large item which was left to the plenary of the Assembly was the agreement on the budgetary process, the most sensitive and difficult of the recommendations on which the political division among the delegations was such that not even the Group of 18 had been able to reach a consensus.

The delegations negotiated weeks to find a solution. It was recognized that funding of the Organization could not be put on a sound basis if no solution were to be found. No one wanted a UN permanently crippled by an unreliable financial base. A solution had to be worked out. This was also essential for the shorter-range purpose of eliminating the U.S. withholdings that resulted from Kassebaum amendment.

Finally, on 19 December 1986 the Assembly reached the following decision in its resolution 41/213:

Decides that the recommendations as agreed upon and as contained in the report of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations should be implemented by the Secretary-General and the relevant organs and bodies of the United Nations in the light of the findings of the Fifth Committee... (36)

The second part of the resolution dealt with the planning, programming and budgeting process, stating that it should be governed by adherence to the principles and provisions of the Charter, and respect for prerogatives of the principal organs of the United Nations and the Secretary-General as the chief administrative officer of the Organization, and finally, by recognition of the need for Member States to participate in the budgetary operation from its early stages and throughout the process.

Most importantly, at the end of the resolution the Assembly approved a new consensus-based budget process, as it is later described in section 4.4.3, fulfilling the basic demands of the major

contributors, but satisfying also the concerns of the regional groups in the General Assembly. The U.S. Assistant Secretary of State for International Organizations, Alan Keyes, and the U.S. Permanent Representative to the United Nations, Vernon A. Walters, held a press conference at which they hailed the results considering this as a historic agreement, meeting in a satisfactory manner the demands of the U.S. Congress concerning UN budgetary decision making and administrative reform. (37)

4.3. Structural reforms

Three structural reforms were completed. In the political sector, the major outcome was the merger of old structures into a new office, the Office for Research and the Collection of Information (ORCI), to enhance the preventive and early warning capacity of the Secretary-General. In the administrative field, management structure was streamlined by bringing program planning and budgeting functions for the first time together. In the public information area, the Department, DPI, was reorganized centered on the concept of multimedia rather than segmental approach to information. The efforts to reorganize intergovernmental and Secretariat structure in the economic and social sectors failed completely.

4.3.1 The reform of the political sector of the UN

The report of the Group of 18 had been quite general in describing the structural changes needed in the political sector of the United Nations. (38) Although some recommendations were specific (39) the Group did not provide any guidelines on how the reorganization should take place. (40)

The Secretary-General had, in fact, quite a free hand to plan the implementation of the recommendations calling for more consolidation and rationalization of political activities. This kind of change could be

achieved through reorganization, the course the Secretary-General selected, or without it through instituting cosmetic changes (statement of intention to strive for more coordinating meetings, distributing internal reports more widely, etc.). In the latter case consolidation could have been achieved through cutting the staff by 15 per cent, to have taken place in any case as part of Secretariat-wide reductions. The General Assembly would have most likely accepted this modest interpretation, aware of high political stakes involved against changing anything within the interests of the major powers, leaving things largely as they were before.

But the Secretary-General decided to reorganize, and moved quickly forward, without input from the General Assembly at this stage. On 2 March 1987, about three months after the adoption of resolution 41/213 the Secretary-General announced the establishment of the Office for Research and the Collection of Information (ORCI), the establishment of which is more fully described in the next section. But he also paid a price for this move when he started to face sudden and unexpected difficulties.

Firstly, he had problems with some influential members in the U.S. Congress. (41) Some high-level officials in the Secretariat, affected by the proposed change, also voiced opposition. Forceful representations came from the Soviet side. However, the USSR changed its position in the course of the reforms and surprisingly came to embrace the reorganization at the final stage. The quick action by the Secretary-General before the bureaucratic and political counterforces had time to organize and destroy the plan paid off in the final analysis. The reform could not be rescinded after it was announced. (42)

Other changes the Secretary-General announced in the political structure of the Secretariat were the following. The work of the Office for Field Operational and External Support Activities (aside from

information dissemination) was integrated into the Department of Administration and Management. The office (OFOESA) was thus disbanded. Furthermore, the political responsibilities of the Office for Special Political Questions (SPQ) and the Department of Political Affairs, Trusteeship, and Decolonization (PATD) were consolidated into a newly-named Department for Special Political Questions, Regional Co-operation, Decolonization and Trusteeship into which the Secretariat support for the Commissioner and the Council for Namibia was also consolidated. In this way various political offices were merged and spurious structures cut. (43)

The suggestions of the Group of 18 concerning the political sector were helpful from the point of view of the Secretary-General's objectives. Recommendations of the Group were, in fact, in full conformity with his earlier reorganization plan. It was not the resistance from the General Assembly which forced the Secretary-General to modify his original plan. The resistance came from the Secretariat as the following reorganization case study testifies. Still, the plan maintained its basic thrust and was implemented.

The establishment of the Office for Research and the Collection of Information (ORCI):

The Group of 18 had asked a review of the political sector of the UN to be conducted with a view to consolidating and streamlining the organizational structure to "strengthen the Organization's capacity to deal with these important matters". Merging political information and analysis functions would be a natural thing to do, especially since the Group of 18 had requested that in recommendation 18. (44)

This would have meant, firstly, the consolidation of political information and fact-finding functions of the Office for Field Operational and External Support Activities (OFOESA), the Department of Political and Security Council Affairs (PSCA) and the Department of

Political Affairs, Trusteeship and Decolonization (PATD) into a new office, to be created solely for these purposes and at the same time cutting considerable resources in other offices, introducing computerized and more cost-effective information gathering and processing methods, etc. To a substantial degree this happened. But an effort to consolidate - entirely - all the analytical functions in the Secretariat failed.

The Department of Political and Security Council Affairs, headed by a Soviet Under-Secretary-General, had a division of political affairs designated to undertake analytical functions in the political area. As a former head of this Division James Sutterlin was intimately aware of its functions as well as its main problem. It was the location of the entity. A UN Secretary-General striving to be objective, neutral and independent from super-powers' rivalry, was supposed to rely on political analysis prepared in the first instance in a Division headed by an American. The director was then supposed to send confidential reports to his supervisor, a Soviet national, for clearance, before sending them to the Office of the Secretary-General. It was evident that this kind of procedure of supplying analysis on highly sensitive issues - in which the major powers were often involved - could not lead to objective and innovative research and advice, on which the Secretary-General could rely. Therefore, the Office of the Secretary-General had largely ignored the activities of the Division and thought that its work was by and large useless. But for political reasons no one had wanted to touch the issue. (45)

With a new climate of a major financial crisis, largely resulting from the decisions in Washington, insisting on cost-cutting and streamlining, a sudden opportunity emerged to attack the problem. According to the plan submitted to the Secretariat's Steering Committee in May 1986 this Division should be amalgamated to the new office to be created. The office would be headed by a non-superpower national with

credible diplomatic, analytical and research qualifications reporting directly to the Secretary-General. (46)

But this was not an easy undertaking for political and logistical reasons. The American head of Political Affairs Division should be placed to a comparable position elsewhere and the Soviets' expected fury over losing a Division in their Department was to be balanced by giving them other activities, but not in the information area. (47) The original plan did not survive the bureaucratic resistance. (48)

A limited number of discussions took place with political Under-Secretaries-General on the reform of the political sector in early 1987. The plan was objected to by two of them. (49) Consequently, a decision was made to adjust the plan leaving the Political Affairs Division in PSCA untouched and, therefore, planned divisional transfers did not take place. Duplication in the analytical functions was not eliminated but the new concept of merging all other political information and research activities was implemented as planned.

The next step was to appoint a head of the office. To ensure the credibility of the Office, as well the reorganization process in the political sector in general, it was important to get an experienced manager for the job, one with both strong academic and diplomatic qualifications. The new office was designed to upgrade the research support services for the Secretary-General. Of special concerns were incipient conflicts (early warning), support for negotiations (quiet diplomacy and negotiation) and assessment of global trends. Because the new Office should create an academic and research network to support these functions the candidate should have credibility in this area. Otherwise help from scholars would not be forthcoming.

On 20 March 1987 the Secretary-General announced the appointment of Dr. James O.C. Jonah, at the time Assistant Secretary-General for Field Operational and External Support Activities (a post to be eliminated), a native of Sierra Leone, as a head of ORCI. He had

impressive credentials for the job, as recognized by The New York Times when the office became subject of controversy a month later. (50) From the Secretary-General's point view Jonah had an additional advantage. As an African, he would probably be able to gather political support for the functions of the office from the Third World when its mandate would have to be finally "ratified" (through approval of its budget) in the General Assembly. This proved to be true.

Before the announcement of Jonah's appointment the reorganization team in the Office of the Secretary-General and Special Coordinator had prepared terms of reference for ORCI which were announced in a Secretary-General's Bulletin. The Bulletin (ST/SGB/225) was issued on 1 March 1987. (51) But the announcement was just a first step in the implementation process. The next ones would be to make the office operational, to get high-quality staff and equipment over expected objections and bureaucratic resistance of any "victim" departments or staff, to get the General Assembly and its bodies to support this quite independent decision by the Secretary-General. This might have been an uphill battle without the strong and continuous support by the Secretary-General. It would not have been the first time when a decision from the top to streamline an organization had been completely undermined by bureaucratic resistance.

It was decided that the preparations for implementation would be carried out in the Office of the Secretary-General with the co-operation of the newly-appointed head of the Office. Bureaucratic resistance could thus be countered through the authority of the Secretary-General. The Department of Administration and Management also had a stake in carrying through this reorganization as a first proof of their managerial prowess. (52) By the start of summer 1987, in about three months, the initial process (setting procedures for staff selection, establishing the posts structure, and drafting the job descriptions) was successfully over. (53)

A record number of applications were received to the posts in the office when they were announced for internal competition. After a special selection process the appointments were announced in August 1987. A major part of the new staff came from old political units, like the Department of Political Affairs, Trusteeship and Decolonization (PATD) and the Department of Political and Security Council Affairs (PSCA). The Soviet-headed PSCA was hard hit by the creation of this office. A whole unit, Political Information News Service (PINS) was lost in its totality to ORCI and another unit, Political Affairs Division (PAD), headed by an American, lost its raison d'être and was reduced in size. But PAD survived as an entity.

The selection of staff was completed before any posts were established for the new office. To get the targeted posts to ORCI was difficult since they all had to be transferred from the old establishment in the Secretariat, and no new ones were created. The process took about a year and ORCI's leadership spent a lot of time in this bureaucratic struggle, but success was finally achieved, with the support of the Office the Secretary-General and DAM-leadership. (54)

Renninger has commended the quality of selection of staff. (55) Indeed, using the criteria employed by Inspector Bertrand, in criticism of the qualifications of the UN staff in general, the results were extraordinary. Some 40 per cent of the selected professional staff hold Ph.D. or equivalent degrees from American and European Universities (Harvard, MIT, London School of Economics, etc.) and an additional 10 per cent had completed extensive post-graduate studies. The rest had other advanced degrees.

In April 1986, new difficulties started outside the United Nations in Washington. On 16 April 1987 the Washington Post wrote: (56)

Eight U.S. senators have protested an American-backed move to set up a new information-gathering office at the United Nations, charging that it would benefit Soviet spy operations. U.S. Ambassador Vernon Walters, who had campaigned to move a part of the office out of a Soviet-controlled division of the U.N. Secretariat, said that two of the senators withdrew their

objections after his personal appeals. But two of the other senators - William V. Roth Jr. (R-Del) and Robert Dole (R-Kan.) - have cosponsored a bill to block the U.S. share of funding for the new office... U.N. officials and American diplomats here say that Walters and his predecessor, Jeane Kirkpatrick, had made the de-Sovietization of the news service one of their prime political goals. "We, the British and the French have been demanding just such a move for years," said one high-ranking American. "The secretary general finally wipes out PINS - and now this. The whole thing is off the wall.... He and U.N. officials charged that Roth had reacted to distorted presentations on the plan by anti-U.N. lobbyists and conservative American political appointees in the Secretariat and State Department.

The controversy died out quickly when the Office of the Secretary-General effectively answered the criticism. The new head of the Office, Dr. James Jonah, had a good reputation in Washington from his peace-keeping experience in the Middle East, and was able to help defuse the crisis through his own contacts, including making a visit to the Heritage Foundation. When the New York Times next reported about the progress of the office, about two years later, the tone was positive and factual. (57)

Although the Soviet-led PSCA lost markedly through the creation of ORCI a Soviet national was appointed to one of the five section chief posts in the new Office. Other senior staff members came from smaller countries (Spain, Guyana, Zimbabwe, and Oman). The Americans were disappointed. Dr. Jonah had to explain to the Americans in Washington that he could not select an American section chief since no American applied whose credentials and experience were comparable with those selected. (58) Partly this could be explained by the fact that the U.S. in general does not follow very closely the assignments of Americans in the Secretariat and did nothing to encourage American candidates to submit credible applications. Secondly, Americans in the Secretariat tend to work in fields other than the political.

Although no Americans had a leadership position in the office the U.S. was positively inclined as the quotation from the Washington Post indicates. Americans scholars have attached much importance and promise to the concept of the Office. (59) One has to remember also that an

American, James Sutterlin, was behind the very concept of ORCI. Whereas the Soviets had originally strongly objected to the creation of the Office their attitude later changed. Deputy Foreign Minister Vladimir Petrovsky, enthusiastic about the concept of early warning, even proposed that the office be enhanced as a War Risk Reduction Center with expanded functions. (60)

Although the creation of the office was the Secretary-General's own initiative it was ultimately welcomed by the intergovernmental bodies. Its mandate was accepted by the General Assembly and the Committee for Programme and Coordination (CPC), with full support for the Secretary-General's original concept. While the impact of the office is not being evaluated in this study since it would need a separate survey it can be said that the office has systematically moved to fulfill its functions according to its mandate. (61)

4.3.2 The reform of the economic and social sector of the UN

The Group of 18 suggested a two-track approach to tackle the huge area. In recommendation 8 it suggested a careful and in-depth study of the intergovernmental structure in the economic and social fields by an intergovernmental body, to be designated by the General Assembly, to identify measures to rationalize and simplify the intergovernmental structure, avoiding duplication and merging existing bodies in order to improve their work. Secondly, the Group of 18 asked in recommendation 25 the Secretary-General to review the Secretariat structure in the field to eliminate duplication and to ensure that the offices concerned are able to be more responsive to the needs of Member States. (62)

The principal responsibility to give impetus, to plan and to carry out the internal reorganization of the economic and social sector within the Secretariat lay on the shoulders of the Director-General for Development and International Economic Co-operation, Jean Ripert, a native of France. He was the second ranking official in the

Secretariat, directly after the Secretary-General who did not consider himself a specialist in the area. The view of the Director-General seemed to be that the whole economic and social area was so complex and basically under the authority of the Member States that the Secretariat should not, at least at that stage, take the initiative in suggesting structural change. No extensive plans for reorganization were made in the Special Working Group, nor were any presented to the high-level Steering Committee, and no consequent effort was made to influence the work of the Group of 18. (63)

During the spring 1986 the Director-General had consulted a number of program managers in social and economic fields on possibilities for reform within the Secretariat. No special results were achieved through these consultations. Later, in early 1987, the Secretary-General made changes in the social area by assigning supervisory responsibility for human rights activities to the Director-General of the United Nations Office at Geneva and concentrating UN activities on social policy and development under the Director-General of the United Nations Office at Vienna. These were restricted to the Secretariat and did not affect the broader UN system. (64)

The General Assembly decided in its resolution 41/213 of 19 December 1986 that the Economic and Social Council should carry out the study on the intergovernmental structure referred above. (65) ECOSOC consequently decided, in its decision 1987/112, to establish a Special Commission to carry out an in-depth study. The Director-General was responsible for establishing a secretariat for the Commission.

A Special Commission met from 2 March 1987 to 23 May 1988. In July its Secretariat circulated a study done by UNITAR, the UN Institute for Training and Research, on "Survey and Analysis of Evaluations of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields". The study concluded with pessimistic views on the possibilities of reforms but gave some broad areas for discussion. (66)

The passivity of the Director-General was compounded by this study and the Commission went through its work evidently without any formal or informal leadership from the Secretariat. In its final report of 1 June 1988 (E/1988/75) the Special Commission reported that, after meeting over 15 months, it was unable to come to an agreement on conclusions. A reading of the various annexes appended to the report reveals vastly divergent views of the various groups and delegations on the desirability and direction of any reforms. (67)

At its second regular session of 1988 ECOSOC noted that there were no agreed conclusions on recommendation 8 and decided to transmit the report of the Special Commission to the General Assembly at its forty-third session. ECOSOC decided to try, however, to put at least its own house in order and adopted a long resolution on its own revitalization. The Assembly, trying to keep institutional reform alive, adopted then a compromise resolution, asking the Secretary-General to consult further with all Member States and seek their views on ways and means of achieving a balanced and effective implementation of recommendations 2 and 8 of the Group of High-level Intergovernmental Experts and submit to the Assembly at its forty-fourth session in 1989 a detailed report for further consideration. No specific results were achieved, however, and the 1989 General Assembly debate remained inconclusive. (68)

The fate of recommendation 25 of the High-level Group, envisaging a review of the economic and social sectors of the Secretariat, was much the same as that of recommendation 8. In the final progress report on the review of the efficiency of the administrative and financial functions of the United Nations the Secretary-General reports that:

...the Secretary-General does not believe that a basic restructuring of the economic and social sectors of the Secretariat is necessary or appropriate at this time. Efforts will rather be directed at enhancing the efficiency and effectiveness of the present structure. (69)

4.3.3 Reorganization of the Department of Administration and Management (DAM)

The Group of 18 asked the Secretary-General to streamline the Department of Administration and Management, to increase its efficiency and achieve cost effectiveness of administrative services (recommendation 30), and that all activities relating to program planning and budgeting should be brought together under a coherent structure (recommendation 32). (70)

A major defect in the administration and budgeting of the Organization had been the fact that the preparation of the budget and the Medium-term Plan had been divided between two Departments, the Department of Administration and Management (DAM) and the Department of International Economic and Social Affairs (DIESA), in which the Office for Programme Planning and Co-ordination (OPPC) was located. Although the Secretary-General had proposed, through his position papers, to the Group of 18 that the merging of these entities would be desirable there were disagreements among the members of the High-level Group about this and, consequently, recommendation 32 mentioned above was formulated in a rather vague fashion. (71)

The recommendations of the Group were quite clear, however, on the need to make drastic structural changes in the Department. The new Under-Secretary-General, Martti Ahtisaari from Finland, was eager to move ahead quickly. He organized a review group to make suggestion for him about organizational and procedural changes. The Group was also able to use the results of an earlier Group organized by Ahtisaari's predecessor, Patricio Ruedas. The question of bringing program planning and budgeting "together under a coherent structure" was, however, a political issue and any proposal to merge OPPC to DAM might provoke objections from a newly appointed Under-Secretary-General of DIESA, who might see this as a start toward a diminishing role of DIESA. In fact, a number of delegations had spoken against the merger in the General

Assembly. Ahtisaari understood that the proper level to make a decision on a structural change of this magnitude and political sensitivity was the Secretary-General. When given a recommendation by Ahtisaari the Secretary-General approved the merging of OPPC to DAM. (72)

In the offices belonging to DAM a number of structures were streamlined. For instance, in the Office for Human Resources Management recruitment and career development which had been organizationally separate were brought into one unit and the number of divisions was reduced from three to four. (73)

4.3.4 Reorganization of the Department of Public Information (DPI)

The Group of 18 made a strongly-worded recommendation on DPI, suggesting that a thorough review of the functions and working methods as well as of the policies of the Department should be conducted "with a view to bringing its role and policies up to date in order to improve the capacity and ability of the department to provide information on the UN activities as approved by the intergovernmental bodies". (74) The Secretary-General felt also strongly about the reform and wanted to appoint a tough-minded professional to undertake a complete overhaul of DPI. (75)

The Office of the Special Coordinator had already in the fall of 1986 prepared an elaborate list of suggestions to be considered by the incoming head of DPI. The Under-Secretary-General proved right from the beginning to be an independent and strong-minded personality who wanted to formulate the reforms and strategies for implementation in her own way, based on her own previous managerial experience. It was important to bring modern methods, based on the latest thinking in the communications industry, to the Department and she approached a number of governments for help. Since the governments were reluctant to move quickly she recruited Canadian private sector consultants on communications. (76)

The use of Canadian consultants without experience in multilateral organizations was resented by many delegations and the staff and criticized for Western political bias. Managerial experience in a semi-private Canadian enterprise proved difficult to apply in the UN environment without an understanding of the complicating international political aspects, usually absent in retrenchment and reorganization programs in the private sector. Staff morale which often has political ramifications, became a serious problem. (77)

In her statement to the Committee for Programme Planning and Co-ordination on 27 of May 1988 Mrs. Sevigny explained the philosophy of the reform. (78) First of all she stated, that because of its universality the UN is probably the most complex and abstract system in the world but also one of the most under-financed organizations. It has no power except the power to convince. This takes place through both private and public diplomacy and, importantly, through professional information services and communication campaigns with the goal of reaching out to the peoples of the world. (79)

In her consultations with the governments, delegates, media, public and private sector, NGOs and UN officials she found, however, a lot of skepticism and confusion about the UN although expectations and curiosity were high. It was not easy to fulfill these expectations. There was first of all a multiplicity of mandates that Members States expect DPI to fulfill. This involved over 30 themes, more than 1000 different activities and requires an average of close to 4000 hours of coverage of meetings per year, 1000 hours of video coverage, etc. However, in the communication industry the proportion of resources allocated to inform the public is much higher than that provided for DPI although the latter has more mandates. In fact, in the course of forty years, the annual proportion of the budget of the Department to the total United Nations net budget has decreased from 12.7 per cent to 5.3 per cent. (80)

She set a target of transposing bureaucratic formulas - through reorganizing the structures - into comprehensive communication programs for better distribution to a large audience throughout the world. The key concept was integrated multimedia campaigns on political, development, human rights and other issues. The aim was to formulate and implement a comprehensive and coordinated program aimed at specific target audiences, replacing the earlier fragmented and sectoralized approach. (81)

In considering a solution to these problems in the fall 1987 she said she had three options to consider:

- to discontinue DPI field offices with savings of 12-13 million dollars to be used to expand coverage of the mandated topical issues and pay the full costs of modern delivery systems for UN materials to reach wide range of countries;
- to seek an increase of 10-15 million dollars in the budget to compensate for the lack of operations in the field;
- to reorganize the DPI, within the existing resources, so as to enhance the way in which the United Nations communicates with the world.

She selected the third option. (82) Organizationally, the new approach was to require a project manager as a focal point ensuring co-operation and coordination through functional lines. A new Programme Operations Bureau was proposed to be created and its Director was to fill the project manager function, heading three newly organized units: Communications and Project Management Service, Information Products Division and Dissemination Division. Besides these major units DPI was to have Divisions for Committee Liaison and Administrative Services, the United Nations Information Centers Division, Executive Media Service and the Office of the Under-Secretary-General. (83)

An Important new concept was Executive Media Service. It was established to provide direct and modern communications support to the

activities of the Secretary-General and other senior staff and to strengthen the links with media in this visible function of the Organization. (84) The potential of using the media value of the UN Secretary-General for the benefit of the whole Organization had not been tapped before.

An important detail in the proposal was the elimination of the Anti-apartheid Radio Unit by merging it into the new structure while cutting some 10 professional positions. The intended purpose was to improve the anti-apartheid campaign delivery through a multimedia approach. (85)

The staff to be selected for the new organizational structure were supposed to be high quality and have expertise in a modern multimedia approach. Therefore, every staff member in the Department had to apply for the new positions, even to his or her old post. An occupational selection panel was established in the Department for this task. (86)

The reception of these proposals by the delegates from the Third World, especially from the African Group, and among the staff, could be characterized as a complete rebellion. The strong leadership in the reorganization and its overall direction was resented by many in the DPI staff whose interests were affected by Mrs. Sevigny's proposals. Possibly, she also underestimated the perceptual and emotional issues involved and questions of principle. For many the reorganization was too overtly associated with the Western worldview and its competitive communication culture, suddenly introduced to the Department at the time when the United States was not paying its assessed contribution to the UN. Many staff members had also political connections and friends in the media. This all delayed the implementation of the reform and created controversy. Some staff members evidently leaked their own interpretations of the proposed changes to the press and to delegations, placing the proposals in a very negative light. (87)

The controversy lasted almost two years and all the governing bodies, the General Assembly, the Fifth Committee, the Committee for Programme and Coordination, ACABQ and the Committee of Information, got deeply involved. A unique feature was also that the controversy, and especially the destiny of the Anti-apartheid Radio Unit, were taken up repeatedly at the daily press briefings of the Spokesman of the Secretary-General by those journalists who were deeply skeptical about the reorganization. (88)

Finally, the General Assembly decided, based on the recommendation of the Fifth Committee, to maintain intact the Anti-apartheid Radio Section in the Information Products Division, contrary to the overall concept of reorganization based on multimedia-approach. Furthermore, in light of the recommendations of the General Assembly on the matter the Secretary-General proposed in his program budget for the biennium 1990-1991 the abolition of the posts of the Director, Bureau of Programme Operations and Director, Division for Committee Liaison and Administrative Services and the establishment of a post of a Director in the Office of the Under-Secretary-General. The Director of Bureau of Programme Operations (an American held the position for a while) lost the formal in-line responsibility to supervise three units although the post was recreated in the Office of the Under-Secretary-General. Otherwise the structure was approved with minor modifications. (89)

The Secretary-General's final progress report on the implementation of resolution 41/213, dated 26 April 1989, states that this simplified structure would provide for a leaner and more efficient Department as it moves to fully operational status after a transitional reform period. (90) But the controversy has not totally ended. A report from the Joint Inspection Unit launched a devastating critique of the DPI reform in fall 1989. The Secretary-General rejected most of JIU observations in his comments on the report. (91)

4.4 Implementation of other reforms

4.4.1 Vacancy management and staff redeployment system

The Secretariat had realized early in the financial crisis that the Organization has to cut back its human resources which constitute about 70-80 per cent of its total costs. This would be important both financially and politically. According to the managerial style of the Secretary-General this was best done by instituting a recruitment freeze and this was done in early in 1986. But since in a freeze vacancies occur when staff retire, resign or die it constitutes a haphazard approach to reducing staff and eliminating posts. It does not improve the efficiency of program delivery of the Organization.

The Special Coordinator Margaret Anstee, overseeing the planning of the implementation of the Group of 18 recommendations during the fall 1986 and spring 1987, realized this potential hazard. A plan was subsequently made to redress this problem by instituting a vacancy management and staff redeployment program. She submitted two versions of the plan to the Programme, Planning and Budgeting Board (PPBB), a body consisting of senior managers supervising the Secretariat's budgeting policy under the chairmanship of Director-General Jean Ripert. (92) The main components of the alternative finally selected were the following:

While the program managers would retain the right to reassign staff members within their department or office they would have to review all their posts now vacant, or expected to become vacant, and decide which should go to a central review process, organization-wise, and which he/she could fill internally. All the vacant posts would be reviewed by PPBB to determine which should be filled and which eliminated, taking into account the concerns of the Group of 18 to streamline the Organization and avoid duplication. The posts approved by PPBB to be filled would be advertised inviting all qualified candidates in the Secretariat to apply, a break from the past when the

heads of the offices could fill vacancies without advertising them. The Office of Human Resources Management would prescreen the applicants and establish a short list to be submitted to a special redeployment committee, which was to have staff participation. The redeployment committee would select 2-3 most deserving candidates to be submitted to a program manager for his/her final selection. (93)

After PPBB's decision the Office of the Special Coordinator held a number of consultations with program managers, new heads already appointed to head the administration (Ahtisaari) and personnel (Annan) and the staff. Two important changes were made in late December 1986. First, the program managers lost the possibility of appointing a staff member to a higher position in their departments; he/she could only decide on lateral transfers. Secondly, the functions of the redeployment committee were entrusted to the existing Appointment and Promotion machinery (two bodies at the Headquarters, appointed every second year in normal circumstances, with responsibility to review all recommended promotions and recruitments). (94)

The vacancy management and staff redeployment system's advantage was its fairness to treat all staff members equally and increased the possibility of mobility within the system. Program managers could no longer make arbitrary decisions on staff placement and promotion. But the system has instituted a bureaucratic process for redeployment, rotation and promotion that is slow and still includes potential for petty politics as individual career stakes have gone up during retrenchment. Promotions are not, except in a very few cases, possible unless one meets strict eligibility criteria, seniority being a major factor. In practice, this seems to make the Organization less attractive for talented young people wanting to make a relatively quick career. The machinery possesses a potential to block or delay transfers of personnel between departments and duty stations and frustrate the

legitimate interests of program managers in promoting staff members whose performance merits promotion.

4.4.2 Reduction of posts by 15 per cent

The Group of 18 had requested in its recommendation 15 that the overall number of regular budget posts be reduced by 15 per cent within a period of three years. This target was approved by the General Assembly in resolution 41/312 but with the request that the recommendation be implemented with flexibility, in order to avoid, inter alia, a negative impact on programs and on the structure and composition of the Secretariat. Before the General Assembly had approved the recommendation the Special Co-ordinator's staff had done advance preparations for the implementation of post reductions in the Secretariat, as also done separately by staff in the Department of Administration and Management (DAM).

A joint task force was created in January 1987. The first task was to establish the desirable number of all regular budget posts, taking into account the necessary reduction targets, cutting higher level posts more than junior ones. The resultant profile was to be used as a basis for detailed departmental cuts and personnel movements. Another important task was to establish methodology for post-by-post analyses, including guidelines for workload analysis.

The Secretary-General established a "Post Review Group", composed of various senior officials and staff representatives. Departments and offices were requested to submit proposals for the group for reductions in their staffing tables from the point of view of their program responsibilities. After the recommendations of the Group were reviewed by the Programme, Planning and Budgeting Board the Secretary-General put forward interim staffing tables for the Secretariat as part of his proposals for the 1990-1991 biennium budget. (95) His target was to reduce posts by 1,465 by the end of 1989, or 13.02 per cent. The

General Assembly, in its resolution 43/213, lowered this target to 12.1 per cent. The Secretary-General also proposed to abolish 11 posts at the Under-Secretary-General and Assistant Secretary-General level. (96)

Retrenchment always takes a toll on staff morale and the staff needs to be treated as fairly as possible in a scaling down period. Having this in mind the Assistant Secretary-General for Human Resources Management asked a working group to examine the situation of staff members in posts earmarked for abolition, and outline various administrative options and procedures to deal with the staff reduction. The report of the working group was presented for discussion to staff/management bodies, and a revised paper was submitted to the Staff Management Co-ordination Committee, composed of staff representatives and administrators from various UN duty stations. The recommendations of this Committee were finally submitted to the Secretary-General. (97) As of March 1990, the staff reduction has been carried out only through attrition.

4.4.3 Revised budgetary process

General Assembly resolution 41/213 described in some detail the new budgetary process which was accepted after an intensive period of negotiations, as described in section 4.2. As indicated in that section the Group of 18 had not been able to reach an agreement on a new process and proposed three alternatives. The final agreement in the Assembly tried to amalgamate different alternatives and had the following components: (98)

Off-budget years:

(1) The Secretary-General submits an outline of the program budget for the following biennium, which shall contain an indication of the following: (a) preliminary estimate of resources to accommodate the proposed program of activities during the biennium; (b) priorities, reflecting general trends of a broad sectoral nature; (c) real growth,

positive or negative, compared with the previous budget; (d) size of the contingency fund expressed as a percentage of the overall level of resources.

(2) The Committee for Programme and Co-ordination (CPC), acting as a subsidiary organ of the General Assembly, shall consider the outline of the program budget and submit, through the Fifth Committee, to the Assembly its conclusion and recommendations.

(3) On the basis of a decision by the General Assembly, the Secretary-General shall prepare his proposed program budget for the following biennium.

(4) Throughout this process, the mandate and functions of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) shall be fully respected. The Advisory Committee shall consider the outline of the program budget in accordance with its terms of reference.

Budget years:

The Secretary-General shall submit his proposed program budget to CPC and ACABQ in accordance with existing procedures. CPC and ACABQ shall examine the proposed program budget in accordance with their respective mandates and shall submit their conclusions and recommendations to the General Assembly, through the Fifth Committee, for the final approval of the program budget.

The Assembly reaffirmed that the budgetary decision-making process is governed by the provisions of the Charter of the United Nations and the rules of procedure of the General Assembly (i.e. no weighted voting). But it also agreed that the CPC "should continue its existing practice of reaching decisions by consensus". The U.S. delegation interpreted this as a consensus-based budgetary process that met the requirements of the Kassebaum amendment by, in effect, giving the major contributors (as well as all others) a veto on the budget. (99)

The General Assembly agreed also, over the objections of the U.S., to enlarge the membership of CPC as a recognition of its new importance from 21 to 34 members. (100) The U.S. objected to the enlarged membership on the ground that a consensus would be more difficult to achieve in a larger body.

Although it was agreed that the new consensus-based procedure would not go into effect until 1988 with formulation of the 1990-91 budget, there was already a dramatic broadening of consensus on the 1988-89 budget as compared with previous years. The number of votes in the Fifth (budgetary) Committee of the General Assembly in the 1985 session was 132 and in 1987 session only 19. The number of the Member States abstaining on or voting against the budget had been 21 on 1982-83 budget, 22 on the 1984-85 budget, 21 on the 1986-87 budget but only 4 on the post-reform budget for 1988-89. Only Israel voted against the latest budget, on a political issue. The U.S., Australia and Japan abstained. For the first time over a number of years, all Europeans, East and West, voted in favor of the budget. (101)

For the U.S. there was at least one disappointing sign in the budgetary decisions taken by the Assembly in 1986-87. The General Assembly, the Fifth Committee and the CPC failed to adopt a budget ceiling and a contingency fund to limit add-ons (unexpected expenses added to the budget during the budget cycle) as the U.S. had demanded. The Africans objected to this since the U.S. had not kept its part of the bargain by paying its full contribution to the UN. However, under the reform agreement, neither the ceiling nor the contingency fund was scheduled to be applied to the 1988-89 budget. (102)

Notwithstanding the positive movement in the UN budgetary process along the lines urged by the U.S. Administration, the U.S. Congressional agreement to full funding of the UN was made contingent on three factors: the UN's implementation of budget reforms, reduction of personnel, and reduction in the percentage of seconded Secretariat staff

from any country to 50 per cent. It also required that 40 per cent of the U.S. payment would be made at the start of the fiscal year; another 40 per cent on or after December 15, 1987, if the UN adopted [in practice] consensus-based decision-making; and the remaining 20 per cent within 30 days after the President determines and reports to the Congress that the above conditions were being met. (103)

4.4.4 Implementation of proposals on intergovernmental machinery, co-ordination and personnel

Improvement of the intergovernmental machinery:

It proved to be extremely difficult to implement the recommendations of the Group of 18 aimed at reducing conferences, meetings and documentation of intergovernmental bodies (recommendations of 2 and 7 of the Group). (104) The implementation would require full co-operation and concerted initiative by the Member States. But the political will to implement the Assembly's decisions seemed lacking. Thus the fate of these recommendations seems close to the description given by March and Olson of similar experiences in the U.S. Government where exhortations of reform serve mainly symbolic purposes without interest in implementation.

The Secretary-General had proposed to the General Assembly that the posts in the Department of Conference Services (DCS) be reduced by 14 per cent by 1990 in accordance of the recommendations of the Group of 18. He indicated, however, that this would require a substantial reduction in the number of conferences and meetings as also envisaged by the High-level Group. In the absence of such a decision the Secretary-General stated that only a 10 per cent reduction in the staffing of conference services in New York and Geneva would be possible. Otherwise disruption in the servicing capacity of the Organization would be excessive. But the General Assembly did not want to reduce its meetings, or those of its subsidiary bodies. Therefore,

only 10 per cent reduction was approved for DCS. In addition, there was discussion in various intergovernmental bodies on the need to reduce their own meetings but no particular results were reported. (105)

On reducing documentation the Committee on Conferences considered at its 1988 session a report prepared by the Secretariat listing 1,126 documents, with a total of 4,165 pages, that had been submitted by the Member States for circulation as documents of the United Nations between February 1987 and March 1988. The Committee agreed to renew its appeal to Member States and ask them to exercise restraint in this regard and further decided to keep the matter under review but no practical actions were proposed or implemented. (106)

Measures on UN system-wide co-ordination:

Maurice Bertrand, a member of the Group of 18, had addressed the issue of the system-wide co-ordination in a report issued in his capacity of Inspector of the Joint Inspection Unit just before the Group of 18 started its work. He stated that the clear lack of co-ordination and definitions of priorities in the UN system was due to the extraordinary complexity of the structures. The inordinately ambitious content of the various UN programs leads to extreme fragmentation of the activities of the various "headquarters", operational activities and the work of intergovernmental bodies. The attempts at coordination culminated in the establishment of complex machinery in the 1960s and 1970s. These changes in structure, work on methodology, and recommendations in no way improved coordination and "joint planning" remained wishful thinking. (107)

The fruitless efforts at co-ordination over the last 15 years went hand in hand with parallel efforts to improve planning, programming, monitoring and evaluation. Although progress was made in paper (better description of activities) the efforts did not achieve the desired ends: a better definition of priorities; definitions of

achievable objectives; examination of alternative solutions; concentration of means of action on a few prime objectives; better organization and better division of labor between executants; and utilization of the lessons to be drawn from failure and success with a view to establishing better programs. Puchala and Coate also state that the failure to achieve results in UN co-ordination has been tied to the incapacitating belief of Secretariat officials that every effort will fail anyway, a self-fulfilling prophecy. (108)

The Group of 18 also recognized that a number of attempts to improve co-ordination of the United Nations system had failed. The Group nevertheless believed that efforts must be pursued and should begin by the main agencies of the UN system defining a common approach to the possible solutions of economic and social problems. The machinery for interagency co-ordination should be streamlined and maximum use to be made of flexible ad hoc arrangements (recommendation 9). Executive heads of the UN agencies, as well as the World Bank and IMF, should be invited to hold an annual one-week session under the chairmanship of the Secretary-General to discuss major policy questions in the economic and social fields and improve the co-ordination of their programs (recommendation 10). (109)

Not much was achieved in implementation of these recommendations. With regard to recommendation 9, the Secretary-General stated in his progress report that the Administrative Committee for Co-ordination had since 1986 been undertaking a review of the functioning of its subsidiary bodies. On the implementation of recommendation of 10 he stated that the objectives of the recommendations could best be achieved through informal consultations among relevant executive heads on major policy issues and, in fact, such meetings had been held in the past few years on various issues (Africa, debt, etc). (110)

Measures regarding personnel:

(a) Recommendations concerning the Secretary-General's authority in personnel matters:

The direction the Secretary-General took to enhance his authority in personnel matters, as forcefully suggested by the Group of 18 (111) was to enhance the status, planning capability and methods of Office of the Human Resources Management (OHRM), especially in implementation of the vacancy management and staff redeployment program and the 15 per cent reduction in staff. Program managers' capacity to move their staff to higher positions, was reduced thus enhancing the central administration's role in human resources management. The Secretary-General did not make any commitments in his progress report to the Assembly concerning recommendation 54 asking him, as a rule, not to renew the contracts of his top officials for more than ten years. He thus preserved his prerogatives in the matter. (112)

(b) Recommendations aiming at improving the quality of the staff:

The Group of 18 made a number of recommendations aiming at improving the quality of the staff. (113) The Secretary-General's response was that these were useful recommendations but the implementation of most of them required monetary and other resources which the United Nations did not currently have. Therefore, their implementation has to be postponed. The use of examinations for recruitment at the P-3 level and the implementation of drafting tests (recommendation 43) had to await the end of financial difficulties as well as the introduction of recruitment by occupational groups. The implementation of the already planned and approved system of career development, and the revision of the performance evaluation system, was also postponed due to financial difficulties. The old practice of recruiting staff at the P-1 and P-2 levels through competitive examinations did continue, however, on a limited scale in 1987-88 despite the recruitment freeze. (114)

March and Olson characterizations of the symbolic and ritual character of many reform proposals of this kind seem to have a certain validity in the UN case. Proposals to improve the efficiency of the staff were introduced by the Group of 18 although the Organization clearly did not have the ways and means to fulfill them in the near future if ever. They might well improve the staff quality in the long-term but this would need a commitment by the Member States to allocate money for the reform which was not and is not the case. (115)

(c) Recommendations principally aiming at improving fairness and equality: (116)

There have been only two cases during the financial crisis where staff have been appointed to new positions on the advice of special occupational appointment/promotion panels as asked by the Group of 18 in recommendation 48 (to the Office for Research and the Collection of Information and to the Department of Public Information). Occupational panels with specialists in the field likely take a fairer look at the qualifications of the applicants than duty-station based bodies of general character.

The Group of 18 furthermore recommended that the UN recruits proportionally more women to the Organization and promote them to higher levels. (117) Some progress was made within the limitation of the general recruitment freeze. The Group of 18 recommended that clear criteria for promotions be developed. In response, within the framework of the vacancy management and redeployment program, specific criteria were developed for the redeployment of staff to higher level posts. This included a stress given on seniority that resulted from the need to reassign staff whose posts were eliminated in the implementation of the 15 per cent staff reduction. (118)

One can highlight the risks of this policy. Excessive rigidity in applying the seniority criteria might encourage talented young staff

members who see meager prospects for reasonably rapid career advancement to seek a more promising career environment elsewhere. The more seniority is stressed the more innovation and fresh enthusiasm might be curtailed. Worse still - to take a more theoretical argument - is the possibility that deadwood, bureaucratic and militant elements both in management and in staff unions (present in all large organizations) are able to block the advancement of 'threatening' talents through growing regulations and networks in the appointment and promotion bodies since these bodies are more important in regulating staff movements during retrenchment than in normal times.

If this situation materializes we can talk about the UN as a "stalemated organization", a concept introduced by Larry Hirschhorn to describe some U.S. agencies. (119) We have an organization where various participatory interests (staff and management) collude in sustaining in the name of fairness a management stalemate, a conflictual status quo which the participants do not want or are unable to change. By blocking fresh blood entering the system and by blaming each other for the stalemate each party, in fact, agrees to solidify the conflict. Centralization of personnel management might intensify this trend. Opening up and decentralizing the system might be a long-term way out of the stalemate. But the financial crisis and retrenchment seem to have the potential, at the UN as evidently in any large organization, of transforming the personnel system into a rigid and centralized machine.

(d) Recommendations dealing with staff unions and entitlements:

The Secretary-General has taken a much more positive attitude than the Group of 18 towards the role and status of the staff unions (120), and has in practice been very sympathetic to their activities. (121) The Secretary-General stated in his progress report on the implementation of the reforms that the role, functions and financing of staff unions have been carefully examined. During retrenchment a number

of events required the full co-operation of staff unions, working together with the administration, to ensure that the reform process proceeds smoothly. In the Secretary-General's view, at the time when the very survival of the Organization was at stake the staff representatives carried out their activities in full respect of the managerial responsibilities of the Secretary-General. (122)

In the view of the Group of 18, the total entitlement of the staff members had reached a level which should be reduced (recommendations 61). In particular, the elimination of the educational grant for post-secondary studies and the reduction from six to four weeks annual leave system for all staff members should be implemented. (123) This view was strongly contested by the Secretary-General and the staff. Finally, the General Assembly decided not to change the entitlements and referred the recommendation to the International Civil Service Commission (ICSC). ICSC later reported to the Assembly that it did not support any changes in entitlement. (124)

(e) Recommendations principally directed at enhancing the independence of the international civil service:

In the recommendation 45 the Group of 18 expresses the view that staff members should be eligible for permanent appointments after having served three years in the United Nations. In the opinion of the Group this period, in contrast to five years recommended by the International Civil Service Commission, should be sufficient to evaluate the performance of a staff member and determine whether or not the staff member meets the criteria for career status. The Secretary-General concluded, however, that the matter, too, must await the completion of the retrenchment exercise. (125)

In recommendation 55 the Group stated that the General Assembly has reaffirmed the principle that no posts should be considered the exclusive preserve of any Member State or group of States and requested

the Secretary-General to ensure that this principle is applied faithfully in accordance with the principle of equitable geographical distribution. At the request of the U.S. representative, against the objection of the Soviet delegate, the Group proposed that in order to facilitate the implementation of this recommendation, no more than 50 per cent of the nationals of any one Member State employed by the United Nations should be appointed on a fixed-term basis. The same kind of disagreement was repeated on recommendation 57 concerning the ratio between permanent staff members and staff members on fixed-term appointments. The Group considered and recommended that at least 50 per cent of the nationals of any Member State working in the Secretariat should be employed on a permanent basis. (126)

Soviet and Western views about the international civil service have been totally different. The Soviet Union, opposing the concept of a career international civil service, favored secondment (based on fixed-term contracts); the Western Governments saw a career service as the backbone of the Secretariat. The Soviet Union changed policy in 1988 and declared its intention to concur permanent UN appointments for Soviet nationals. This did not, however, markedly affect the U.S. withholdings from the UN budget (some of the U.S. withholdings were justified in reference to Soviet secondment policy). The U.S. motivation to cite the Soviet secondment as a basis of withholding might have been also a way "to embarrass the Soviets", a common objective in mid-1980s, than expression of a real concern for the independence of the international civil service. (127)

Due to their considerable political undertones no particular action was taken by the Secretary-General - although he spoke to the Soviets - concerning recommendations 55 and 57, and most likely it was not even so expected by the Group.

4.5 Discussions and decisions in the General Assembly and its bodies

The Secretary-General was asked in the General Assembly resolution 41/213 to submit to the General Assembly a progress report on reforms by 1 May 1987. The Special Coordinator Margaret J. Anstee prepared this report. (128) The report described the reforms taken as does the second progress report submitted in 1988. (129) The reports were reviewed first by appropriate intergovernmental bodies (CPC, ACABQ and the Fifth Committee of the Assembly). Separate reports were also submitted to the General Assembly at its forty-second and forty-third sessions on various questions relating to the resolution.

After having considered these reports the General Assembly adopted two resolutions, 42/211 of 21 December 1987 and 43/213 of 21 December 1988, providing further but marginal guidance to Member States and to the Secretary-General on the implementation of resolution 41/213. The Assembly again stressed that implementing resolution 41/213 should not have a negative impact on mandated programs and activities. But no major changes were made to the ongoing process of implementation. (130)

At its forty-third session, the General Assembly, in resolution 43/213, requested the Secretary-General to present a) his final report on the implementation of the reforms to the Assembly in 1989, and b) in 1990, an analytical report assessing the effect of the implementation of resolution 41/213 on the Organization (how it has enhanced the efficiency of its administrative and financial functioning). (131)

The final report of the Secretary-General on the implementation of resolution 41/213, dated 26 April 1989 (A/44/222) was discussed in the fall 1989 by the Assembly. By this time the reform spirit had already dissipated. The title "Reform and renewal of the United Nations", used for the first two progress reports, was dropped and the final report was just a "progress report". The resolution 44/200, adopted 21 December 1989, did not provide anything substantially new and, at the end, gave only guidance for the Secretary-General on the structure of the

analytical report to be prepared by him assessing the final effects of the implementation of the resolution 41/213. (132)

4.6 Continued contacts to Washington after the start of the reform process

With the achievement of agreement on the UN reform at the end of 1986 the small PR team in Washington, guided by the Office of the Secretary-General, focused its efforts in 1987 on spreading the word on the extent of reform and on progress in implementation. UNIC Washington participated in this effort, as did the small community of representatives of the UN agencies who had now banded together to fight a common problem. At one critical point, a two-day visit to Washington was organized for Under-Secretary-General Martti Ahtisaari, the Secretariat official ultimately responsible for implementing the reforms. Ahtisaari saw over 50 people in the two days, singly and in small groups, including Senator Nancy Kassebaum and Representative Gerald Solomon, the House sponsor of her amendment. Steven Dimoff, the director of UNA-USA Washington office, identifies this visit as the turning point in the U.S.-UN relations in 1987. It gave UN reform a human face -- Ahtisaari's -- and helped boost confidence in its chance of success. (133)

The Washington team's efforts also included the drafting of short, journalistic-style fact-sheets on timely issues which they distributed as unofficial background pieces to Congressional staff, to NGOs and to the press. They often met with a cool reception in the State Department, since they provided a defence of the UN which the Department did not always support. (134)

As reform implementation went forward in 1987, a major changing of the guard took place in the Secretariat concerning Washington contacts. William Buffum, the highest ranking American in the Secretariat, retired in mid-year and was replaced by Joseph Reed, who had been a deputy of

Ambassador Vernon Walters at the U.S. Mission (a childhood friend of President George Bush, he was appointed as chief of protocol in the White House early in 1989). Sutterlin followed six months later, to be replaced by a retired State Department career official, John Washburn. Reed sought from the Secretary-General, and received, designation as the chief point-man on U.S.-UN matters within the Secretariat, including oversight of UNIC in Washington. He called together Washburn and Eckhard on a regular basis to discuss Washington-related issues. Reed and Washburn organized a visit by the Secretary-General to Washington in July where the Secretary-General had a face-to-face meetings with President Reagan and National Security Adviser Colin Powell. (135)

Also the Director of UNIC changed in early 1988. The American Director joined the lobbying arm of a Washington law firm. She was eventually replaced by a respected Chilean career international civil servant who was also close to the Secretary-General. The new Director performed very effective information activities which made reinforcement from New York unnecessary. (136)

The political landscape changed quickly and dramatically with the notable events of 1988 -- the Afghanistan accords in April, the Iran-Iraq ceasefire in July, President Reagan's announcement in September of the end of withholding of payments and his pledge to repay arrears over five years, and finally the crowning success of the reform effort from Washington point of view -- a consensus budget passed by the Assembly in December. By the end of the year, which could also be said to mark the end of the financial crisis, or at least of the political aspect of it, the debate in Washington had shifted from how to cut payments to the UN to how to raise additional funds needed to meet the U.S. assessment and finance new UN peace missions in Afghanistan, Iran-Iraq, Angola, Namibia, Western Sahara and Kampuchea. (137)

Concluding observation:

To summarize the findings of this chapter, one can see the difference in performance between the Secretary-General and Member States in implementing the recommendations of the Group of 18. The Secretary-General moved ahead purposefully to fulfill his part of the package with relatively good results (political sector, administration and management, reduction of posts and structures in the Secretariat) although not all his efforts were outright successes (Department of Public Information (DPI); coordination of the UN system).

In cases where the Member States had the main responsibility for agreeing on the steps to be taken (the reform in the economic and social sector, reduction of conferences and documentation) little was achieved. The case of the reform in DPI is a borderline case since a number of intergovernmental bodies (e.g. Committee of Information, CPC, ACABQ) also interfered in the reform process of the Secretary-General, thus blurring the lines of responsibility for implementation. The results of DPI restructuring have been controversial. The strategy for reform might have been less than perfect but, on the other hand, disruptive input from the intergovernmental bodies has lessened the accountability for the management of the Department (increased accountability was also an aspect stressed by the Group of 18). Where results are a mixed bag, no one feels responsible for failure, and controversy goes on.

ENDNOTES

1. Sutterlin, interview.
2. United Nations, Secretariat, The Secretary-General's Administrative Instruction on the Report of the Group of High-level Intergovernmental Experts and Related Decisions of the General Assembly, ST/AI/336, 15 September 1986.
3. United Nations, General Assembly, Reform and Renewal in the United Nations: Progress Report of the Secretary-General on the Implementation of General Assembly Resolution 41/213, A/42/234, 23 April 1987, pp.6-7.
4. Senior Officer of DAM, interview.
5. Ibid.
6. Sutterlin, interview.
7. Ibid.
8. Elaine Sciolino, "U.N. Cutting Back Top Staff Positions," New York Times, 4 November 1986, p.3(A).
9. Based on the interview of James Sutterlin on 29 June 1988 at Yale University. Although the Special Working Group participated in the preparatory work of the elimination of the top positions it did not discuss the high-level appointments or non-renewal of contracts, which remained solely the prerogative of the Secretary-General and his closest advisers.
10. The experience with the new Under-Secretary-General for Public Information might illustrate this point (see section 4.3.4). Sometimes a strong but politically inexperienced management approach can be counterproductive in the UN context. Experience has shown that outside expertise is not sufficient qualification for good results. For instance, outside consultants of highest caliber often produce useless or doubtful suggestions, applicable to the private sector or to national governments but not as such to multinational organizations like the United Nations. See Schmemman, "Institutional Reform at OAS," p.226.
11. Sutterlin, interview.
12. Ibid.
13. United Nations, Department of Public Information, "Kofi A. Annan Appointed Assistant Secretary-General in Office of Personnel Services," Press Release, SG/A/364, BIO/2217, 12 November 1986.
14. Foran's credentials listed in United Nations, Department of Public Information, "J. Richard Foran Appointed Assistant Secretary-General for Financial Services," Press Release, SG/A/287, BIO/1901, 28 July 1982.
15. United Nations, Department of Public Information, "Luis Maria Gomez Appointed Assistant Secretary-General for Programme Planning, Budgeting, Monitoring and Evaluation," Press Release, SG/A/376, BIO/2238, 13 February 1987.
16. Sutterlin, interview. A report by the U.S. General Accounting Office concluded that information disseminated by DPI did not support United States foreign policy objectives. Galey, "Financing the UN," p.562.

17. United Nations, Department of Public Information, Press Release, "Secretary-General Appoints Therese Paquet-Sevigny Under-Secretary-General for Public Information," SG/A/366, BIO/2219, PI/556, 26 November 1986.

18. Mrs. Sevigny served from 1981 to 1986 as a President of BCP Publicite Limitee, a private communications company in Montreal, after several years in senior management positions with various Canadian enterprises. From 1952 to 1961 she held a number of journalistic, research and public relations appointments with La Tribune in Sherbrooke, Laval University in Quebec, the University of Montreal and the monthly publication L'Actualite. She had published and lectured widely on communications management and has taught in a number of university educational programs in the field of communications. Having an advanced degree in sociology from University of Montreal she pursued a year of graduate studies in Sorbonne Paris and two years, in 1972-74, towards a doctorate degree in the field of communications in the University of Montreal. Ibid.

19. United Nations, A/42/234, p.13.

20. She had joined the United Nations in 1952 and worked in the field of development in the United Nations Secretariat, the United Nations Development Programme and the World Food Programme and was experienced in economic and social development as well as disaster relief. She had undergraduate degree in economics from London University and advanced degree in languages from Newham College, Cambridge. United Nations, Department of Public Information, "Margaret Joan Anstee to be Director-General of UN Office at Vienna," Press Release, SG/A/371, BIO/2222, SOC/4105, 28 November 1986.

21. In his progress report to the General Assembly on the implementation of the reforms of the Organization (A/42/234), the Secretary-General has stated the following: "I have requested the heads of the Organizations concerned to advise me how they propose to implement recommendation 15. In every case, the initial replies have outlined past efforts to limit the number of higher-level posts and concluded that, for various reasons, no reduction in the present level is possible without affecting programme delivery. Moreover, they have referred to the fact that the current number and level of posts has been approved by the respective governing bodies. For my part, I am pursuing this matter further and I am bringing this part of recommendation 15 to the attention of governing bodies concerned." United Nations, General Assembly, Reform and Renewal in the United Nations: Progress Report of the Secretary-General on the Implementation of General Assembly Resolution 41/213, A/42/234, 23 April 1987, p.19.

22. United Nations, Department of Public Information, "Nafis Sadik Appointed Executive Director of United Nations Fund for Population Activities," Press Release, SG/A/380, BIO/2248, POP/351, 20 April 1987.

23. The President of the Assembly, Humayun Rasheed Choudhury, was appointed during the course of the session, to the post of Foreign Minister of Bangladesh and had to stay away from New York for weeks in critical times, thus complicating the negotiating process.

24. The delegate of Japan stated, after reconfirming his Government's strong belief in the United Nations, the following: "My delegation welcomes the Group's penetrating and expert analysis of the problems and shortcomings of the United Nations. The agreed recommendations are the product of intensive efforts by all 18 members of the Group, who

represent all the regions of the world, to establish a common ground acceptable to the entire membership. My delegation therefore believes that we, the Member States, should consider the recommendations as a single entity and endorse them in their entirety." United Nations, General Assembly, Forty-first session, Provisional Verbatim Record of the Thirty-Fourth Meeting, A/41/PV.34, 13 October 1986, p.7.

25. United Nations, General Assembly, Forty-first Session, Official Records, Summary Record of the 17th Meeting, Fifth Committee, A/C.5/41/SR.17, 29 October 1986; United Nations, General Assembly, Forty-first Session, Official Records, Summary Record of the 18th Meeting, Fifth Committee, A/C.5/41/SR.18, 3 November 1986.

26. For instance the delegate of the Tanzania stated: "In his introductory statement the Chairman of the Group of 18 referred to uneasiness among Member States on matters covered in the report now before the General Assembly. This uneasiness does not surprise my delegation. It is related to the circumstances that led to the establishment of the Group of 18, to the way some members of that Group saw the mandate in the resolution establishing the Group and to developments after publication of the report.... It is very disturbing to hear statements about accepting the report as a package, as if such a package exists, or about proposals to impose recommendations which would then be subjected to different interpretations." United Nations, General Assembly, Forty-first session, Provisional Verbatim Record of the Thirty-Seventh Meeting, A/41/PV.37, 15 October 1986, pp.16-17.

27. United Nations, General Assembly, Forty-first Session, Provisional Verbatim Record of the Thirty-Eight Meeting, A/41/PV.38, 16 October 1986, p.42.

28. United Nations, Provisional Verbatim Records, A/41/PV.33-39, 13-16 October 1986.

29. United Nations, General Assembly, Forty-first session, Provisional Verbatim Record of the One Hundred and Second Meeting, A/41/PV.102, 22 December 1986, pp.6-7.

30. "Several delegations have proposed that U.S. payments be cut back to 10 or 15 percent. Washington opposed this because it would reduce the number of U.N. jobs held by Americans and curtail U.S. influence." Michael J. Berlin, "U.N. Urges U.S. to Pay Dues to Stave Off 'Bankruptcy'." Washington Post, 29 October 1987. See also editorial in Financial Times, 24 November 1987. The editorial states that if the Americans are unwilling to pay their due share, they should better accept a diminishing role in the UN than to keep the Organization constantly on the brink of bankruptcy. The editorial concludes that while the US may have to scale down some of its foreign policy commitments in order to reduce its budget deficit, that very fact increases the need for working to achieve foreign policy goals through international organizations, especially the UN as it is potentially the most useful because it embraces the whole world.

31. John P. Wallach, "U.N. Chief Says Soviets Share Shortfall Blame," Washington Times, 20 February 1986.

32. United Nations, General Assembly, Forty-first session, Provisional Verbatim Record of the Thirty-Eight Meeting, A/41/PV.38, 15 October 1986, p.18.

33. United Nations, Provisional Verbatim Records, A/41/PV.33-39, 13-16 October 1986.

34. Sutterlin, interview. The Secretary-General's influence was not that evident in the General Assembly although it had been quite strong in the work of the Group of 18 (although he did not come to agree with all of their recommendations, e.g. on the reduction of salaries and benefits of the staff). The leadership the Secretary-General provided viz-a-viz the Group of 18 was not to get them to accept certain political or parochial viewpoints. Rather the purpose was to try to stimulate the Group to include certain visions in their deliberations he felt strongly about and get the Group to draft its recommendations in such a way that he could implement them in practice but also, at the same time, to be able to change the Organization according to his own vision, i.e. what is best for the Organization in a long term. This he could do, discreetly, by proposing very broadly formulated mandates to the Group, agreeable to all at the very high level of abstraction, and then implementing them according to his own vision but, of course, in accordance of the purpose and spirit of the UN Charter. We come back to the question of leadership in practice and theory in chapter 7. (For the Secretary-General, to launch a 'lobbying' effort for the acceptance of the Report of the Group of 18 in the Assembly, or for a certain kind of compromise, would have been politically risky as the fate of the Chairman of the Group in this process testifies. The feelings were quite hot at the time, especially among many Africans. They evidently saw the report as favorable to Western interests and, after all, a result of a super-power imposing its will through its financial preponderance over the Organization.)

35. United Nations, General Assembly, Agenda item 38, Report of the Fifth Committee, A/41/795, 5 November 1986.

36. United Nations, General Assembly, Resolution Adopted by the General Assembly, 41/213. Review of the Efficiency of the Administrative and Financial Functioning of the United Nations. (Adopted on the 102nd plenary meeting 19 December 1986.) A/RES/41/213, 13 January 1987. Seven qualifications followed, including: (a) The implementation of recommendation 5 should not prejudice the implementation of projects and programs already approved by the General Assembly; (b) The percentages referred to in recommendation 15 [cuts in personnel], which were arrived at in a pragmatic manner, should be regarded as targets in formulating the Secretary-General's plans to be submitted to the General Assembly for implementation of the recommendation... (c) The Secretary-General should transmit to the International Civil Service Commission those recommendations having direct impact on the United Nations common system (recommendations 53 and 61) [e.g. on reduction of staff benefit].... (e) The Economic and Social Council... should carry out the study called for in recommendation 8 [on economic and social sectors]."

37. "Press Conference by Ambassador Vernon A. Walters, United States Permanent Representative to the United Nations, and Assistant Secretary of State Alan L. Keyes," at the United States Mission to the United Nations, 20 December 1986, mimeograph.

38. It had said that "the Secretariat has nine political departments, centers or offices. Such fragmentation inevitably leads to duplication of work, dispersion of responsibility and blurred lines of authority, accountability and communication" (paragraph 36). In recommendation 16 it requested a review of political departments and offices, with a view to consolidating and strengthening the organizational structure. In recommendation 18 it asked the rationalization and coordination of the duplicative activities of the Office for Field Operational and External Support Activities (OFOESA), the Department of Political and Security Council Affairs (PSCA), the Department of Political Affairs, Trusteeship

and Decolonization (PATD) and the Department of Public Information (DPI) in the field of dissemination of news and political analysis. (United Nations, A/41/49.)

39. Recommendation 17 asked administrative functions of peacekeeping, at the time belonging to the Office for Field Operational and External Support Activities (OFOESA), to be transferred to the Department of Administration and Management and its political information functions to be reassigned. Although not stating it clearly this, in fact, was a suggestion to dismantle the Office, which subsequently happened. Recommendation 19 asked support activities of the UN Council for Namibia and the Office of the UN Commissioner for Namibia be consolidated and strengthened. Recommendation 21 asked a substantial reduction in the number of staff of PATD, due to diminished workload of the Department in dealing with decolonization and trusteeship issues. Ibid.

40. Other recommendations were the following. Recommendation 22 did ask the special economic assistance programs, having certain political sensitivities and dealt with by the Office for Special Political Questions, to be transferred to the United Nations Development Programme. In the same vein, recommendation 23 asked the work of those offices dealing with emergency, humanitarian and special economic assistance programs to be coordinated and rationalized. Ibid.

41. See footnote 56.

42. Sutterlin, interview. The Soviets' changed position was given in the Press Conference by Deputy Foreign Minister Vladimir Petrovsky in July 1988, DPI Press Briefing, United Nations, 16 July 1988. A simple explanation for the Soviet initial reluctance for reform was that the Department the highest USSR official was heading (PSCA) was going to lose entities and thus perceived importance although this was also happening to the department headed by the top American (PGAA). Some resistance came for the Non-aligned group concerning the way the consolidation of the Namibia offices were done. Another matter which annoyed the Non-aligned Movement was that the Office of Secretariat Services for Economic and Social Matters was transferred to the Department of Political and General Assembly Affairs, headed by an American Under-Secretary-General, and not to the Department of Conference Services and the Department of International Economic and Social Affairs as called for by the Group of 18.

43. United Nations, Department of Public Information, "Secretary-General Announces Structural Modifications Relating to Secretariat Political Functions," Press Release, SG/SM/2970, ORG/1051, 2 March 1987. Other changes announced were: The functions of the Office of Secretariat Services for Economic and Social Matters relating to the technical servicing of meetings was assumed by the Department for Political and General Assembly Affairs and Secretariat Services. The functions of the Special Representative of the Secretary-General for Co-ordination of Kampuchean Humanitarian Affairs were assumed by the Executive Secretary of the Economic and Social Commission for Asia and the Pacific, in the field, and by the Under-Secretary-General for International Economic and Social Affairs at Headquarters (thus fusing the functions with that of the Special Representative of the Secretary-General for Humanitarian Affairs in South-East Asia, already held by that Under-Secretary-General). In addition, most aspects of the work on maritime affairs were consolidated into the Office for Ocean Affairs and the Law of the Sea.

44. It said that in light of "a duplication of efforts with regard to the dissemination of news and political analysis activities in various

departments...these activities should be rationalized and coordinated with a view to achieving substantial savings and better utilization of resources". (Recommendation 18, United Nations, A/41/49.)

45. Sutterlin, interview.

46. Ibid.

47. The Soviet would also lose besides political affairs division, the PSCA Political Information News Service (PINS) through concentrating all information related activities to the new office established (ORCI). Additional reason to merge PINS to ORCI was that there had been damaging news stories about Soviet spying related to this service early in 1980s, and, the American support for the reform would be guaranteed by taking the news service out from PSCA. Sutterlin, interview.

48. Ibid.

49. Sutterlin's American successor in the Political Affairs Division in the Soviet-headed PSCA also strongly objected to the plan. Sutterlin, interview.

50. Jonah joined the Secretariat in 1963 and served as a political adviser to three Secretaries-General, Brian Urquhart, Gunnar Jarring and the Commander of the United Emergency Force (UNEP), General Ensio Siilasvuo in the Middle East. He had Ph.D. in political science from Massachusetts Institute of Technology. (United Nations, Press release, Department of Public Information, Press Section, United Nations, New York, SG/A/377, BIO/2244, 20 March 1987.) He had earned respect among political scientists as an expert on peace-keeping, negotiation and UN management (e.g. as an adviser to Harvard Negotiation Project). Siilasvuo mentioned his contribution to Sinai and Geneva negotiations in 1974-75, in contrast to his critical opinion of many other UN officials. Ensio Siilasvuo, Rauhan Asialla Lahi-Idassa (Helsinki: Otava, 1987).

51. United Nations, Secretariat, Secretary-General's Bulletin, Office for Research and the Collection of Information, ST/SGB/225, 1 March 1987. The functions of ORCI were: (a) monitor global trends; (b) to prepare country, regional, subregional, and issue-related profiles in close consultation with officers dealing with negotiation and conflict resolution functions in the Secretariat; (c) to provide early warning of developing situations requiring the Secretary-General's attention; (d) to maintain current information in data systems, consulting with inside and outside data banks, as appropriate; (e) to monitor factors related to possible refugee flows and comparable emergencies; (f) to carry out ad hoc research and assessment for the immediate needs of the Secretary-General; (g) to receive, consolidate and distribute political information from the media and from the United Nations information centers on developments related to peace and security, for use by the Secretary-General and his senior staff; (h) to prepare and edit drafts of the Secretary-General's public statements, messages and reports.

52. James O.C. Jonah, interview by author, United Nations, 26 March 1990.

53. A special team was set up to plan the establishment procedures of the Office, now a joint exercise of the Office of the Secretary-General and the Special Coordinator, Office of Human Resources Management and with occasional input from the relevant staff members from the Department of Administration and Management. Again, the procedure was informal and discreet, and no formal announcement was made in order to forestall any possible resistance. The departments and offices from

which the posts and staff would be transferred were not informed about this planning now under active preparation. According to a plan to establish ORCI the selection of staff to be redeployed to the new Office (there could not be any outside hiring due to the organization-wide recruitment freeze) was designed to be undertaken through a special occupational panel, specially gathered for this exercise. The rationale for this exceptional measure was the following. Since the new Office was supposed to be involved in sensitive operations, collecting information and designing options for the Secretary-General's preventive diplomacy, as well drafting his speeches, it was important to get high-quality staff with good track records in analytical functions. The normal procedure of appointing staff through appointment and promotion machinery would not guarantee the selection of the best, in the opinion of the Office of the Secretary-General. In these Boards the members would not necessarily be specialists in the political and security field and understand the sensitive staffing needs of the Secretary-General where also political balance has to be taken into account. Therefore, a special five member ad hoc selection panel was established for this exercise. The members of this ad hoc panel included two representative from the Office of the Secretary-General. To guarantee the fairness of the selection the panel also included two nominations of the staff, having qualifications in the political and security area of the Secretariat as well as a high-level official as a chairman, and a secretary from the Office of Human Resources Management. (United Nations, Secretariat, Information Circular, "Membership of the Panel for the Staffing of the Office for Research and the Collection of Information," ST/IC/87/32, 11 June 1987.) At the same time another task force was set up, again under the leadership of the Secretary-General's Office, to plan the final staffing (number of posts needed for the Office). The work was done by a small team from the Management Advisory Service, the unit which the Group of 18 had wanted to abolish but for which the Secretary-General found still useful assignments during the crisis. According to a study they completed the final staffing was proposed to include 20 professional and 20 research assistant/secretarial positions; the team made also proposals from which department or offices the posts should be transferred. (The idea was that the staff positions in source departments related to information functions would be eventually eliminated.) A third task force was finally set up, again under the leadership of the Office of the Secretary-General, to finalize the organizational structure of the new office and prepare new job descriptions for the posts after which the Office of Human Resources Management could classify the posts. As a result of this work a staff circular, announcing all posts for internal application was issued in May 1987. (United Nations, Secretariat, Information Circular: Office for Research and the Collection of Information, ST/IC/87/25, 6 May 1987.)

54. James Jonah, interview.

55. John P. Renninger, "Early Warning: What Role for the United Nations," UNITAR/USSR Association for the United Nations Roundtable on the "Future Role of the United Nations in an Interdependent World", Moscow, U.S.S.R., 5-9 September 1988, p.9.

56. Michael J. Berlin, "8 Senators Seek to Block New U.N. Information Unit," Washington Post, 16 April 1987, p.22(A); See also "9 Senators Try to Block Funds for U.N. Office Asked by U.S." New York Times, 18 April 1987.

57. "A U.N. Office Looks to Prevent Wars," New York Times, 16 April 1989.

58. Jonah, interview.
59. See e.g. Lincoln P. Bloomfield, "Computerizing Conflicts," Foreign Service Journal, June 1988, p.49; Richard Gardner, "The Case for Practical Internationalism," Foreign Affairs Spring 1988, p.838.
60. Vladimir Petrovsky, Press conference at the United Nations, DPI Daily Briefing, 16 July 1988, United Nations.
61. United Nations, General Assembly, Report of the Committee for Programme and Co-ordination, A/43/16, 15 June 1988, pp.27-29. On the progress of the Office see, James Jonah, "Office for Research and the Collection of Information (ORCI); The UN Secretary-General's New Arm of Analytical Information and Early Warning," Paper prepared for the International Seminar on the Reduction of the Risk of War through Multilateral Means, 24-25 April 1989, Warsaw.
62. United Nations, A/41/49.
63. Sutterlin, interview.
64. United Nations, General Assembly, Final Report of the Secretary-General on the Implementation of Resolution 41/213, A/44/222, 26 April 1989, pp.22-23.
65. United Nations, A/RES/41/213, para.I.1.(e).
66. John P. Renninger, "Survey and Analysis of Evaluations of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields," Special Commission on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields, Informal Paper no.15, 22 July 1987.
67. See United Nations, Economic and Social Council, Report of the Special Commission of the Economic and Social Council on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields, E/1988/75, 1 June 1988; John de Gara, "Administrative and Financial Reforms of the United Nations, A Documentary Essay," The Academic Council on the United Nations System, Reports and Papers 1989-2, p.13.
68. See United Nations, General Assembly, Resolution 44/103: Restructuring and Revitalization of the United Nations in the Economic and Social Fields, Adopted on 80th Plenary Meeting, 11 December 1989, A/RES/44/103, 31 January 1990.
69. United Nations, A/44/222, p.22.
70. United Nations, A/41/49.
71. Sutterlin, interview.
72. Senior official of DAM, interview.
73. United Nations, Department of Public Information, "Reorganization and Senior Staff Appointments Made in Department of Administration and Management," Press Release, SG/A/386, 23 July 1987; Kofi Annan, "Update on Developments in OHRM," Secretariat News, vol. XLIII, no.8, 30 September 1987, United Nations, New York, p.4.
74. United Nations, A/41/49, p.21.

75. Sutterlin, interview.
76. Senior DPI official, interview by author, United Nations, 5 June 1989; Sutterlin, interview.
77. Ibid.
78. Therese P. Sevigny, "Statement by Therese P. Sevigny Under-Secretary-General for Public Information to the Committee for Programme and Co-ordination," 27 May 1988, United Nations, mimeograph.
79. Sevigny, "Statement to CPC", pp.1-3.
80. Ibid., pp. 4-5.
81. Ibid.
82. The following were the specific goals: (1) achieving a better equilibrium between news coverage, institutional public services and publications, on the one hand, and topical promotional campaigns, publications and electronic magazines on the other hand; (ii) strengthening operations in the field; (iii) modernizing, through computerization, communications and systems in the Department; (iv) integrating extra-budgetarily funded activities under existing mandates; (v) regrouping and streamlining some of the institutional projects; (vi) developing a fast graphic art work and printing; (vii) standardizing news operation, coverage and delivery; (viii) multiplying audio and video formats and (ix) establishing a multidisciplinary approach among Divisions and Services. In addition, several measures to accrue savings were proposed (e.g. streamlining the earlier simultaneous multilanguage coverage of meetings). Ibid., pp.4-5.
83. United Nations, General Assembly, Programme Budget for the Biennium 1988-1989, Revised Estimates, Addendum, Part IV (3), Implementations of recommendation 37 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations concerning Public Information Activities, Report of the Secretary-General, A/C.5/43/1/Add.6, 17 May 1988, p.6.
84. Ibid.
85. Senior DPI official, interview.
86. Ibid.
87. Sutterlin, interview. Senior DPI official, interview.
88. DPI Daily Briefings, Prepared for Information of United Nations Secretariat Only, United Nations, 1987-88.
89. United Nations, General Assembly, Programme Budget for the Biennium 1990-91, Part VI. Public Information, Section 27, Public Information, A/44/6 (Sect. 27), 18 May 1989, 13-15; United Nations, General Assembly, Review of the Efficiency of the Administrative and Financial Functioning of the United Nations, Final Report of the Implementation of Resolution 41/213, A/44/222, 26 April 1989, pp.31-35.
90. United Nations, A/44/222, p.33.
91. United Nations, General Assembly, Joint Inspection Unit, Review of United Nations Public Information Networks - Reorganization of the Department of Public Information, A/44/433, 2 August 1989; United

Nations, General Assembly, Joint Inspection Unit, Review of United Nations Public Information Networks - Reorganization of the Department of Public Information. Note by the Secretary-General, A/44/433/Add.1., 6 October 1989.

92. Senior official of DAM, interview.

93. Ibid.

94. United Nations, Secretariat, Administrative Instruction: Vacancy Management and Staff Redeployment, ST/AI/328, 22 December 1986.

95. United Nations, Secretariat, Information Circular: Implementation of General Assembly Resolution 41/213 - Recommendation 15 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, ST/IC/87/63, 24 December 1987.

96. United Nations, A/44/222, pp. 16-17.

97. United Nations, ST/IC/87/63, p.2.

98. United Nations, A/RES/41/213, Annex I.

99. Walters and Keyes Press Conference, p.6; Elizabeth Zoller has another view: "It may well be that the United Nations has done "quite a fine job in meeting the intent" of the Kassebaum amendment [Senator Nancy L. Kassebaum in Washington Post 20 March 1987]. Its basic demand, however, has not been fulfilled. The principle "one state, one vote" remains unchanged in budgetary matters...the whole "new" system rests, as it were on a gentlemen's agreement among all the members of the Organization. They have all tacitly agreed that decisions on budgetary matters will not be taken against the will of the major contributors; but UN budgetary law has not been changed. Zoller, "Corporate Will of the UN", p.634.

100. United Nations, A/RES/42/450

101. Communication received by author from the Department of Public Information, United Nations, 6 April 1988.

102. Galey, "Reforming Financing the UN", pp. 56-57.

103. Ibid, pp.560-564.

104. The Group of 18 wanted the conferences and meetings to be significantly reduced and their duration shortened without affecting the substantive work of the Organization (recommendation 2). It wanted the procedures and methods of work of the General Assembly and its subsidiary organs, particularly its Main Committees, to be streamlined and thereby made more effective (recommendation 3). In recommendation 7 the Group requested that since the cost of processing and distributing as official documents communications received from Member States is estimated at \$2 million per biennium, Member States should co-operate in significantly curtailing this practice. (United Nations, A/41/49).

105. United Nations, A/44/22, pp.6-7.

106. Ibid., p.10.

107. Bertrand, "Reflections", pp.9-10.

108. Ibid., p.11; Donald J.Puchala and Roger A.Coate, The Challenge of Relevance: The United Nations in a Changing World Environment, The Academic Council on the United Nations System, Reports and Papers 1989-5, p.89.

109. United Nations, A/41/49.

110. United Nations, A/44/222, pp.11-12.

111. In approaching questions of personnel policy, the Group believed that it is essential to acknowledge the responsibility and prerogatives of the Secretary-General as a chief administrative officer of the United Nations and emphasize that his authority under the Charter should in no way be prejudiced (paragraph 49). In this line and evidently trying to eliminate excessive patronage aspect in management the Group stated in recommendation 41 that personnel policy and management in the United Nations has suffered as a result of the considerable political and other pressures that have influenced the selection of staff. The Secretary-General should exercise greater leadership in personnel matters and ensure that the selection of staff is done strictly in accordance with the principles of the Charter. He should improve the management of human resources, protect the authority of the official in charge of personnel and instruct all other senior officials to refrain from influencing the selection of staff. (United Nations, A/41/49) Other recommendation directly related to Secretary-General's personal authority in personnel matters was recommendation 54 which stated that it would be in the interest of the Organization to renew periodically the leadership of departments and offices. To this effect, the Secretary-General should not, as a rule, extend the service of Under-Secretaries-General and Assistant Secretaries-General for a period extending beyond 10 years. Ibid.

112. United Nations, A/44/222, p.41.

113. The Group endorsed in recommendation 43 the principle of recruitment of the staff through national competitive examinations for posts at the P-1 to P-3 levels (lowest professional posts), in order to ensure that the candidates selected meet the highest standards. Selection of candidates for all other posts should be based on objective methods and clear criteria. For middle and lower-senior posts (P-4 and P-5 levels) tests or individual examinations designated to determine drafting ability should be part of such methods. In recommendation 44 they wanted to have greater proportion of appointments at junior Professional levels (P-1 to P-3) since the Group had found the staff of the Organization to be top-heavy. In this vein, the Group wanted the mandatory retirement age of 60 to be strictly applied (recommendation 52). The Group also recommended that staff members should be recruited and their careers developed on the basis of occupational groups rather than on a post-by-post basis. This would facilitate mobility and ensure optimum use of their qualifications and experience (recommendation 48). Recommendation 49 asked a job rotation system to be developed among the various duty stations and recommendation 50 asked the system of performance evaluation to be improved by introducing an element of comparison in the rating of staff. Furthermore, the recommendation 58 asked the content of UN training programmes to be strictly geared to the needs of the Organization. (United Nations, A/41/49.)

114. United Nations, General Assembly, Reform and Renewal in the United Nations: Second Progress Report of the Secretary-General on the Implementation of General Assembly Resolution 41/213, A/43/286, 8 April 1988, pp.18-19; United Nations, A/44/22, pp.36-44.

115. Another competing explanation for non-compliance would be that the Secretariat was not very committed to these reforms. According to this view they would not be that expensive as the UN management suggests. The will or ability to fulfill them is lacking.

116. A case could be made that measures improving fairness and equality should also improve the efficiency of the Organization, at least in the long run.

117. The Group asked the Secretariat to take additional measures to ensure that an increasing proportion of the posts in the Professional category, particularly at the higher levels, are filled by women (recommendation 46). The Secretary-General should also take additional measures that nationals of developing countries are duly represented at senior levels (recommendation 47). In recommendation 51 the Group asked strict and clear criteria to be developed for the promotion of staff at all levels. In this context, the functions and the composition of the appointment and promotion bodies should be reviewed, with a view to securing fairness and objectivity in the management of appointments and promotions. Such bodies should be structured on the basis of occupational groups. (United Nations, A/41/49.)

118. United Nations, A/44/222, pp.38-40.

119. Larry Hirschhorn "The Stalemated Agency: A Theoretical Perspective and a Practical Proposal," Administration in Social Work, vol. 2 (4) (Winter 1978), pp.425-438.

120. In recommendation 59 the Group was of the opinion that the efficiency of the Organization would be increased if clear guidelines were established for the role and functions of the staff union, in order to ensure that the union does not infringe upon the managerial responsibilities of the Secretary-General. The staff unions or associations should also finance all their activities from their own funds.

121. UNA/USA report on personnel policy has also, in line of the report of the Group of 18, been critical of the staff unions: "Although there is clearly a need for the staff to be heard fully and fairly on matters affecting the terms of their service at the U.N., the staff's current capacity -- both formally and informally -- to assume some of the prerogatives and responsibilities of the Secretary-General does not seem in the best interests of the Organization as a whole and weakens the accountability of the Secretary-General to member states." Peter Fromuth and Ruth Raymond, "U.N. Personnel Policy Issues," United Nations Management & Decision-Making Project, United Nations Association of the United States of America, January 1987, p.50.

122. United Nations, A/44/222, p.43.

123. United Nations, A/41/49.

124. United Nations, A/44/222, p.41. This meant maintaining six weeks annual leave. A justification for this long vacation by American standards is that it enables the international civil servants to spend reasonable time annually or biannually in their home countries, thus making themselves able to renew their ties to their native culture which they should reflect (while staying politically independent from their governments).

125. United Nations, A/41/49 and A/44/222, p.38.

126. United Nations, A/41/49
127. On previous Soviet policy, see Yves Beigbader, Threats to the International Civil Service, pp.65-90.
128. United Nations, A/42/213 and Corr.1.
129. United Nations, A/43/286 and Corr.1.
130. United Nations, 42/211; United Nations, 43/213.
131. United Nations, 43/213.
132. United Nations, A/44/222; United Nations, General Assembly, Resolutions Adopted by the General Assembly, 44/200. Implementation of General Assembly Resolution A/RES/44/200, 23 February 1990. (Adopted 21 December 1989.)
133. DPI official.
134. Ibid.
135. Ibid.
136. Ibid.
137. Ibid.

CHAPTER 5

ANALYSIS OF THE CASE STUDY:
ORGANIZATIONAL AND MANAGERIAL ASPECTS

5.1 The UN's organizational decision-making structure and stakes in 1985 and 1988

We analyze in this chapter how the UN has changed organizationally and managerially, as well as from the point of view of major countries' stakes in the Organization, as a result of retrenchment and reform. The next chapters provide an extensive analysis of the specific research questions of this study: the similarities of retrenchment in urban and international settings; leadership in retrenchment and reorganization; and the impact of milieu on the retrenchment strategies of the Secretary-General.

Our interests in this section 5.1. is decision making in particular. To understand the formal and informal settings which determine the influence and latitude of the main actors in the decision making we analyze the organizational structure of the UN Secretariat. In 1985 the organizational structure of the Organization was quite complicated: it was headed by the Secretary-General and 87 Under-Secretaries and Assistant Secretaries-General. The High-level Expert Group criticized the structure for top-heaviness and unaccountability. (1)

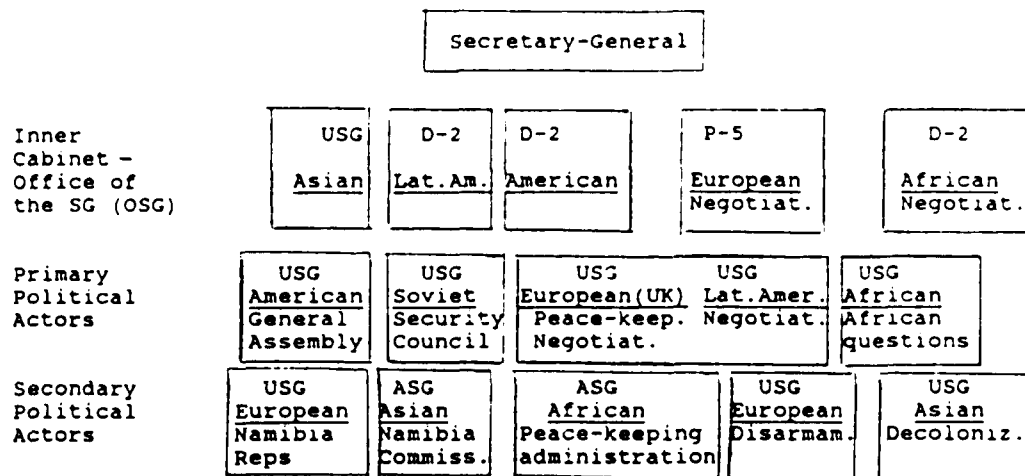
But this structure does not tell much about the real top-level decision making - about those who have the real influence in policy-making of some importance. Since this research angle is critical in understanding the organizational environment of the UN retrenchment decisions, an effort is made to describe the effective decision-making process in the Secretariat together with the formal structure.

The following diagrams describe the political and administrative areas in 1985, and in 1988 after the retrenchment and reorganization process. The same analytical approach of merging both formal and

informal structures could be applied to other areas of the Secretariat but is not pursued here. The structure is a tentative one but gives an organizational decision-making setting for the discussion in the following chapters. It does not represent any formal line of reporting, communication or authority but an interpretation of how the strategically relevant decisions were taken in reality in the Secretariat. (Some senior officials are not included in the analysis if they had marginal or specialized influence.) (2)

The above interpretation of the Secretariat decision-making structure does not follow the conventional wisdom that the Cabinet of the UN Secretary-General consists of all of the USGs at Headquarters. In practice, the Secretary-General has not found it useful to meet with this formal "cabinet". Therefore, over time, a practical arrangement has taken root that the Secretary-General assembles around him, in his office, a group of trusted individuals who will, in reality, get most of the influence in making major decisions.

Fig. 3. Informal/formal decision-making structure in 1985; key decision-makers in the political sector of the UN Secretariat. (3)

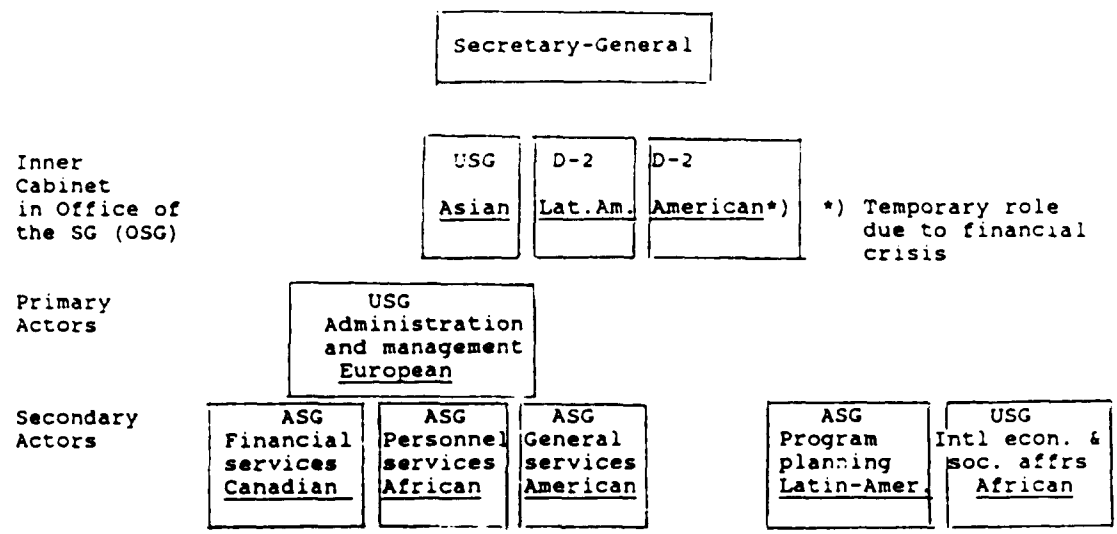


Key:

- USG (Under-Secretary-General)
- ASG (Assistant Secretary-General)
- D-2 (Director)
- D-1 (Principal Officer)
- P-5 (Senior Officer)

The following chart represents the same decision-making structure in the administrative area:

Fig. 4. Informal/formal decision-making structure in 1985: key decision-makers in the administrative area of the UN Secretariat. (4)



The above interpretation of the Secretariat decision-making structure does not follow the conventional wisdom that the Cabinet of the UN Secretary-General consists of all of the USGs at Headquarters. In practice, the Secretary-General has not found it useful to meet with this formal "cabinet". Therefore, over time, a practical arrangement has taken root that the Secretary-General assembles around him, in his office, a group of trusted individuals who will, in reality, get most of the influence in making major decisions.

It can be safely assumed that the Member States are interested in preserving their current top-level positions in the Secretariat, especially in the political field. (5) If opportunities were to emerge to increase this share they would not lose opportunities to do so by suggesting their nationals for important positions. However, the Member States are more interested in top positions of symbolic importance (USGs/ASGs) than in any informal structures irrespective of the latter's influence. This is partly because of the influence persons in senior-level can exert (i.e. U.S. has been interested in the post of Under-Secretary-General for General Assembly Affairs because its influence on credentials questions, moves to expel countries, etc.) and partly to communicate to other players in the international system a country's status. We will return to this assumption also in chapter 8.

How did the reorganizations in the political and administrative areas of the Secretariat in 1986-1988 reshape the informal and formal decision-making structures in the Secretariat? (The analysis is complicated by the fact that another organizational change, mostly independent from the reorganization discussed in chapter 4, took also place in 1988 in the Secretary-General's Office; when this is the case it is indicated in the text.)

The new structures in political and administrative areas look graphically as follows: (6)

Fig. 5. Informal/formal decision-making structure in 1988:
key decision-makers in the political sector of the UN
Secretariat.

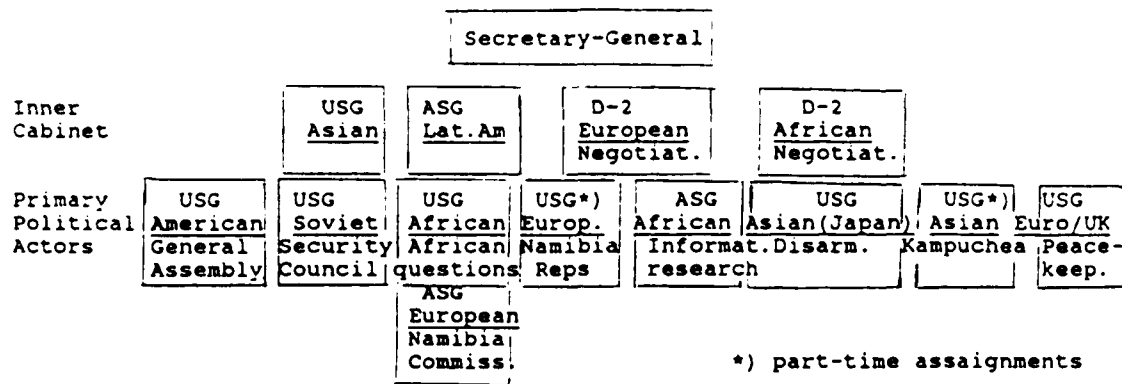
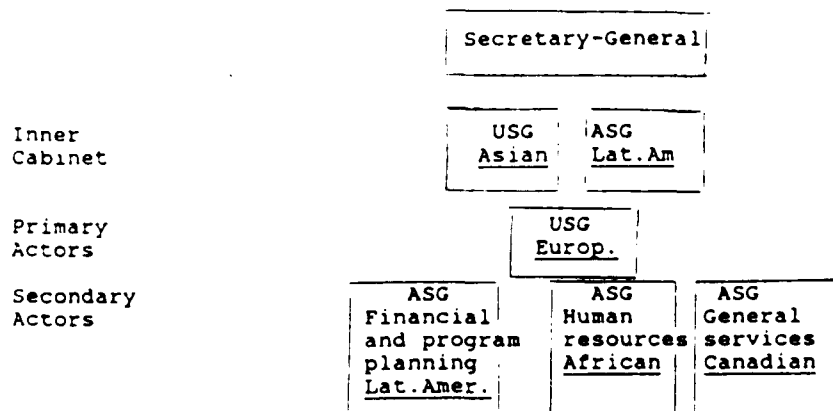


Fig. 6. Informal/formal decision-making structure in 1988: key decision-makers in the administrative area of the UN Secretariat.



The main objectives and philosophy of these changes in the political area are described as follows: (7)

First objective was to streamline the structure: if there are fewer entities, there is also less infighting. This goal to streamline the structure was also in accordance with the Group of 18 recommendations. The danger in this kind organizational change is to overburden with additional and extraordinary workload the individuals constituting the inner cabinet of the Secretary-General if they take more responsibilities but get no new staff. The establishment of ORCI (Office for Research and the Collection of Information) was meant to lessen the burden as far as early warning, research and analytical functions were concerned.

Secondly, the objective was to improve the substantive support of the Secretary-General in the political field and to move the control of the most important decisions in negotiations, as well as in supporting research, to the Office of the Secretary-General (= the Secretary-General + inner cabinet). (The objective related to negotiations was not as such related to the political reorganization discussed in this study.)

Thirdly, (and again not solely related to reorganization exercise discussed in chapter 4) the purpose was to differentiate the functions in negotiations, peace-keeping and supporting research. (In the previous structure the Secretary-General's Special Representatives, especially in the Office of Special Political Affairs (SPA), would be involved both in peace-making and peacekeeping, with their staff covering necessary analytical functions as well.)

The idea of differentiating the analytical and operational activities was intended to enable ORCI, as a distinct research unit, to gradually become involved in background research, early warning and generating strategic options to those actively involved in negotiations.

When the same organizational units deal with negotiations, operational activities and research, the quality of analytical functions tends to suffer under the pressure of day-to-day work since there is no time for brainstorming and careful analysis of options. (8)

Concerning the representation of national and regional interests, an approximate regional balance was maintained in the political sector: Latin-America lost a Under-Secretary-General but one Latin-American Director (D-2) was upgraded to Assistant Secretary-General; Europeans lost a Under-Secretary-General (disarmament) but an important position in Office of the Secretary-General was upgraded from P-5 to D-2. Japanese came to the political area (disarmament) through the reorganization in the Secretariat. Independently from this reorganization a Security Council member, UK, lost a part of its influence when the role of the British USG in negotiations was taken over by the OSG. (9) (However, the British Under-Secretary-General was in charge of all peacekeeping operations, a role that suddenly, although independently from the Secretariat's reform, grew in importance in 1988, culminating in the awarding of the Nobel Peace Prize to the UN peace-keeping forces in the fall of the same year).

In addition, the American D-2 lost some importance in the Inner Cabinet's decision-making since the incumbent, after Sutterlin's retirement, was new to the Organization and as such had little chance to become as intimately involved as his predecessor. This is, however, not a structural change but illustrates the fact that experienced international civil servants often have a better chance to play a major role right from the beginning in key positions than outside appointees. (10)

Changes in the administrative area were more clear cut. The Organizational structure was streamlined to a considerable degree since the special supervisory role of the UN's economic department (DIESA) in program planning was moved to the Under-Secretary-General for

Administration and Management (DAM). As was discussed in section 4.3.3 the Office for Programme Planning and Co-ordination (OPPC) was merged into DAM and a new office for Programme Planning and Budgeting was created, integrating program planning, evaluation and budgeting.

The American in the Secretary-General's Office lost the temporary influence in administrative and budgetary questions exercised by the American ranking official during the financial crisis, after Sutterlin's retirement in January 1988. This loss was, however, more like returning to a normal situation. A more significant loss for Americans was the post of Assistant Secretary-General post in administration (ASG for General Services). However, on the balance, it has to be noted that the other major party besides the Americans in the battle of words and deeds in the budgetary questions in the General Assembly, the Africans, also became a victim of streamlining in this area. They lost a supervisory post when OPPC, belonging to DIESA with an African head, was merged into DAM. On the other hand, both these posts had only minor influence of strategic importance in administrative questions so the loss was not a major one either for Americans or Africans in this area.

When high-echelon positions are cut by 15-25 per cent some of the UN's main constituencies (major countries and regional groupings) will definitely lose. A tough question for Americans is whether the UN retrenchment - which they initiated - could be seen as starting to show symbolic signs, although small ones, of the declining influence of the U.S. in the UN and international politics, especially viz-a-viz the Japanese. We will return to these questions in Part III of this dissertation.

5.2 Has the UN management changed (11)

5.2.1 Changes in management policies and structures

One of the consistent themes in the criticism from the major contributors to the United Nations was that, besides having a bloated

bureaucracy, the management of the house was ineffective and the qualifications of the higher-level staff were not adequate for the efficient administration of the numerous mandates given to the Secretariat.

This section 5.2 analyses, as a introduction to a more theoretical discussion of chapters 6-8, what has happened to the UN management as a result of the retrenchment and reorganization. Selected themes discussed earlier in the literature review are used as a reference. The following chapters then deepen the analysis, especially the leadership and milieu aspects of the management.

How to get rid of deadwood managers?

Evidently any large organization, whether private or public, generates a certain amount of deadwood, employees who have received their positions through political patronage and not on the basis of merit or, alternatively, who have started to decline in performance due to various personal reasons. Civil service too creates deadwood. Clearly, political patronage is a major factor to be taken into account in a public organization financially and politically dependent on its constituencies but striving seriously to be more effective. Levine and his associates are implicitly referring to this problem when speaking about "slack" resources. (12) Slack, created through rapid or erratic growth, is often used in the public sector to build coalitions of political support. Retrenchment creates opportunities, even the necessity, to eliminate some of these slack resources but can prove to be counterproductive if the political support of key constituencies, gained through placing their candidates in management positions, vanishes. If political support of a public organization is unavailable an efficient management will not make much difference.

In the case of the UN, the Secretary-General made the decision to eliminate staff only through attrition, except for a few high-level positions, contrary to the decisions of the World Bank, the OAS and some

other international organizations under somewhat similar circumstances. This was important in order to maintain the morale of the staff and the support of some key constituencies. However, it eliminated a theoretical possibility to get rid of ineffective managers. But even the theoretical possibility of eliminating deadwood through surgical cutbacks would be difficult in the environment of international organizations. How can one define in an organization representing 159 countries, various cultures, ideologies and management practices who are the deadwood by objective criteria? Easy cases - managerial staff who don't do any work - are few and in some cases reflect management inadequacies of their superiors. In this sense, the top appointments are of vital importance.

A politically astute approach for the top leadership is to see deadwood as an inevitable reality up to a certain extent until the attitudes of the constituencies have radically changed. What is essential is to make sure that the deadwood managers are not occupying key positions. Since "deadwood is dead anyway" this is not, managerially speaking, an impossible task to accomplish, and happens at the UN as in any organization.

It has to be noted that some in the Third World and Socialist countries have traditionally resented the Western concept of management. They have considered it competitive and inhumane, and inadequately concerned with the quality-of-life considerations. However, attitudes are changing - for better or worse - in response to changes in the world administrative culture as discussed in the first chapters of this study. The change is especially marked in the Soviet Union which may have an important long-term impact on the patronage aspects of management, practiced, among others, by countries that used to imitate the Soviets. More countries might be willing to allow their nationals to serve as career international civil servants and go through a more competitive

application and recruitment process in which prospective managers without solid background could be rejected.

There was a clear trimming of high-level program managers in the United Nations. The Secretary-General gave a message of determination by introducing new blood and innovation in the top echelons. The new program managers themselves appointed new middle level managers in their departments.

It is difficult to measure exactly whether this management change has brought better administrators to the Organization and eliminated some of the older deadwood-managers. For one thing, if one is convinced that the new senior core management appointed to carry out reforms was of better quality than the previous one - a case made in chapter 4 - they would be competent to appoint better lower-level managers to their departments. But there was practically no recruitment allowed and the senior managers had to use available staff in the Secretariat in reforming the management in their offices, seriously limiting the choices available. Another limiting factor was the new practice of involving the Appointment and Promotion Committee in the intra-office transfers. The concerns of this body (application of rules and regulations, fairness and seniority) would not necessarily be the same as the managers' goals to get the most qualified managerial staff. The results are bound to be mixed.

To summarize, a case could be made - although there is no definite proof - that the deadwood managers, as defined above, have diminished to some marginal degree in the United Nations due to changes made by the Secretary-General. In addition, the unanimous acceptance of the Group of 18 report, clearly a document inspired by Western management style, reflects a emergence of a new management philosophy - although still mainly at a symbolic level.

Introduction of new management methods:

Surprisingly, the Group of 18 was not enthusiastic about new management methods and training. This could be seen in their recommendation to eliminate the Management Advisory Service (recommendation 31) and in a short, unenthusiastic recommendation concerning training, mentioning that the training should be strictly geared to the needs of the Organization (recommendation 58). (13)

The Group's failure to propose ways of applying more effective management procedures (like developing new standard operating procedures according to modern management practice modified to the UN conditions) supports allegations of the symbolic character of most reforms in large bureaucracies: The governmental reformers of the UN resorted to "administrative rhetoric" in full scale. But they were not really interested in seeing the rhetoric implemented in practice.

March and Olson's argument (see section 2.4) could be thus applied to the UN situation. The theatrical scene is necessary for the maintenance of the legitimacy of the United Nations in a changing international system which requires more faith in the intergovernmental organizations. Since countries are unable to achieve unilaterally their foreign and environmental policy goals the international community has to have a collective belief that the main instrument of multilateralism - the United Nations - is still useful and managerially competent. The General Assembly declarations and speeches to that effect are symbolic measures (declarations professing "faith in improvement through human intelligence") meant to reassure the broader UN constituencies. In this light it is not crucial whether diplomats and politicians aim at taking the planned measures seriously in practice since, rather, as March and Olson say "the most important thing appears to be statements of intent, an assurance of proper values, and willingness to try". (14)

The danger is that "reorganization can become an alternative to action and a tactic for creating the illusion of progress where none

exist". (15) The evidence from the UN case study points out that although a good many Member States were not necessarily interested in implementing their own resolutions (if programs reductions would result) there was genuine interest in innovation in the leadership of the Secretariat which used the opportunity to advance independently its own conception of a sound management for the United Nations. We will return to this theme in chapter 7 but two examples demonstrate the argument related specifically to training and management.

The new Assistant Secretary-General for Human Resources Management places key importance on training and appointed one of the most experienced managers to head the Secretariat Training Service. (16) A program to train UN managers according to experience accrued in latest management discipline and practice was initiated, as was an exchange program with universities to bring new blood (ideas) to the Organization. (17) Secondly, although the Group of 18 proposed the abolishment of the Management Advisory Service the Secretary-General thought its services are much needed and used its management surveys in the restructuring of the political function in the Secretariat. (18) Are the new organizational structures conducive to efficient management?

The Group of 18 stressed the harmful effects of duplication, blurred lines of authority and top-heavy staff structure, all of which diminish the accountability of management. In fact, some improvement was achieved in cutting duplication in the political and administrative structures but a vast sector was untouched when no agreement was reached on the economic and social fields. On the other hand, cutting the staff and creating leaner organizational structures do not automatically lead to greater efficiency if the other requirements discussed above - elimination of ineffective managers and adequate management training - are not fulfilled. Nor is effectiveness improved if vital program delivery is prejudiced through excessive staff cuts and structural consolidation, a claim often made by observers of the reform. (19)

Although there was evidently a period of confusion in reforming organizational structures (the controversial experience of DPI reform), options have been created for efficient management structures to take root in political, administrative and information areas in the Organization. The favorable prospects, although not yet fully materialized, can be claimed on the basis of the following: (a) Excess duplication which formerly caused confusion and unnecessary turf battles in the Secretariat has been cut (e.g. merging program planning and budgeting in DAM); (b) Excessive senior positions have been cut by merging functionally similar or complementary offices (e.g. by combining recruitment and career development in DAM); (c) New information systems, the launching of which has been linked to the establishment of new structures - compensating the loss of staff - will assist management in decision making. A new Integrated Management Information System (IMIS) in the administrative area, now in the implementation phase, is worthy of note. The Office for Research and the Collection of Information is creating a computerized political early warning and information system, eventually helping the whole political sector, in collaboration with MIT, Cambridge - thus the latest advances in data management and modelling are being used to bring the early warning capacity of the Secretariat to an advanced stage. (20)

The overall picture is still mixed. The economic and social sectors are waiting to be organized in the manner more conducive to effective management. Even in the political, administrative and public information sectors other factors not related to structures - like diminished prospects for career development or uncompetitive salary levels discussed shortly - lower morale and reduce management efficiency in motivational terms.

5.2.2 Changes in personnel policies

The Group of 18 report paid much attention to personnel questions. It was widely understood that the effective use of staff resources is a key to any good management and that the quality of the staff determines to a great extent the quality of services and overall performance of the Organization. This section analyses how the retrenchment and reorganization has affected the staff quality and morale.

Although the Group stressed the need for highly qualified personnel policies it concluded that salaries and benefits should be reduced. The emergence of the concept of 'increasing efficiency by reducing benefits' needs an explanation. An interpretation of this idea would be that the Group did not believe that the UN is working in a competitive labor market where the level of salaries and benefits either attract or discourage top quality candidates. Alternatively, the Group thought that the benefits are already so high that reducing them will have no effect on attracting such candidates. The third and perhaps most likely interpretation is that the economic crisis made it necessary to seek some curtailment in benefits irrespective of its impact.

The idea proposed by the Group of increasing staff quality at the same time as imposing new austerity measures could be interpreted as one of those rituals of "administrative rhetoric", with no likelihood of realization. But there was perhaps a feeling (if not knowledge) within the Group that for many Third World candidates the benefits of the UN were still high compared to what they could get at home and that this attracts staff more interested in a comfortable life in world capitals than hard work. There may, too, have been a belief that supplementary payments from governments would buffer nationals from some OECD countries from resulting hardship, especially at higher levels. (21)

The general conclusion is that there have been only minor changes in the quality of staff as a result of retrenchment. The first reason is that the reduction of 15 per cent in the staff was decided to be

accomplished through attrition rather than selective cutbacks targeted on the least competent staff members (deadwood). (22)

The second reason for the marginal results is that since salaries and benefits were frozen for some three years during the crisis, with dim prospects for further major improvement, some quality staff, especially from OECD countries with better opportunities at home, had all reasons to leave for other employers more competitive in entitlements. This temptation has been exacerbated by the diminishing avenues for career development (i.e. elimination of positions in retrenchment were relatively more severe in middle and senior levels). There are no definite statistics available to substantiate this but these are factors to be taken into account in the future personnel policies.

There are, however, some positive signs as well. The high-level appointments made by the Secretary-General in restructuring the Secretariat have been largely based on merit, in recognition of the fact that financial crisis required better managers. In the selection of staff for ORCI and DPI, special occupational panels was organized to screen the qualifications of the candidates and the selection was competitive. Introduction of various kind of competitive recruitment methods is another step in the right direction.

Finally, a claim could be made that the 15 per cent reduction exercise described in section 4.4.2 will ultimately force some of the incompetent to leave if they cannot be placed anywhere, given the shrinking number of the posts. Only time can show whether this will be the case. (The other side of the coin is that some of the remaining deadwood managers might be - at least theoretically - in the position to target their staff for elimination (through proposing the corresponding posts for cuts) in which process some good staff members - which the managers see too threatening - might have to resign. These are just

hard realities in any big organization, not only at the UN, one has to be aware of.)

The morale of the staff has not changed markedly. The accommodation of staff with the retrenchment process has been quite successful. No major confrontations between the management and staff were reported during the financial crisis 1985-1988. The staff is never totally happy, as one can confirm by reading the magazines and leaflets issued by the staff union. This is especially so during a retrenchment period. In fact, Raymond and Mailick report that the morale has been always poor at the UN although the causes change. (23)

The future does not look very promising in terms of improving the staff quality for a number of reasons:

- Although the Organization may obtain better quality staff in junior positions through wider use of competitive recruitment methods the prospects for career advancement seem limited. This may result in a higher turnover rate than the present one among the junior staff.
- The middle level staff will also have difficulties in moving to more responsible positions in the years to come. This might mean frustration and a risk that part of them leave the Organization, or lose their motivation (turn to a deadwood);
- The attractiveness of the salary and benefits of UN positions has declined compared to other organizations in OECD countries. This may affect the quality of candidates coming from these countries in the years to come. (24)

On the other hand, if importance of the UN as a necessary instrument in the peaceful settlement of disputes, and in managing such global issues like environmental degradation, continues to grow, UN posts will become more attractive and the governments may realize the importance of supplying candidates of quality, and improving conditions of service.

A change in the scale of assessment to bring a more equal sharing of the financial burden among Member States - a possibility in the 1990s or later - could affect the personnel area. Countries that may have to pay a larger percentage of UN expenses such as Nordic and EEC countries, some rich OPEC-countries, as well as Japan, would see their desirable range of the Secretariat employees grow while the U.S. would see its decline. At the same time, these are the countries which offer their nationals best salaries at home. The dilemma is how to get candidates from these countries to the UN with its present benefits. A difficult challenge for the Secretary-General will be to persuade these governments to co-operate in improving the conditions of service of all staff, rather than to increase the supplementary payments paid by some of these Governments to their nationals. Imaginative personnel policy will be needed to improve the quality of the UN staff in the 1990s.

ENDNOTES

1. United Nations, A/41/49, p.10.
2. The terms influence vs. power have to be explained to understand the objective of this section. According to Robert Cox and Harold Jacobson, influence means the modification of one actor's behavior by that of another. (Cox and Jacobson, Anatomy of Influence, p.3) In this line, we assume that getting intended results is the most important variable in measuring real influence of a player. For Cox and Jacobson power means capacity to exercise influence and consists of resources one has at his or her disposal. (Ibid, p.19) We hypothesize here that in the UN Secretariat 'formal authority' is one resource of an actor; another is whether or not he/she represents an important constituency (like a major country). We could say that a person has a lot of formal power in this sense. However, if the person is not respected in other but less tangible capabilities (as a manager, a person with good judgement, substantive expert, international civil servant with integrity and/or an easy individual to deal with), other players, including often his/her subordinates can ignore or undermine him/her and develop other channels to initiate and make decisions. In practice, this mean that the actor with "power" but without much influence is not invited to important meetings, not kept informed of major developments and no additional assignments of challenge are given beyond his or her formal duties. According to Cox and Jacobson, there are four ways influence is exercised: initiating decisions, vetoing decisions, controlling decisions and brokering decisions. (Ibid, p.12) Formally powerful actors can indeed exercise vetoing and controlling power which we call a "negative influence". In this study, however, we are mainly interested in positive influence - initiating and brokering decisions - since we hypothesize that the leadership with successful results is connected with positive rather than negative influence. The 'influence' of the UN Secretary-General rather than his formal and legal characteristics has extensively been studied by Leon Gordenker in The UN Secretary-General and the Maintenance of Peace (New York and London: Columbia University Press, 1967), for instance, in chapter XII: Influence - Expansion and Limitations."
3. Interview of two senior Secretariat officials in the Offices of the Secretary-General by author, 15 and 20 March 1990, United Nations.
4. Interview of two senior officials.
5. Johan Kaufman, United Nations Decision Making (Alphen aan den Rijn, The Netherlands: Sithoff & Noordhoff, 1980), p.219.
6. Interview of two senior officials.
7. Ibid.; Sutterlin, interview.
8. It has to be noted that the differentiation between negotiation and research was not totally completed: in 1988 Special Representatives of Namibia, Western Sahara and South-East Asia (Kampuchea question) were still organized according to the old organizational design.
9. Paul Lewis, "U.N. Secretariat Is Reorganized", New York Times, 22 November 1988, p.14(A).
10. Interview of two senior Secretariat officials in the Offices of the Secretary-General.

11. Retrenchment is always treating the staff heavy-handedly and the staff management relations are of major importance during this kind of period. The appointments of new top-staffing in the Department of Administration and Management were done this also in mind. The related question of staff morale, although important, would need a separate study and it is mostly left out from this study, as well as deeper evaluation of staff/management relations and machinery (although some reference is made to these questions). The relative influence of staff representatives, and a union as a collective body, is difficult to measure and no effort is made here to develop such measurements. The following are only methodological observations on this area: Staff management problems could be researched from following angles: (a) What is the morale and motivational level of the staff? This is difficult to measure. A survey could research it and changes could be noticed over the years. This is, however, a rather expensive method. One could alternatively review the publications of the staff and do a content analysis. But this is an unreliable method since the opinions expressed do not always reflect the staff at large but rather the frustrations and satisfactions of the staff activists. (b) What is the organizational setting within which staff relations are managed and how the staff and the management actually uses these channels? What are the changes in the channels over the years and how satisfied each side is about the procedures? (c) What is the relative influence of the staff in the management of personnel policies viz-a-viz the administration and the program managers, through their unions, and what kind of changes are taking place as a result of the retrenchment and reorganization?

12. Levine et al, Politics of Retrenchment, p.17.

13. United Nations, A/41/49.

14. March and Olson, "Organizing Political Life," p.290.

15. Ibid.

16. Christine Dodson, the appointed American head, managed the U.S. National Security Council Staff under Brzezinski in the Carter Administration and came to the UN in 1981.

17. The Moses Leo Gitelson Seminar in The Ralph Bunche Institute on the United Nations, The City University of New York, "Managing Worldwide International Organizations", (Speaker: Assistant Secretary-General Kofi Annan, Chair: Professor Benjamin Rivlin), 18 October 1989.

18. United Nations, A/43/286, p.16.

19. Puchala and Coate, The UN in Changing Environment, p.71.

20. United Nations, A/43/7/Add.10; 2 December 1988; Jonah, "ORCI," pp.3-5.

21. Countries like FRG and Japan provide subsidies to their UN staff, understandable for financial reasons of the staff but detrimental to the consent of independent international civil service. Financially dependent staff would not easily act against the wishes of the government providing these "governmental kickbacks". See results of ICSC questionnaire on the matter to the Member States, United Nations, General Assembly, Report of the International Civil Service Commission A/43/30, Annex II (Supplementary Payments), pp. 56-58.

22. However, the discussion in the previous section on the deadwood showed that these kind of selective cutbacks would be very difficult if

impossible at the UN, and one could not easily identify deadwood with any reasonable reliability.

23. Henri Reymond and Sidney Mailick "The International Civil Service Revisited," Public Administration Review, Vol 47, No. 2., March/April 1986, p.142.

24. Jacques Tassin reports the following statistics:

July	UN/New York	EEC/Brussels	World Bank/Washington
1971	100.0	100	100
1977	96.2	109	101.5
1984	95.4	104	117.7
1987	88.8	109	115.0

Table 2. Evolution of purchasing power of higher category staff (expatriate professional with dependent spouse, average grade, net salary deflated by cost-of-living index at the base city). Source: Jacques Tassin "International Civil Service - Compensation", International Review of Administrative Sciences, vol.55 (1989), p.91. The Executive Council of the World Meteorological Organization stated in October 1989, commenting on conditions of service of staff of the United Nations system, the following: "The Executive Council wished to point out that WMO, like other specialized agencies of the United Nations, was facing recruitment and retention difficulties owing to the continuous erosion of the remuneration package of Professional staff. It was noted that since 1984 when the net remuneration of Professional staff was frozen, there had been a loss of about 10 per cent of the purchasing power of the remuneration package of Professional staff at Geneva." United Nations, General Assembly, "United Nations Common System," 25 October 1989, A/C.5/44/14, Annex.

PART III: THEORETICAL ASSUMPTIONS AND ANALYSIS OF SPECIFIC
RESEARCH QUESTIONS

A theoretical framework, in the form of related research questions, is useful in tying the practical questions emanating from our case study to the conceptual and practical advances in relevant fields of inquiry. It assists in analyzing some of the basic assumptions in the current literature. Finally, the discussion of our five specific research questions in Part III will enable us, by way of conclusion, to propose a new and recast theoretical framework for analyzing and explaining retrenchment and reorganization in international organizations (concluding section 9.1) and, more generally, to relate the UN's organizational crisis to broader political, economic and ideological changes in the international system (concluding section 9.5).

The first three working assumptions (in chapter 6) deal with the similarities between retrenchment in urban and international organizations. Through an analysis of the case study of the United Nations, our purpose is to demonstrate a substantive similarity in behavior, although differing in form and manifestations, of all large public organizations - whether national, local or international - going through the retrenchment process. These three assumptions touch upon the essential role of decision making and leadership - although not as a central focus. The fourth main research question then discusses the central role of leadership in retrenchment (chapter 7).

If all large public organizations have a substantial common behavioral pattern in retrenchment then the results of chapter 7 - fundamentals of leadership in cutback management - could also be of relevance to other public organizations. The stressful situation of retrenchment, as a major crisis in the life cycle of an organization, brings into limelight some basic responsibilities of leadership and

makes possible an in-depth analysis of both formal and informal decision making.

In a severe crisis, the informal structures of an organization may take over some major functions from the formal ones. Informal organization is naturally closest to the top leadership - in fact often truly of his or her own making and thus the most trusted part. An organizational crisis of major proportions can be a very opportune time to study the role and importance of informal decision making, as this dissertation demonstrates.

The last research question - the role of milieu in arriving at the decision-making strategy for retrenchment and reorganization - ties together the organizational parameters and consistencies assumed and found in previous working assumptions and relate them to the environment. It is hypothesized that the environment sometimes determines the values of these variables: how the organizations behave in organizational crises; how the leadership acts and reacts during the fiscal stress; how decisions are initiated, planned, taken, prioritized, implemented and modified. The purpose of the fifth research question is thus to demonstrate, through the case study, that the broader environment - macro-environment - should be factored into the analysis of any retrenchment and reorganization to understand fully what happens inside the organization (in the micro-environment), especially in decision making, and for what reason.

Since the overarching theoretical framework assumes that all large public organizations behave under severe organizational stress in a very similar manner the concepts taken from retrenchment literature in urban politics (e.g. political slack controlling the power play between the organization and its constituencies) and assumed theoretical linkages between these concepts (e.g. role of leadership in changing the perceptions of the key constituencies) are hypothesized to be useful in researching essential problems of all organizations under stress, also

those of the United Nations. On the other hand, concepts related to the milieu hypothesis, the outer and inner environment, and some conceptual refinements within the inner environment elaborated and proposed in our discussion of leadership and decision making in chapter 7 (leadership and decision-making modes) are assumed to be useful constructions also for broader theoretical formation in social science (discussed in the concluding section 9.4 in our elaboration of elements for a cybernetic theory of leadership).

CHAPTER 6
APPLICATION OF URBAN RETRENCHMENT THEORY TO INTERNATIONAL
ORGANIZATION: SIMILARITY OF RETRENCHMENT IN
URBAN VS. INTERNATIONAL SETTINGS

Three research questions presented in chapter 6 are derived from the theoretical framework of Levine, Rubin and Wolohojian discussed in section 2.2. We shall not, however, go into all the details of their original hypotheses, which seem to be quite urban-specific. We shall concentrate only on those aspects which have broader theoretical or practical implications for us.

6.1 Research question I: Similarity of retrenchment processes and stages in urban vs. international settings

Both large urban organizations, such as city governments, and international organizations, such as the United Nations, seem to go through the same retrenchment phases in a severe financial crisis. It makes sense to assume that all large public organizations, whether national, local, or international, follow similar internal adjustment processes to come to grips, gradually, with the hard facts of resource cutbacks. Initially, the organizations try to follow patterns familiar from the better years of organizational growth and attempt to follow the "business as usual" -approach. They modify their behavior to the requirements of the new reality only in small steps, avoiding any major initiatives in the early stages but changing behavioral patterns later.

Levine, Rubin and Wolohojian formulated the corresponding hypothesis: "The stages of fiscal stress, while they may be stopped at any point or reversed, are fixed in their sequence. Cities are unlikely to skip a stage or scramble the order. Consequently... responses will follow a fixed sequence which should be relatively similar in all localities." (1) Levine and his associates, based themselves on the

response model to fiscal stress: 1) ignoring the problem and utilizing delaying tactics; 2) rationing services and stretching resources in the face of resistance from many competing sources; and 3) deep selective cutbacks and efforts to smooth operations after the cuts. (3) Later formulations have also maintained a three-stage hypothesis. This three-stage model is taken here as a working assumption to describe adequately also the process an international organization follows when going through financial stress and a concomitant retrenchment and reorganization exercise. The UN case offers a good opportunity to analyze the validity of this hypothetical model.

An overall conclusion seems to emerge from the following analysis that the model is quite adequate in describing the retrenchment processes also in the world organization.

Stage 1: Ignoring the problem and utilizing delaying tactics:

The financial problems of the UN have been of a long duration, starting in a more serious form from the early 1960's onwards. Such problems as inefficiency, overspending, overt duplication and the unwillingness of some Member States to pay their dues fully for political reasons - were discussed very early, in the late 1940's and early 1950's, in the General Assembly as J. David Singer has described in his dissertation on the UN budgetary politics in 1955. (4) The poor quality of staff and the related issues of political patronage have also been long-standing concerns. Max Finger and John Mungo studied in some detail in 1974 the politics of staffing in the UN Secretariat. (5) The study referred to a number of earlier studies inside and outside the Secretariat, confirming the magnitude of the problems in staff quality and patronage, a persistent concern among UN observers.

Why were the problems ignored? One way of answering this would be to look into periodic changes in the UN environment. The reasons behind

the UN financial crisis could be understood by using two explanations that tend to interrelate and interact (we leave aside the third one, the reasons related to the changes in the international relations system which is discussed in chapter 8). There are periodic economic cycles in the Member States which require cuts in budgetary expenditures, affecting the allocation of resources to international organizations. There are ideological and political factors as well. (6) These relate to political questions of the day - e.g. withholdings due to the events in the Middle East politics - but also include the reasons having to do with "administrative rhetoric", stressing administrative efficiency per se. These ideological reasons sometimes result in an overt withholding policy towards international organizations, triggering a financial crisis and administrative reform. One could hypothesize that, as in the urban politics in the U.S. over past decades, (7) there exist cyclical 'reform movement periods' in the Member States with their equivalents in the international community as well. (8) But between these crises and reform periods, during normal years, there are no compelling reasons to address the efficiency question of the Organization.

The UN leadership, the Secretary-General and the General Assembly, are not, as a rule, able to influence political objectives and ideological attitudes of the Member States towards accepting multilateralism without conditions, including the necessity of meeting their financial obligations. But what they could do, in principle, in good times, is to reduce the eventuality that the "administrative rhetoric" reasons may be used to justify withholdings or withdrawals. This means limiting the excessive growth of the slack factor in international organizations: e.g. the upward trend in political patronage, duplication and top-heavy staff structure. They could also try to institute good management practices in the administration of the Organization. Some efforts of this character were tried before the 1985-1988 crisis, although in a cosmetic sense, as a delaying tactic.

Since the problems of quality of staff were often mentioned in the reports of the Joint Inspection Unit to the Assembly, (9) it was necessary to make some efforts to change first the personnel policies of the Organization. In fact, a number of General Assembly resolutions were passed on personnel matters, the most important being resolution 35/210 of 17 December 1980, which mandated a number of changes in personnel policies, including the introduction of competitive recruitment, through national examinations, for the entry level positions. (10) The Secretary-General also took his own initiatives, first by preparing a Medium-term Plan of Recruitment and afterwards a Comprehensive Career Development System for the staff in all categories, which the Assembly consequently endorsed. (11) The introduction of more systematic methods in personnel policies, including planning and computerization, required, of course, more staff. (12) But these were all incremental reforms and not really meant to touch some of the fundamental questions of deadwood, duplication and political patronage. The U.S. then took the UN's unwillingness to look seriously into management problems as justification for budgetary withholdings.

In the budgetary area the reforms before the financial crisis also turned out to be technical, although they were intended to be far-reaching. As in a number of national governments, the UN adopted a program planning and budgeting philosophy in the late 1970s and early 1980s. This mandated the preparation of a six-year medium-term plan and two-year biennial budget, the latter to be derived from the former. But the new planning and budgeting process also needed new staffing and organizational structures, including units of evaluation and monitoring, in addition to inspection and auditing entities already in place.

The administrative result of this change in budgetary planning was gradual staff growth in the late 1970's and 1980's and the creation of two separate and partly duplicative entities in the Secretariat, one dealing with the budget and one with the programming and evaluation (see

section 4.3.3). The haunting problem that most major contributors still voted against the UN budget was not addressed. (13) The impact of the whole planning cycle on UN performance was minimal in substance. (14) The same mixed results which had been obtained from a similar experience in the U.S. Federal Government, could be used to characterize the outcomes at the UN as well. (15) It has turned out to be difficult to make bureaucracy - whether national or international - perform as rationally as the PPB -philosophy assumes. The rationality of intended substance (increased efficiency through co-ordination and consistency of efforts) has turned out to create rationality in form and organizational growth: i.e. first increase staff needed for rational management; if the whole thing does not work well in practice then increase staff still further to co-ordinate, monitor and evaluate the newly programmed activities.

To summarize, the problems of efficiency, staff quality and duplication, political patronage and disagreements over the UN budget had been known and acknowledged for a long time at the United Nations. But no major action was taken to address these problems. Some incremental changes were adopted, but, to some extent, they exacerbated the problem by requiring more staff. Even worse, more staff brought about more opportunities to use patronage in recruiting and managing the staff, increasing the very criticism of administrative inefficiency among the growing reformist movement in the UN constituency, especially in the major contributors.

In the urban context 'ignoring the problem' refers mostly to the facts that the signals of growing budget deficits are omitted. This was also true in the UN case (see section 3.1). But since the ultimate reasons for retrenchment in international organizations are not fiscal, ignorance of non-economic signals are of greater importance, a point elaborated upon further in the next chapter.

Stage 2: Rationing services and stretching resources:

The financial crisis of the United Nations did not reach major proportions until 1985. A number of fruitless efforts were first taken to influence Washington to change the new U.S. policy of withholding part of its contribution to the UN. But at the end of 1985 all indications were in the air that a major and unprecedented shortfall would be a reality and that the Organization would have to learn to cope with it.

Section 3.3.1 lists a number of economy measures the Secretary-General instituted as a first response to the financial crisis in January 1986. They included a 20 per cent reduction of costs related to travel, the hiring of consultants and control and limitation on documentation. After two months, additional economy measures were announced, such as a freeze in recruitment, suspension of the promotion process for six months and a partial deferment of cost-of-living increases to the staff. These first economy measures were undertaken under the authority of the Secretary-General, although they also needed the blessings of the General Assembly, as would the additional ones, a third set in a row, proposed to the Assembly in April (such as deferments of major capital expenditures and a general reduction in the acquisition of furniture and equipment). The Assembly supported these measures.

Since the UN does not produce many direct services to the public and not in a comparable scale to national and local authorities providing services to their citizens, the rationing of services were not a major target of economy measures. There were, however, some cuts of this sort, for instance, the curtailment of 1988 the publication program. Similarly, the guided tours for tourists at Headquarters were suspended for some holidays and on weekends. (16)

To summarize, the UN responded to the deepening financial crisis in the first instance by stretching its resources without cutting the

staff. A policy was, in fact, instituted that staff cuts would be undertaken only through attrition, if possible.

Stage 3: Deep selective cuts and smoothing of operations after cuts:

A number of cuts were made first in the non-human resources of the Organization. Since the staff accounts for some 70-80 per cent of the UN's expenditures, any major savings can come only through staff cuts. The staff reductions were done by implementing the goal of eliminating regular budget posts by 15 per cent. The cuts were selective, not across-the-board and therefore, hit some programs harder than others.

Since the selective cuts in posts were done in areas where staff members were still occupying positions, they had to be fired or redeployed. Since the policy was to accomplish post reduction through attrition, the staff had to be redeployed to higher priority areas. The "vacancy management and staff redeployment program" was instituted to smooth the operations with the purpose of achieving a rational and fair allocation of human resources.

To summarize, the staff cuts were selective. But since the programs were about to suffer, to some extent, a corrective mechanism - vacancy management and redeployment program - had to be established to lessen the impact.

To conclude the discussion of research question I, the overall hypothetical model stating that the retrenchment processes and stages are quite similar in a severe financial crisis both in the urban and international settings, in terms of the three-stage model discussed in this section, seems to be supported by the events during the UN's financial crisis. Organizational retrenchment seems to be a quite similar process in most large organizations as the discussion of the next two working assumptions will also demonstrate.

6.2. Research question II: Similarity of patterns of responses to retrenchment in urban vs. international settings

Both the large urban organizations, such as city governments, and international organizations such as the United Nations seem to respond basically in the same way, with similar patterns, to severe fiscal stress. The Levine, Rubin and Wolohojian model assumes that administrative responses to fiscal stress will occur in clusters. They isolated eight categories which capture most of the tactics used when facing the fiscal stress in the urban environment: 1) activities that are terminated, postponed, cancelled or scaled down; 2) services that are transferred to other units of government, contracted out, or shared with other units of government; 3) tasks, projects and maintenance activities that are deferred; 4) operations that are reorganized to improve productivity such as prioritizing or consolidating services, leasing instead of purchasing or vice versa, and substituting technology (automation) for labor to reduce costs, increase output, or improve quality; 5) personnel practices that are changed to make use of lower cost or no-cost labor, including reclassifying and downgrading positions, and making use of para-professionals and volunteers; 6) introduction or improvement of data-gathering methods for making more rational decisions; 7) rationing techniques like user fees, that are introduced or increased to reduce demand for services; and, finally, 8) programs and policies aimed at improving the economic base by attracting and retraining tax-paying investment. (17)

We hypothesize that the above mentioned categories in the Levine response model are adequate to describe international organizations' responses to severe fiscal stress as well. In the following, we shall study this question with reference to the UN retrenchment case.

The existence of each of the eight categories applied to the case of the United Nations fiscal crisis is analyzed with the help of the following table:

Table 3. Analysis of the applicability of urban response categories to the UN case.

Categories of tactics used in urban fiscal stress	Application to the UN case study	Examples/references
1. Activities are terminated, postponed, cancelled or scaled down	several took place	e.g. construction projects, see sections 3.1.
2. Services are transferred to other units of government, contracted out, or shared with other units of governments	some	e.g. economic assistance programs were transferred to UNDP, see footnote 40, ch.4.
3. Tasks, projects and maintenance activities are deferred	several	see sections 3.1.
4. Operations reorganized to improve productivity (prioritizing or consolidating services, leasing instead of purchase, automation)	several	e.g. political information functions merged to a new office, ORCI, see section 4.3.1.
5. Personnel practices changed to use of lower cost or no-cost labor (reclassification and downgrading positions, making use of para-professionals and volunteers, etc.)	yes	e.g. downgrading of the whole structure of UN posts, see section 4.4.2.
6. Introduction or improvement of data-gathering methods for making more rational decisions	yes	e.g. project to integrate personnel and payroll data systems; computerization of ORCI, see section 5.2.1.
7. Use of rationing techniques (like user fees introduced or increased to reduce demand for services)	yes	e.g. guided tours rationed; correspondents to pay rent for office space; staff and delegates to pay more for language training (18)
8. Use of programs and policies aimed at the improvement of the economic base by attracting and retaining tax-paying investments	yes if modified to apply to the UN context	the whole budgetary and administrative reform could be seen as an attraction to the U.S. to pay its dues

As the table suggests, the tactics used by large political organizations - whether cities or international organizations - to deal with the financial crisis tend to be quite similar in content although varying in form, according to the special conditions of the organizations in question.

6.3 Research question III: Similarity of changes in formal authority and constituency structure in response to financial stress in urban vs. international settings

Summary:

In answering the first sub-question (how did retrenchment affect the authority of the UN Secretary-General) we find that Perez de Cuellar's authority as an administrative and budgetary head of the United Nations clearly diminished until 1985. During the financial crisis of the Organization, however, his authority increased considerably and the Member States welcomed his leadership. This strengthened authority is related to the elitist nature of UN politics, giving the Secretary-General more latitude for independent action than is usual for top officials in local and national politics of the Western-type political systems.

Considering the second sub-question (how did retrenchment affect the coalition politics in the General Assembly) the financial crisis of the mid-1980s broke the Third World coalition of developing African, Asian and Latin American countries that had increased the programs and staff of the Organization from the mid-1960s onwards. A number of Latin American and Asian countries were favorably inclined to reforms in the United Nations, cutting its structures and reducing its staff - thus aligning themselves with the Western supporters of UN retrenchment. The African states were much less inclined to do so; many of them strongly

opposed the initiatives until a compromise was reached in December 1986.

The Soviet Union and other Eastern European countries gave qualified support for retrenchment measures without any clear alignment.

First subquestion: Relationship between retrenchment and formal authority structure:

"Formal authority structure" refers, according to Levine, Rubin and Wolohojian, to the scope and amount of power legally granted to local administrators and elected officials. Formal authority is conditioned by the charters of local governments, which delineate the scope of services provided, the degree of local autonomy granted by the state, and other aspects of state-local relations. The charter also usually prescribes several other aspects of formal authority including the executive's powers over the budget, powers related to the veto of city council actions, powers to appoint and remove departmental heads and other employees, and the term of office, salary, and method of selection and removal of the executive and other elected and appointed officials. (19)

The Levine model hypothesizes that changes in resource levels will affect the formal authority structure by weakening it through the loss of staff support and the loss of programs and services. Thus, in the short run, fiscal stress will expose weaknesses in the formal authority structure. However, if resources continue to decline, political and management problems will eventually result in the strengthening of formal authority.

When resource levels decline the first time, officials can be expected to lose political support because of their inability to deliver services, programs and benefits to their supporters. Therefore, they become more cautious about changes that might alienate remaining allies to the point they will be unable to carry out any retrenchment strategies at all. As a result, the appearance of executive weakness

may trigger pressures to compensate, which is then reflected in charter amendments to increase the legal powers of local officials.

Alternatively, formal authority may be taken from officials like the mayor or city manager and placed in other hands like city and county councils, boards and commissions or state officials more insulated from the day-to-day demands of interest groups. (20)

When our first sub-question is applied to the UN context, the refined model postulates that, in the first place, the authority of the head of the Organization - the UN Secretary-General - diminishes during the early signs of the fiscal stress. He can no longer satisfy governments by giving them enough services and programs, neither can he recruit nationals to important - or even any positions. Neither can he satisfy the staff whose existence and well-being are at stake. The refined model subsequently hypothesizes that if the fiscal stress deteriorates further the Secretary-General's authority would be either strengthened or given away to other UN bodies and officials, such as the General Assembly and its subcommittees or subsidiary organs (the Fifth Committee, the Committee for Programme and Co-ordination (CPC) and the Advisory Committee for Administrative and Budgetary Questions (ACABQ), and the elected officials of these bodies), or to the Under-Secretary-General for Administration and Management in the Secretariat, who is assumed to be more protected from immediate political pressures than the UN Secretary-General during a deepening retrenchment period.

Before analyzing the applicability of the refined model to our case study, a methodological note is warranted. As was discussed by Dag Hammarskjöld in his speech at Oxford University in 1963, the UN Secretary-General is undeniably the administrative head of the Organization while still maintaining important political functions, having approximately the same relative capacity for influence in the UN political system as the American President has in the U.S. political

system. In fact, this high executive and political power of the Secretary-General was promoted especially by the Americans in the Preparatory Commission of the United Nations in 1945, bringing the UN in this sense close to the American political system. (21) Therefore, it makes sense to review, in this section, the "formal authority structure" embodied only in the Secretary-General's relation to the Member States. The authority and mandate of the Presidents or chairmen of the General Assembly and its subsidiary bodies viz-a-viz the Member States are not even close to that of the Secretary-General.

The early signs of the UN financial crisis could be seen throughout the first term of Perez de Cuellar. In one sense, a small-intensity financial crisis had existed since the early 1960s. Perez de Cuellar, for his part, tried but not with much success, to deal with the gradually evolving crisis by proposing, in the early 1980s, 'maximum restraint' budgets by which increases of staff and programs were to be curtailed.

Restrained budgets did not solve the root causes of the crisis, and the low-level crisis continued to simmer. Simultaneously, the majority of the General Assembly members continued to be able to approve increases in the UN budget, to the great dismay of some Western and even some Eastern European countries. Since de Cuellar was not able to do anything radical for the better, there were already voices in the mid-1980s, expressing opinions that the UN needed a stronger leader after his first term ended in 1986. (22) The lack of peacemaking successes early in the 1980s also gave him a mixed track record, although he was consistently praised as a skilful and honest, but, at the same time, perhaps too cautious, diplomat. (23)

A number of Western Member States expected that a competent head of an organization should be able to help in solving the financial problems of the organization by dealing with its root causes, or at least curtailing additional budgetary increases until the fiscal

difficulties are reduced to manageable bounds - whether this is a politically realistic expectation or not. But the major initiatives - mainly to increase the staff and programs - came from the delegations in the General Assembly. We can thus see some gradual deterioration in the Secretary-General's authority as an administrative head of the Organization during the period of low-intensity financial crisis. But this all diminished his role as the administrative chief of the Organization de facto, not de jure.

The Levine model would therefore be correct in the first phase of the financial crisis as far as "informal authority structure" is concerned. We could discern a weakening informal authority structure in terms of the leadership parameters of the incumbent Secretary-General. But no Charter amendments were proposed to make this loss of influence more authoritative and permanent. We will return to the discussion of the formal and informal aspects of the leadership of the Secretary-General later in section 7.4. (24)

When the financial crisis intensified in 1985, one could notice, even at this stage, efforts to take the leadership away from the Secretary-General in the budgetary and administrative areas and to give it to the Member States and their representatives. The downgrading of the role of the Secretary-General in submitting the report of the Group of 18 to the General Assembly was discussed in section 3.4. This symbolic measure by the Member States to lessen his official role in proposing managerial and budgetary changes was a sign of diminishing authority. Furthermore, a number of high-level outside committees were set up in 1985 and 1986 to propose changes in the administrative and financial functioning of the Organization, as if assuming the impotence of the Secretary-General to show leadership in this area, now a major interest in the Member States. (25)

Even from inside the UN structure came heavy criticism of the UN management. By implication this also reduced the informal

administrative authority of the Secretary-General. French Inspector Maurice Bertrand, a consistent critic of UN management over the decades, prepared in 1985, in his official capacity as a senior member of the Joint Inspection Unit, the evaluative arm of the UN system, a testament-type comprehensive report on the serious shortcomings of the Organization as he saw them just before his retirement. As it is customarily done in the United Nations, the Secretary-General submitted this report to the General Assembly for discussion in 1986 although he did not attach his comments as was usually done. Early in 1986 Bertrand was brought back from retirement upon his appointment by the General Assembly to the Group of 18 (and he was one of its most influential members). After that task was completed in August 1986 he was hired by the United Nations Association of the United States as a senior consultant to continue reform studies as part of a new UN management and decision-making project, under the leadership of Elliot Richardson, the chairman of UNA-USA. (26)

The analysis above leads us also to make observations about the differences between UN politics and local and national politics (the latter understood within the Western concept of electoral politics). Although the relative weakening of the administrative position of the Secretary-General could be seen in the early 1980s in relation to the Member States, this fact was not as mechanical as urban retrenchment model suggests. Whereas elected politicians, whether at the city, state or national level, have to keep in mind their main constituencies and give their concerns high - even top priority - to secure their own re-election and to be able to govern effectively, the constituencies of the Secretary-General are different. There is no such public, mass appeal-oriented, campaigning for the office as happens in national and local politics. Consequently, no campaign promises, party ideologies or political objectives have to be kept and the Secretary-General has more freedom to act independently. Furthermore, the UN Secretary-General's

'electorate' is highly elite and hierarchically organized - the governments and their representatives, most importantly the five permanent members of the Security Council (which is the small, decisive constituency of the SG). The SG's other natural constituency - small and medium powers - usually support the SG without quarrel if their own country is not part of the dispute. The representatives are usually national civil servants, highly educated, know many languages, have diplomatic finesse, and are ultimately responsible to a minister of government, not to an electorate. The simple fact, determined by the Article 2.7 in the Charter - precluding any interference of the Organization in the domestic affairs of the Member States - means that no UN official is elected directly by the world population, a logistical and financial nightmare even to think about. But it has important implications to the politics at the UN.

Some open or behind-the-scene campaigning for UN offices takes place but in a much less overt form than in national or local politics. No candidate has to appeal directly to the "masses". In perhaps the most open and sophisticated campaigning so far - the bid of Max Jakobson of Finland for the office of the Secretary-General in 1970 - the literature available does not suggest any deals with major constituencies (Members of the Security Council) of the type found in national and local politics between the candidate and the electorate (parochial and populist campaign promises to assure support) or the leaders of 'organized interest groups' (i.e. secret deals with the members of the Security Council). Symbols of his campaign were taken from the UN Charter and Hammarskjöld's legacy - impartiality, neutrality, high integrity, competence - and were of no great populist appeal. He was indeed supported by the majority of the Security Council Members but, again, contrary to the practice in local and national politics, an "interest group of a minority" (in this case the Soviet Union) used its statutory veto-right for reasons not clearly known and

long debated. The election brought Kurt Waldheim to the UN helm more or less as a dark horse candidate. (27)

A question sometimes asked is whether Kurt Waldheim, more politician than any other recent Secretary-General in the sense of being willing to campaign before a national electorate in his two bids for Austrian presidency both before and after his term as the Secretary-General, did deals and thus increased the patronage aspect in the administration of the Secretariat in 1970s, paving ways for an increased criticism by the reformist movement erupting in the 1980s. (28) Some scholars have seen this patronage as a start of the demise of the whole UN. Johan Galtung has taken a clear position: he proposed the "de-waldheimization" of the UN as one of the major goals of the on-going UN reform in 1986. (29)

The elitist nature of the politics, in this case the veto power of a pre-selected minority group, also brings vulnerability to the Organization if a candidate makes a deal with the Council Member most likely to veto his/her candidature. Related to this, in our concluding section, we will briefly return to the question of integrity of the Secretary-General - a special requirement for the code of conduct of the international civil servant not to take instructions from Governments (e.g. in form of making deals) which also sets the leadership of the Secretary-General apart from national and local politicians.

In any case, the more or less open horse-trading which often characterizes local politics, with all the promises to support parochial interests and the trading of services, programs and staff for political support between politicians on one hand and bureaucrats, unions and representatives of constituencies on the other, is not as such transferable to UN politics. The model by Levine and his associates needs modification in this respect; the UN head has, in principle, more latitude for independent action than an elected politician.

The model further hypothesized the second-stage impact of the deepening financial crisis on the formal authority structure, in this case on the authority of the Secretary-General: either strengthening his position when the crisis gets more serious or, alternatively, almost completely transferring his power to other levels of the UN power structures. This case study shows that in the United Nations case the deepening financial crisis strengthened the Secretary-General's position and authority.

The Secretary-General assumed, during the deteriorating financial crisis, a stronger and more forthcoming leadership related to the staff, senior managers, delegates, the major powers, and other UN bodies. There are several indications of this in his decisions during 1986-1988:

- In servicing the Group of 18 his role became gradually upgraded so that, in the end, he was able to exert perhaps more influence than any individual member (except the chairman) on the work of the Group, as was discussed in sections 3.3.3. and 3.4. In fact, it looks like that the Member States expect him to show leadership and, if he is forthcoming and use opportunities in a determined way, they would welcome it.
- In the discussions of the Group of 18, and in the debate on its report in the General Assembly (see section 4.2), the Member States stressed very much the untouchable, almost sacred character of the prerogatives of the Secretary-General. This was expressed without a dissenting voice and some countries were, in fact, very strong about this, probably seeing the Office of the Secretary-General - for long considered the most effective part of the Organization - as being under attack (see also section 4.2).
- The recommendations of the Group of 18, as approved by the General Assembly and its bodies, have improved the administrative leadership potential of the Office of the Secretary-General, although modestly. His role was stressed in the personnel area,

it continues to be fundamental in making budgetary proposals, and his potential role in setting program priorities through submitting the Introduction of the Medium-term Plan was stressed (see sections 4.4 and 4.5).

- The changes he made in his own executive office in 1988 and the earlier creation of a new research arm for his personal use (the Office for Research and Collection of Information, ORCI) were meant to strengthen his capacity for preventive diplomacy and negotiation functions and, for the future, to make the Secretary-General better able to provide intellectual leadership for the world. In this line, a special task was set up to nurture links between the Secretary-General and the academic community through ORCI, and the Secretary-General's drafting service was instituted as a part of this office. (30) These initiatives were accepted by the Member States even after-the-fact, at the stage the reforms were already internally in the implementation phase. This success highlights the fact that when the Secretary-General uses the leverage available for him the Member States may accept this, at least in crisis situations.

As a conclusion, the role of the top executive could be strengthened if he is willing to show leadership (this is further discussed in chapter 7). If the reverse is true, then his or her authority is most likely taken away as the Levine model also assumes. Therefore, the above mentioned sub-hypothesis on the relationship between resource decline and formal authority structure seem to hold in both the early and later stages of the financial crisis as appropriately modified to the UN circumstances.

Second subquestion: Relationship between retrenchment and interest group structure:

"Interest group structure" refers in the Levine model to the presence or (relative) absence of interest groups, their activity levels during both growth and retrenchment, and whether they act individually or in coalition. (31) On the relationship between changes in resource levels and interest group structure the model expects initially that the resource decline has the effect of weakening the involvement of interest groups in the policy process, since the stakes that motivate political competition and bargaining will evaporate. Coalitions of interest groups are also likely to weaken, because, in the absence of large-scale rewards, there is little to hold such arrangements together.

A continued decline in resources, however, is expected to produce a renewal of interest group activity and revitalization of old coalitions or the creation of new coalitions to protect specific departments and programs. As during the windfall periods, stakes are high and concerted action by interest groups and coalitions may result in protecting large sums of money and large blocks of services. (32)

If the Levine model is modified to the retrenchment case of the United Nations, the refined model would initially expect the regional and other groupings (like the African Group, Non-aligned Movement, Group 77, etc.) (33) to stop acting like coalitions in the Assembly since the rewards to do so have evaporated. However, if the crisis continues, old coalitions or new ones will re-emerge to protect specific interests. We will study whether the refined model explains the UN retrenchment case.

A small but clear financial stress had been with the Organization since the early 1960s, a more severe crisis erupted in 1985. During this earlier period various regional and other groupings in the General Assembly, particularly the countries in the Group of 77 and the Non-aligned Movement, got together and demanded, with success, more programs and resources for their interests; they also demanded staff

positions for their nationals. But this kind of coalition politics changed in the financial crisis.

M.J. Petersen has discerned three eras in the General Assembly's history in coalition formation. For eight years (1947-1955), the United States led a coalition of Western and Latin American States; for nearly a decade (1955-1964) there were fluid and changing majorities; for a dozen years (1964-1986) there was dominance by a Third World coalitions of developing African, Asian and Latin American states. (34) This last period fits well with the conception of a low-intensity financial crisis with the large Third World majority in charge of budgetary initiatives. The financial crisis during this period was so modest that it hardly affected the budgetary bidding of major coalitions in the work of the Assembly. The Third World majority was able to increase the budget of the Organization whereas the major contributors started increasingly to object to this trend and to vote against the increases, but without much impact. But this configuration changed in 1986.

The African States separated themselves from the other Third World countries and many of them stood strongly against the spirit and many of the recommendations of the Group of 18 until a last minute compromise. On the other hand, most of the Latin American and Asian developing countries had favorable attitudes toward the recommendations of the Group of 18 and now wanted the UN staff to be reduced. In fact, some of the most ardent supporters of the recommendations were found in these groups (Brazil, Samoa, Singapore; see table 1) together with the Western countries. The Eastern Group, the USSR (also a major contributor) and the Eastern European states, stood in the middle and gave qualified support to the recommendations without a clear alignment as it had often done in the past.

The Secretary-General also favored the reforms, although some of his staff evidently fought against them (see footnote 33 suggesting that the Secretary-General and the UN staff form a separate "interest group"

if the concepts of urban politics are applied to the UN). An interesting bureaucratic phenomenon - if proven to be true - is the claim in the quotation of The Washington Post, discussed in chapter 4, that the U.S. senators objecting to the streamlining of the political sector of the Organization (although the U.S. mission favored it) "had reacted to distorted presentations on the plan by anti-U.N. lobbyists and conservative American appointees in the Secretariat and State Department." The Soviets in the Secretariat also objected to the plan. But the USSR Deputy Foreign Minister later embraced the concept of the political reorganization.

The Levine model, as applied to the UN, is correct in saying that deteriorating financial stress will make old coalitions disappear in this early phase. But their involvement did stay very active all the time, contrary to the original hypothesis. Again, the reasons for this are due to the particular character of politics in the General Assembly, which is quite different from national and local politics.

Country representatives in UN bodies also look into questions of foreign policy principles, values and symbols - besides undertaking horse-trading - which is common in all politics at all levels, including the United Nations. The delegations in the Assembly, besides scoring immediate wins and losses in their immediate political and personal concerns, also try to fulfill less tangible foreign policy objectives, normally dictated by their foreign offices and by the party or coalition in power. Although immediate rewards might be less tempting during the financial crisis - in terms of new programs or appointments serving directly the interests of countries or delegations - the stakes are still high because of the question of principle involved. Therefore, the intensity of involvement does not decline - it can even increase as the intense debate of the UN reform testifies. The symbols are what matter, and might even over-rule other considerations in the final analysis.

At this time (1990) it is too early to say whether the old or new coalitions will emerge to protect specific interests, departments and programs. In the security area, the co-operation of the U.S. and the USSR, as well as that of the permanent members of the Security Council, might inaugurate a new era. The financial crisis seems to have shifted, for the time being, to its latent phase. The root causes are not solved but the crisis is not immediate - although it might still erupt. (35) In the UN context this uncertainty is perhaps the normal situation and may be here to stay. In the future, the formation of coalitions may respond also to reasons generating new financial crises. If the U.S. uses its financial lever too forcefully, for instance by triggering a new crisis by withholding some or all of its contribution for political reasons (e.g. concerning PLO status or the 'zionism is racism' resolution) new coalitions might emerge in the Assembly against the U.S. (After the UN was reformed, as demanded by the Americans, the U.S.'s credibility and policy consistency in multilateral diplomacy might become then an issue.)

Concluding observation:

As far as research question III is concerned we were able, overall, to give qualified support to it through the examination of similar kinds of events in the UN and urban retrenchment processes. Together with the two earlier working assumptions (research questions I and II) more evidence was gathered for an overall conclusion that complex public political organizations, whether local, national or international behave, during periods of financial stress, quite similarly in substance although the form might differ considerably.

The next research question deals with leadership in large public organizations. Since urban and international retrenchment seem to have substantial similarities - suggesting similarities also at national levels - we will use the criteria derived from the U.S. retrenchment

experience in evaluating the "rationality" of the UN leadership during the mid-1980s' fiscal crisis.

ENDNOTES

1. Levine et al., Politics of Retrenchment, p.48.
2. Stephen David and Paul Kantor, "Political Theory and Transformations in the Budgetary Arena: The Case of New York City," in Dale R. Marshall, ed., Urban Policy Making (Beverly Hills, CA: Sage Publications, 1979), pp.183-220.
3. Levine, Politics of Retrenchment, p.17.
4. J. David Singer "The United Nations Fiscal Process: Development and Practice," (Ph.D. Diss., New York University, 1955), p.244.
5. Finger and Mungo, "Politics of Staffing the UN," pp.6-27.
6. The difference between political and ideological reasons is explained in section 9.4.
7. Reform cycles in urban politics, see Martin Shefter, Political Crisis. Section 2.2 discussed cycles in the U.S. business culture.
8. During these periods the importance of good management, lean organizational structure and shedding of political patronage - seen outrageously deteriorating the quality of the staff and leading to duplication and excessive deadwood - is a priority concern whereas, in other times, equitable geographical distribution (a Member State's parochial share in higher positions) is stressed and any related patronage quietly accepted. A sudden emergence of a reform movement in any major contributor country (say the share over 10-15 per cent) changes rapidly the rules of the UN management game as well. The last time this country was the U.S.; next time it might be Japan whose contribution has rapidly risen during recent years. If the emergence of this movement is combined with the deep perception inside Japan that the country does not get enough symbols in the Organization to flag its new status in international politics then the crisis possibility might be real. We will return to these questions in chapter 8.
9. e.g. Maurice Bertrand "Personnel Problems in the UN", Joint Inspection Unit, United Nations, JIU/REP/71/7, 1971 and JIU/REP/84/11, 1984.
10. Other important resolutions on personnel were numbers 33/143 of 20 December 1978, 43/219 of 20 December 1979, 37/235 of 21 December 1982, and 39/245 of 18 December 1984.
11. The Secretary-General reported to the Fifth Committee in November 1982 about the development of a Medium-term Plan for Recruitment, covering the years 1983-1985. Establishment of a system of career development was described in a document: United Nations, General Assembly, Programme Budget for the Biennium 1984-1985, A System of Career Development for all Categories of Staff, A/C.5/39/11, 16 October 1984.
12. For instance, the author of this dissertation made a career change from statistics to administration in 1981 to plan UN recruitment and career development systems.
13. Galey, "Financing the UN", p.545.
14. Bertrand, "Reflections," pp.10-11. Other observers say, however, that program planning has forced UN managers to think through their inputs and outputs, better conceptualizing the whole process.

15. Naomi Caiden, "Public Budgeting Amidst Uncertainty and Instability," in Frederick S. Lane, ed., Current Issues in Public Administration (New York: St. Martin's Press, 1982), p.353.
16. Interview of a former Information Assistant in the Office of General Services by author, United Nations, 26 March 1990.
17. Levine et al, Politics of Retrenchment, pp.37-38. The model further posits that specific tactics within the eight categories will cluster into five general strategies 1) incremental strategies 2) windfall strategies 3) denial and delay strategies 4) stretching and resisting strategies and; 5) cutting and smoothing strategies. (p. 38.)
18. United Nations, A/43/286, p.16.
19. Levine et al, Politics of Retrenchment, pp.36-37.
20. Ibid. pp.40-41.
21. Hammarokjold, "International Civil Servant," p.254; see also Gordenker, The UN Secretary-General, p.x.
22. e.g. Neal Acherson "Why the UN should choose a Prince" [Sadruddin Aga Khan] The Observer, 28 September 1986, p. 11.
23. e.g. Paul Lewis "For U.N. Chief, Diplomacy Suddenly Gets Hotter" New York Times, 15 October 1987, p.6(A).
24. In reference to the next chapter on leadership, the leadership variable could be said to belong to the concept of "informal authority structure" of the UN. This structure is sometimes a more important variable than the "formal" one, as this research indicates in the UN retrenchment and reorganization process.
25. U.N. Management and Decision-Making Project, a two-year research program of the United Nations Association of USA, had as its centerpiece a high-level, 23-member international panel, under the leadership of Elliot L. Richardson (including Nancy L. Kassebaum, Prince Sadruddin Aga Khan, T.T.B. Koh, Robert S. McNamara, Olara A. Otunnu, Helmut Schmidt, Brian Urquhart, and Cyrus R. Vance); see A Successor Vision: The United Nations of Tomorrow, Final Panel Report, September 1987, United Nations Association of the United States of America. Another well-known effort was the so-called Group of 14, under the co-chairmanship of Prince Sadruddin Aga Khan and Maurice Strong, that held an informal consultation at the UN Plaza Hotel in New York 8-10 August 1986 on the "United Nations Financial Emergency - Crisis and Opportunity". Quoted in Yves Beigbeder, Threats to the International Civil Service (London and New York: Pinter Publishers, 1988), p.98.
26. See e.g. Bertrand's report: Maurice Bertrand "The Role of the United Nations in the Economic and Social Fields," U.N. Management and Decision-making Project UNA-USA, May 1987.
27. Jakobson's campaign explained in detail in Max Jakobson, 38 Kerros (Keuruu, Finland: Otava, 1983), chapter VI.
28. Alan James, "Kurt Waldheim: Diplomats' diplomat," The Year Book of World Affairs 1983 (London: Stevens & Sons, The London Institute of World Affairs, 1983). Trygve Lie was also a politician by profession and by inclination. Evan Luard sees, in fact, this factor considerably

contributing to his downfall as an effective officeholder, Luard, History of the UN, pp. 343-344.

29. Galtung, "The UN Today", p.15.

30. Javier Perez de Cuellar, Report of the Secretary-General on the Work of the Organization, United Nations, New York, Department of Public Information, DPI/916, 1987, p.23.

31. Levine et al, Politics of Retrenchment, p.37.

32. Ibid. pp.41-42.

33. Our refined model assumes that the interest groups in local politics (unions, business elites, parties, bureaucracy, media, grass root movements, etc) have their approximate equivalents in UN politics. The following table is an interpretation of these similarities; like in local politics, interest groups overlap, are not necessary homogeneous, and often act in coalitions depending on issues:

<u>Interest groups</u>	<u>UN equivalents</u>	<u>Main interests</u>
trade unions the poor and minorities	NAM, G-77	NIEO, the position and benefit of NAM and G-77 staff
business elites	OECD, EEC, the U.S., Japan (major Western contributors)	promoting free markets and/or status quo in the world economic system
parties	regional groups	maintaining ideological and cultural homogeneity and advancing regional goals
bureaucrats elected officials	S-G, UN staff, unions, elected officials of UN bodies	independence and benefits of the staff
media	accredited journalists	interests of respective constituencies
grass roots movements	NGOs	special interests

Jeane Kirkpatrick has seen in the General Assembly a party structure. She thinks that the U.S. is an outcast in this sense - a country without a party. (Jeane J. Kirkpatrick, The Reagan Phenomenon - and Other Speeches on Foreign Policy, (Washington and London, American Enterprise Institute for Public Policy Research, 1983, pp. 82-84.) We hypothesize that, as in local politics, the UN bureaucrats, NGO representatives, staff union members, UN correspondents or other "UN interest groups" are in contact with the relevant coalitions and individual decision makers (delegates) to influence the outcomes in the policy decisions in the General Assembly. To a certain extent, this process has been formalized: Secretariat officials prepare reports, speak and answer questions in the Assembly deliberations; the staff unions have the right to express their views in writing, and orally, to the Fifth Committee, and the NGOs have a consultative status with the Economic and Social Council.

34. M.J.Pedersen, The General Assembly in World Politics (Boston: Allen & Unwin, 1986), pp.11-14.
35. Puchala and Coate, The UN in a Changing Environment, p.70.

CHAPTER 7

INSIDE THE ORGANIZATION: LEADERSHIP AND DECISION MAKING
IN RETRENCHMENT AND REORGANIZATION

7.1 Introduction to the argumentation

Any organizational development is fundamentally dependent on the top leadership. He/she, with the immediate aides, provides the vision, the objectives, the strategy and the contours of individual tactical decisions. He/she takes the most important day-to-day decisions affecting broader strategies. The role of the top leadership is even more important in an organization under financial stress since dwindling resources create retrenchment pressures, often accompanied by a reorganization effort, in which process the leader has to prove his/her viability as a legitimate leader also for the renewed, but smaller, organization.

The leadership has to be concrete enough to be measurable, otherwise it is difficult to do research about it. James MacGregor Burns provides in his Pulitzer Prize and National Book Award-winning book on leadership a yardstick to assess results. "My own measurement of power and leadership is simpler in concept but no less demanding of analysis: power and leadership are measured by the degree of production on intended effects". (1) We will use as a basis for evaluating success in leadership the degree to which intended goals were achieved. But before obtaining results leadership must have a vision of where to go.

Larry Hirschhorn and his associates paid attention to the formation of goals in an organization undergoing retrenchment. Hirschhorn says that most models of decision making emphasize that goals, objectives and missions should organize decision and action and, consequently, goal-based planning models are often future-oriented. But under conditions of uncertainty, as during the financial stress and cutbacks, it is difficult to construct believable goals. Hirschhorn and his team found two useful approaches to deal with the dilemma. First

the leadership, together with the staff, can create organizational designs that maximize program flexibility so that the staff can respond to a range of possible opportunities and threats by drawing, among other things, upon the staff's unused skills and initiatives. Secondly, under conditions of retrenchment it is helpful to look backwards - to examine the agency's historical strengths and then develop plans through which these strengths can not only be preserved but developed. Organizations that grow quickly often take on new functions that do not fit well with their founding concepts and organizational culture. (2)

Our analysis shows that the UN Secretary-General's leadership concentrated only on selected retrenchment goals. He created an innovative structure to ensure tangible results in his preferred area of focus and used the opportunity of a crisis to upgrade the institutional capacity for his political functions, considered by many as one of the clearest historical strengths of the Organization. (3)

Working assumption on leadership and steps of analysis:

Our basic working assumption on leadership, which has been suggested by the literature on retrenchment and leadership in private and public sectors, hypothesizes that an organization in a crisis needs a strong leader. This means that the leadership has to be strategic to be successful: the leader has to be able to provide new initiatives but also, in a public organization, to strike a balance between the interests of the organization and its staff on one hand and its main external constituencies on the other. Secondly, in a serious organizational crisis direct participation of the top leadership in any reform planning, co-ordination and implementation increases the likelihood that the reforms will be successful and that the whole retrenchment and reorganization strategy will be based on rational considerations. If the leadership is dispersed or delegated to the

centers over which the top leadership does not have authority, or very little of it, the necessary reforms may have less likelihood of success.

The research questions we have identified will be explored through several steps of analysis. The leadership exercised by the Secretary-General during the financial crisis is first reviewed on the basis of the "basic responsibilities of cutback management" and the "fundamentals of retrenchment leadership" developed by Robert D. Behn. In developing his "directives" Behn drew freely upon the work and ideas of a small community of scholars who had seriously investigated the problems of policy termination and cutback management: Eugene Bardach, Gary D. Brewer, Robert P. Biller, Richard M. Cyert, Andrew Glassberg, Charles H. Levine and Irene Rubin. (4) The results of applying Behn's variables to the UN case show surprising rationality in Perez de Cuellar's leadership strategy.

In the further analysis, the leadership exercised during the UN 1985-88 financial crisis is compared to the leadership exercised by the Governor of New York State viz-a-viz the Mayor of New York City during the 1975-78 New York fiscal crisis and that of the leadership in the World Bank and in New Jersey in their recent reorganization efforts. We shall use the Behn variables as a basis for comparisons. Again, the UN retrenchment strategy stands out as a surprisingly rational case, even after comparison.

To understand better the essence of rationality in the UN strategy two concepts are hypothesized to be useful. The analysis of 'leadership and decision-making modes' in an organization shows first that the more forthcoming strategic leadership during the crisis was focussed on selected goal areas where indeed retrenchment results proved to be most successful (the impact of the environment in determining the areas of focus in leadership is discussed in the next chapter) and secondly that the involvement of informal decision-making structure explains a great deal about the results and overall rationality achieved. (The concepts

of leadership mode and decision-making mode are later used to draw, in concluding section 9.3, more theoretical conclusions for a leadership theory in general.) Finally, the analysis shows that the leadership does not necessarily have to be direct - in terms of the leader's personal involvement in the planning and implementation process - to achieve intended results if the informal structure created by the leader is able to initiate the necessary groundwork for proposed reforms.

7.2 Towards strategic and rational leadership: retrenchment responsibilities and fundamentals

Robert Behn developed practical guidance for retrenchment leadership in the form of elaborate principles and rationales. In fact, he came close to the advice for corporate leaders involved in the private-sector scaling-down process given by Robert Tomasko in his book on downsizing, published by the American Management Association in 1987. (5) This, as such, suggests similarities in retrenchment processes and leadership in all kinds of organizations, whether public or private. But there are also differences, especially related to considerations of the political constituencies fundamentally relevant in the public sector. (A profile of scaling-down processes and the role of leadership in this process in the private vs. public sector is given in the concluding section 9.4).

According to Behn, the necessity of retrenchment presents the leader of a public organization with basic responsibilities of cutback management - and he lists six of them. Their ability to handle these will determine how productive the organization is when it emerges from the retrenchment process. On the other hand, the leadership fundamentals, and he also lists six of these, deal with the question how the leaders can take their organizations through the cutbacks so as to rejuvenate and not demolish them. (6)

We call in this dissertation the description of these basic responsibilities and fundamentals of a leader in an organization under severe financial stress a "rational retrenchment leadership model for public organizations". The model is based on the research of American scholars on cutback management in the public sector. Rationality is understood in terms of effectiveness in achieving the results intended without the loss of constituency support. (7) This is also our initial working definition for strategic leadership in retrenchment in public organizations. The Behn leadership model gives us thus a benchmark model to assess rational cutback management in the public sector. Each of its variables are now discussed below with reference to the UN case study.

Responsibility I: Decide what to cut

This is a fundamental dilemma of retrenchment since the cuts are unavoidable - otherwise we are not talking about retrenchment. How intelligent the manager is in choosing, and how effective he or she is in obtaining the necessary support for decisions, will determine how well the organization copes with retrenchment, according to Behn. In choosing to cut, the basic issue applicable to all organizations is whether to favor equity or efficiency. Equity considerations suggest a share-the-burden strategy. Across-the-board cuts are attractive since they can be defended as equitable but they also avoid the necessity of making real choices about priorities. If the required cuts are large, however, across-the-board retrenchment does not make sense. It would be silly to require every unit, regardless of its importance or effectiveness, to cut a substantial amount, for instance 30 per cent. This could destroy the effectiveness of all the subunits. Moreover, across-the-board cuts punish the most effective units since they have little of the fat that the shoddily managed units can use to absorb the cuts, according to Robert Behn. (8)

The strategy that the UN Secretary-General followed in tackling a 15 per cent cut in regular budget posts was to institute selective reductions. There was reasonable groundwork to guide the departmental heads to make their suggestions. The key decisions, however, rested on the PPBB (Programme, Planning and Budgeting Board) which represented collective-management decision making. The involvement of the PPBB could be defended on the basis that the Board tried to treat all managers in an equitable fashion.

In analyzing the fairness of treating the staff and in looking at its actual participation in the retrenchment exercise, two considerations have to be borne in mind. First, since there was a decision in principle to rely on attrition for post reductions the stakes of the cutting exercise were not extremely high for the staff. In most cases, the posts behind the vacancies could be cut rather than the posts behind living incumbents. Secondly, the staff was invited to participate in the post redeployment committees, which were established in the departments to consider the redeployment of those staff who really lost their posts in the targeted cuts after PPBB decisions.

To summarize, the selection of cuts was planned reasonably carefully and the fairness question was also taken into account. The first responsibility for rational cutback management seems thus to have been fulfilled in the UN case.

Responsibility II: Maintain morale

Since growth has been a traditional measure of performance, retrenchment can have a devastating impact upon morale. Employees, constituents, legislators and journalists see the organization becoming smaller and conclude that it is becoming less important and less successful. Such a conclusion can easily destroy morale and affect the motivation of employees to work, of legislators to appropriate funds, of constituencies to provide support, and of journalists to provide

attention, leading ultimately to a "vicious circle of disintegration" of the organization. According to Behn, the manager will have to find some way to turn retrenchment into a positive force that actually boosts morale so as to keep the agency in a productive shape. (9)

The strategy of the Secretary-General to maintain morale consisted of several steps. There was an almost continuous flow of information from him to the staff, mainly in terms of circulars. A general meeting of the staff was organized by the Secretary-General during which the staff was able to ask questions. The Secretary-General and/or his aides met regularly with the representatives of the staff who were also invited to participate in the staff redeployment committees. Staff concerns were incorporated into some key decisions (e.g. to rely on attrition in reducing the posts).

A new reformist ethos indeed penetrated the whole UN community including the staff. The quest for efficiency, which had taken over both the diplomats and UN bureaucrats alike, reached even the President of the UN Staff Union. In her speech at the 1986 Staff Day meeting, which was devoted solely to retrenchment, she directed her words to the Chairman of Group of 18, also present in the meeting: (10)

Mr. Ambassador [Vraalsen], the Group of Experts undertook a difficult task. You found that the Organization's management capacity had not kept pace with the growth of its agenda and its intergovernmental machinery. You concluded that today's structure was too complex and top-heavy. You pointed to a need to "avoid duplication of work, fragmentation of responsibility and diffuse lines of accountability." In fact, all of us testify to the frustrations brought about by the convergence of those elements. And for that reason, the staff of the U.N. is not averse to change. We enthusiastically welcome and wish to contribute to much-needed reforms in order to extricate the Organization from its present difficulties and restore its strength, vitality and relevance to changing global requirements."

Unrelated outside events also boosted the morale of the staff in the later phase of the crisis. The successes of the Secretary-General in the peacemaking area, starting from the 1988, had naturally a positive impact on morale. The granting of the Nobel Peace Prize to the

UN's peace-keeping in September 1988 also helped to boost morale. Later in the year, the speeches of General Secretary Gorbachev and President Reagan to the General Assembly, which both embraced the Organization in many unprecedented ways, had a major spirit-lifting influence as well.

To summarize, the maintenance of staff morale was one of the important components in the retrenchment strategy of the Secretary-General. Fortunate external events also boosted morale although the skills of Mr. Perez de Cuellar in the diplomatic area contributed to outside confidence in the credibility of the UN in multilateral diplomacy and thus in the United Nations' potential overall (we will later discuss this further). The second responsibility for rational cutback management was also, therefore, fulfilled.

Responsibility III: Attract and keep quality people

According to Behn, as the morale begins to decline, the best people, who are by definition the most mobile, will begin to leave. This trend can be further aggravated by across-the-board cuts which fails to distinguish between productive and unproductive people and subunits. The consequence of across-the-board cuts may well be to lay off the organization's best workers. Cutback management requires the ability to recognize good performance and to reward it. (11)

This has been a problematic responsibility for the United Nations. When salaries were frozen during the crisis, with the additional threats of erosion in staff benefits - as for instance proposed by the Group of 18 - and when career prospects are diminishing as proportionately more posts at higher levels are eliminated, it is difficult to keep quality people in any organization. (Attracting new people was just a minor problem during the crisis since recruitment was frozen and rare exceptions were allowed.)

There were, however, some positive signs. Since across-the-board cuts were avoided and morale was maintained, the most mobile and (by

this definition) the best performers were not forced to resign. Some competition was also arranged inside the Organization to get the best people into most desirable positions (in the case of ORCI, organization-wide open competition and in the case of DPI, competition inside the Department). Furthermore, if one accepts the argument that new key program managers were, on the average, of better quality than the old ones - e.g. in measurable terms of track record, educational credentials and/or management talents - then it is likely that the staff they selected for their departments were also of better quality than before. This is, however, a speculative argument and harder facts are needed for a more convincing conclusion.

To summarize, it has been difficult for the United Nations to attract and keep quality people (although this is a factor a number of Member States have paid a lot of attention to). This finding is not to be counted as a fault of the Secretary-General since the erosion of salaries and benefits, usually most effective instruments that force quality-staff to resign, or stay away, were decided by the Member States. To the contrary, the Secretary-General was strong in defending staff benefits. Some partial responses toward fulfilling this leadership responsibility, competitive or targeted selection of staff, has presumably minimized the impact of unavoidable resignation of good performers. The third responsibility for rational cutback management was thus - taking into account all the aspects above - only partially fulfilled at the UN.

Responsibility IV: Develop the support of key constituencies (and legislators)

Any agency needs outside support. But how can it attract support when it has less to offer? The functions and mandates the manager wants to retain, emphasize and strengthen will need constituency and legislative support and managers must concentrate their remaining

resources so that these target constituencies will have something worth supporting, according to Robert Behn. (12)

The Secretary-General's strategy to win the support of his constituencies materialized through his speeches, reports, visits and contacts with the heads of states and the Ambassadors, as well in his contacts with Washington and the Group of 18. In this activity he stressed, as anyone in his position would have done, the responsibilities of the Member States under the Charter to fulfill their financial obligations. But less traditional measures were also needed. His special contacts with Washington, organized through his Office, were quite instrumental in winning the support of American non-governmental organizations and some law-makers in the U.S. His extensive contacts with the Group of 18 reassured the members of the Group that the Secretary-General took the financial crisis and reform of the Organization seriously. Finally, the successes in the peacemaking area, in 1988, at least partly attributed to the overall leadership of the Organization by the Secretary-General (see section 8.3), was a powerful way to obtain support of the key constituencies during this difficult time.

To summarize, the Secretary-General was able to keep good and informative contacts with the UN membership throughout the whole crisis. Most Member States strongly criticized the American withholdings and voiced strong political support for the Organization (whether or not this was related to the efforts by the Secretary-General). Some countries (USSR, Japan) responded directly to his pleas for support by giving voluntary financial contributions to the Organization. (13) His reappointment to his office in 1986, immediately after the report of the Group of 18 had come out, was also an indication that he personally maintained the trust and support of key constituencies. All parties agreed that he was doing his very best to solve the crisis and to improve the Organization's administrative and budgetary practices -

besides being a skillful diplomat (which was already acknowledged although the breakthrough in the peacemaking area had not taken place). (14) The fourth responsibility for rational cutback management was thus fulfilled.

Responsibility V: Create opportunities for innovation

Even in retrenchment, an organization can improve if it increases productivity. This requires flexibility and ability to experiment with innovations, according to Behn. Although this might seem like luxury an organization faced with retrenchment cannot survive unless it learns to do new things, or to do old things better. For a growing organization innovation is desirable but for a contracting organization innovation is essential - yet it will not occur unless the manager makes a conscious effort to create the opportunities and find the resources for it. (15)

The Secretary-General's innovations emerged as a two-fold product: innovations during the retrenchment and reorganization process and an innovations for the long term. Perhaps the biggest innovation during the retrenchment process was the creation of an informal apparatus, the inner cabinet for major administrative decision making, and the Special Working Group for various support and think-tank functions (see section 3.3.3 and 5.1). (16) The informal character of this apparatus made it a flexible arrangement, able to use talents and experience at all levels and areas of the Organization, without the normal turf battles and conspiracies. More formal bodies like the High-level Steering Committee (see section 3.3.2) and the Secretariat of the Group of 18 were less innovative but still useful units established to deal with the crisis.

The second organizational innovation, the creation of the Office of the Special Co-ordinator, was established somewhat later in the process. The Office was a formal one, but still able to continue working in the same fashion as the Special Working Group.

Concerning the long term innovations the UN had instituted, shortly before the retrenchment period, a staff incentive program. That program continued during the crisis, to promote staff incentives and to encourage the staff to work better and more effectively. Another innovation, the establishment of a Technological Innovation Board had the mandate to explore and introduce new advances in technology so that they might be utilized quickly and in a coordinated fashion. During the crisis, the potential of new bodies such as this one was brought in use although their overall impact was more supportive than crucial. (17)

Another long-term investment in organizational innovation was the creation, in the political area, of the Office of Research and the Collection of Information (ORCI). Its functions in assessing global trends and doing ad hoc research geared directly to the needs of the Secretary-General were something new and offered a mandate for forward-looking thinking for the challenges emerging in an increasingly complex world. A specific mission entrusted to ORCI, namely informal links with the academic and research community (again in order to help the Secretary-General in his more demanding activities) is another indication of organizational innovation. As in the preventive diplomacy and good offices functions of the Secretary-General - a historical strength of the Organization - the most effective action often comes from quiet activity behind the scenes, and this was the code of conduct planned for this new office. (18)

To summarize, some clear organizational innovation was tried during the crisis, and options for continuing innovation were created, for instance, in the Secretary-General's own office. This is important for improving the prospects for dynamic leadership in the future - when the Organization needs early warning of dangerous synergistic trends in the political, economic, social and environmental areas, threatening the political stability and well-being of the whole world. In other areas, such as administrative and public relations, some innovations were

proposed and tried on a limited scale (like in data systems). But economic field was an exception. Lacking any larger intergovernmental and the Secretariat's reorganization in economic and social fields one cannot really talk about systematic innovation related to retrenchment strategy in these areas, beyond what individual program managers have tried on their own. The fifth responsibility for rational cutback management regarding the whole United Nations has thus been only partially fulfilled.

Responsibility VI: Avoid mistakes

While stimulating innovation, however, the manager must be careful to avoid any disastrous mistakes. In the middle of retrenchment, the organization is vulnerable enough and a serious error can twist the circle of disintegration into a cyclone of destruction. Sometimes the desire to avoid mistakes might go too far and may, according to Behn, lead to excessive conservatism. Thus public managers faced with retrenchment must find a balance between encouraging innovation and avoiding mistakes. (19)

The question of what is a mistake might differ according to the analyst. Robert Behn himself does not provide a clear definition. Our operational definition here is that a serious mistake has occurred if there is a long, continuous and hostile public or semi-public debate among the key constituencies on a certain major decision of the Secretary-General.

The immediate answer in the UN case under study is that there were no clear mistakes of this kind made by the Secretary-General, and certainly not any of long-standing damage to his authority and efficiency. Two cases, however, merit discussion. The first involved the creation of the Office of the Research and the Collection of the Information. This initiative generated some hostile maneuvering in Washington. They were, however, handled effectively by the Secretary-General and his aides, through informal contacts to clear any

controversy, and, in consequence, further discussion died out (see section 4.3.1).

The other case was the reorganization of the Department of Public Information. This reform was sharply criticized by the African group, in particular, and the hostile debate lasted over a year and has not even yet totally disappeared (see section 4.3.3). Although the key decisions and their preparation were delegated to the Under-Secretary-General for Public Information (who appears to have acted quite independently in the matter) the Secretary-General was nevertheless affected. His personal intervention, in one way or another, might have helped the discussion to die out more quickly. On the other hand, the Department was seen by many as needing a complete overhaul and one might not have been able to accomplish this without raising some bitter feelings among the staff with inevitable attacks against any kind of reform proposed. In this perspective criticism can be viewed as an unavoidable price for launching reform.

To summarize, the Secretary-General did avoid disastrous mistakes. The sixth responsibility for rational leadership for cutback management has thus been mostly fulfilled.

Leadership fundamental I: Explain reality

The manager has to educate the organization to the reality of retrenchment. This educational process takes time and, ideally, should be initiated long before the first cuts are even suggested. In retrenchment the chief difficulty, both emotional and intellectual, lies not in deciding what must be done to close the gap of costs and income of the organization, but in accepting the fact that a problem exists. People must also realize that there are significant costs to not cutting back. Behn points out that as a leader and thus educator, the manager needs to explain who will bear what costs if the organization does not cut back. (20)

As was discussed above, both the Secretary-General and his administrative top officials provided continuous flows of information to the staff in terms of circulars starting at the end of 1985. A general staff meeting was organized with the Secretary-General and he and his aides met regularly with the representatives of the staff, who also participated in the redeployment committees established. Secretariat News, a staff publication, was also used throughout the process to provide information about the measures contemplated. (21) The staff was thus quite well informed during the retrenchment process, and the first leadership fundamental was fulfilled by the Secretary-General.

Leadership fundamental II: Take a long-term view

Retrenchment cannot be managed on an ad hoc basis and the leaders of an organization must have a long-term perspective for the problem. They must understand where they are going and how they can get there. And they must recognize the subtle steps that need to be taken today to ease the more difficult cutback decisions that must be made tomorrow. (22)

For two important reasons, cutback management requires a long-term view. First, retrenchment can produce few short-term gains. Most of the sensible tactics for reducing the scale of an organization produce benefits only in the long run. The second reason is that decision based on short-term considerations may only exacerbate the problem. Ad hoc decision making does little to fulfill any of the six basic responsibilities of cutback management. Ad hoc decision making, which is responsive to the crisis and pressures of the moment, rather than to an overall plan, is according to Robert Behn the easiest way to enter the "vicious circle of disintegration" of the organization. (23)

The first progress report of the Secretary-General, issued in 1987, on the implementation of the recommendations of the Group of 18, was made in a spirit of reform and renewal of the Organization. It

reflected the ideology on which the plans for implementing most of the recommendations were based. Its introduction indicated that the concerns of the UN in the 1990's provided the framework for the reforms pursued: (24)

The process of renewal and reform must recapture the sense and purpose of the Charter of the United Nations in a world that is changing with a rapidity unprecedented in history, where one of the few constants is the ever-closer interweaving of the destinies of all countries and all peoples. This is the wider vision that I believe must guide our endeavors. I have set about the tasks incumbent upon me through General Assembly resolution 41/213 from this perspective. It is thus fortunate that we shall simultaneously be addressing not only the 1988-1989 programme budget, in which the tangible financial benefits of our efforts will begin to be reflected, but, even more significantly, the preparation of the medium-term plan for 1990-1995, which must map out the horizons of the future.

Rhetoric apart, the analysis of the next leadership fundamental III, explains in some detail what components this long-term strategy consisted of. The measures taken included the submission of a strategic document to the General Assembly for the 1990-1995 medium-term plan, with the intention to "...embody a vision of the long-term goals and objectives of the Organization and aim to strengthen its relevance to the global issues of peace, security and sound development". (25) We conclude that the second leadership fundamental was fulfilled, and a clear intention of the Secretary-General in his leadership strategy was at this stage to take a long-term view. (It has to be noted that this claim characterizes only the intention during the crisis. It is difficult to maintain this long-term view after the crisis, when the financial pressures and thus reform atmosphere, as well as ad hoc structures created for crisis management, have all gone.)

Leadership fundamental III: Develop a new "corporate strategy"

To provide the basis for long-term thinking, the organization needs a new plan of its basic purposes, programs, and resources. Such a comprehensive plan makes clear what the new equilibrium of the organization will be and how it will get there. Such a plan provides a

basis for sustaining employee morale by emphasizing the positive aspects of the organization's future - the things it will be doing. It clarifies the types of innovations the organization should most enthusiastically promote, and the types of people it needs to retain and recruit. Finally, it provides the criteria for deciding what should be cut and what should be not. (26)

In retrenchment the absence of an explicit corporate strategy upon which to base key decisions is disastrous. A manager must be able to articulate a clear, specific mission for the organization. The manager who tries to muddle through without such an explicit corporate strategy cannot lead but, according to Robert Behn, only react. (27)

The report "Reform and Renewal in the United Nations", cited above, was the first systematic public document by the Secretary-General of a corporate strategy-type, although a number of less public documents on financial solutions and on implementation of the recommendations of the Group of 18 were done in the Special Working Group and in the Office of the Special Co-ordinator. In fact, these temporary think-tank units were deliberately created for preparing a systematic and a well thought-out strategy for the crisis and for the Organization emerging from the crisis. (Two other reports on the implementation of the recommendations of the Group of 18 were prepared in 1988 and 1989, respectively, by then as in-line work by the Department of Administration and Management). (28)

In addition, the Secretary-General provided, for the elaboration of the medium-term plan for the period 1990-1995, a first-time document of its kind "Some Perspectives on the Work of the United Nations in the 1990s" on the basis of which the outline for the medium-term could be discussed and debated. (29) It was prepared directly in the Office of the Secretary-General. The document was later debated in the General Assembly. Its impact on the final decisions by the Assembly would need further study and is not discussed here. At any case, a deliberate

effort to set a long-term corporate strategy was undertaken by the Secretary-General at this stage of the crisis.

In the "Reform and renewal" -document he also promised to submit for the program budget for the biennium 1988-1989 revised estimates which, together with the 1990-1991 program budget, would reflect the implementation of the various recommendations towards administrative efficiency and reduction of staff. (These documents were prepared and discussed without major surprises in the UN bodies set up for these purposes, namely in ACABQ, CPC, the Fifth Committee and the General Assembly.

We can thus conclude, on the basis of the above discussion, that the third leadership fundamental for rational cutback management was fulfilled by the Secretary-General.

Leadership fundamental IV: Develop measures for performance

During retrenchment the manager needs to know what is really happening in the subunits, where the major weaknesses lie and to be able to compare various units to one another and to reasonable performance standards. Moreover, he or she needs to determine who is performing well despite the cutbacks. Morale will be bad enough anyway during retrenchment and the manager needs, according to Robert Behn, to be able to recognize and reward those who are still performing well. (30)

This was the area where nothing major happened during the retrenchment period at the UN. Performance measurement systems, both at the program and staff member level, had been instituted at the UN a long time ago and, although not working very well, in the opinion of most observers, no major overhauls were proposed. It was evidently thought that this was not the area which would make a major difference in the implementation of cutback management. One reason was that the UN bureaucracy is huge and that any implementation of new proposals takes a long time. No such time was available during the crisis. Knowledge of

"who are still performing well" was generally known to top and middle level managers appointed during the crisis, almost all of whom came from the ranks of the Organization.

Some steps for improved performance evaluation were taken, however, not directly as part of the 'crisis management strategy' but rather as part of in-line work. For instance, a draft evaluation manual delineating steps for a self-evaluating process at the United Nations was finished in mid-1986. In 1988 the Secretariat published a report "Application of evaluation findings", attempting to deal with the weaknesses of the program planning cycle. (31) To overhaul the performance measurement of staff members a working group on a system of new performance evaluation suggested, in July 1987, to the new Assistant Secretary-General for Human Resources Management a number of proposals to improve the old system. (32) Bearing in mind that these steps were not incorporated in the central leadership strategy during the crisis, the fourth leadership fundamental was therefore only partially fulfilled. (On the other hand, overhauls of performance systems of any major bureaucracy might take such a long time that they should not realistically be expected to form an integral part of the immediate retrenchment strategy.)

Leadership fundamental V: Create incentives for cooperation

Many members of the organization will have both the incentive and the ability to resist cutbacks, if not sabotage the process and the managers as well. People can hide resources, complain to higher authorities about cutback priorities, create rumors, and purposefully under-perform to prove the evils of the cutback process. In retrenchment the members of the organization see only the prospects for punishment. They perceive no chance for reward and thus have little reason to cooperate. Yet, without cooperation, the manager cannot manage. (33)

According to Robert Behn, managers need to create incentives for cooperation and participation in the retrenchment process. For instance, the budget process can be redesigned to create incentives for managers of subunits to make their own cuts. The governments have traditionally relied upon commands rather than incentives to achieve their purposes but the results are often unsatisfactory and sometimes counter-productive. (34)

At the UN, the incentives for co-operation were created, first, by maintaining the morale of the staff in general and at the departmental level through a participatory system for making the cuts. The departmental heads were able to choose the posts they were proposing for elimination. Although the Programme, Planning and Budgeting Board took the final responsibility, their proposals were usually respected. (The system has not been without criticism, however, and it is far from being a perfect system of inducing co-operation.) Concerning employees' cooperation, the staff were invited to participate in the redeployment bodies, both at the departmental and Organization-wide level, to discuss and decide on the transfer of those staff whose posts were selected for elimination. These measures induced at least a minimum level of co-operation.

To summarize, although the system creating incentives for co-operation was far from perfect (cf. the reform of the Department of Public Information), it still worked to a certain extent to make the hard period of retrenchment easier for departmental heads and staff at large. The fifth leadership fundamental was, thus, to a great extent fulfilled.

Leadership fundamental VI: Be compassionate

Retrenchment is not a happy time. People are losing their jobs, their benefits, their expectations. Their world is changing suddenly and they have problems in coping with the uncertainty. Managers who

want to sustain the morale of the staff, to recruit and keep talented people and to maintain the support of key constituencies will have to demonstrate that they understand the hardship retrenchment imposes on people. Behn notes that a cold-blooded approach won't work. Managers who seek the cooperation of individuals, although they have been deprived of the resources usually available to promote such co-operation, must demonstrate that they recognize the human problems caused by retrenchment and that they truly sympathize with the plight of the members of their organizations. (35)

Contrary to the approach taken by Conable in the World Bank (see later in this chapter) the Secretary-General tried to put a humane face on retrenchment, stressing continuously that the staff of the Organization should not be the first and innocent victim of the fiscal stress, especially since the crisis had emerged, in his opinion, through "failure of Member States to meet obligations flowing from the Charter". (36) That was a repeated theme in his reports to the General Assembly. The decision to resort to attrition as the method of reducing the staff (below the highest level of top-officials) reflected a humane approach to the staff at large. This was, in fact, in contrast to the opinion of a number of representatives of the Member States - some coming from the new, reformist, Third World - who suggested a more cold-blooded approach and urged the Secretary-General not to use attrition as a tool for retrenchment. (37)

To summarize, the UN Secretary-General was showing compassion throughout the process. The sixth leadership fundamental for rational cutback management was thus fulfilled.

Conclusions:

The leadership profile emerging from the above analysis seems to fit surprisingly well with the rational retrenchment leadership model developed on the basis of the work of Robert Behn and other American

scholars on retrenchment. Most, if not all, of the Behn rationales seem to have been applied and incorporated, in reasonable measure, in the strategy followed at the UN during the retrenchment period. Since the Behn variables also provided our initial working definition of "strategic leadership" the first part of the working assumption of this chapter is provisionally answered: the leadership was both strategic - able to create initiatives taking the interests of the constituencies into account - and successful on a number of accounts (but we will study this further in this chapter).

The question arises, how is this possible - why was the leadership strategy so rational and strategic, in other words, effective in achieving a smooth transition without losing constituency support? (38) Is this just to the credit of Perez de Cuellar's skills in making strategic decisions, either directly or through the teams he formed for the crisis management? Or was there something in the outer or inner environment of the UN, as an organization, inherently containing elements which makes the application of these rational retrenchment management principles easier than in other situations, or elsewhere, in other organizations? Or, to the contrary, was there something wrong with the concept of the rational model as discussed before? A comparison of leadership can be helpful to answer these questions, and to clarify the degree the leadership has to be direct to achieve successful results which was the second part of our initial working assumption.

7.3 Rationality in leadership compared

The leadership exercised by Perez de Cuellar during the financial crisis of the United Nations is compared in this part of chapter 7 to those of other organizations in somewhat similar circumstances to find

similarities and differences in the leadership modes, in strategic decision making and preparatory work. Since our literature review and some of our hypotheses have largely dealt with urban and local retrenchment - evidently since retrenchment has been studied mostly in urban and state settings - a brief comparison is made here to the leadership of retrenchment shown in New York City in 1974-77, New Jersey state in 1982-83, as well as the World Bank in 1987, the last representing an international organization in our comparison. We shall use the Behn variables as the basis for evaluation. (In the comparison we also refer to the question whether leadership has to be direct or not, as appropriate.)

Leadership during the fiscal stress in New York City in 1974-77:

New York City was close to default and bankruptcy in 1975. Recession that had begun in 1969 had caused a reversal in New York City's economic fortunes. Between 1969 and 1972 the city lost 250,000 jobs and the city's revenue base deteriorated rapidly. The budgetary expenditures continued to exceed available resources. (39) The city's deteriorating fiscal conditions did not go unnoticed by its creditors.

The city's political leaders were incapable of planning a recovery strategy or making significant expenditure cuts. The city continued borrowing at even higher levels. In July 1974 the Mayor and comptroller publicly disagreed over whether the deficit in the year's budget was \$430 million or \$650 million (it later turned to be \$3.3 billion). By January 1975 when Mayor Beame sought to reassure the financial community by firing 12,000 employees, the New York Times revealed that only 1,700 employees were actually let go because the city was merely switching people from one budget line to another. (40)

Stephen David and Paul Kantor stress that the point is not that New York simply had poor leadership talent in the midst of a crisis, but rather that the leaders were in no position to make appropriate

budgetary decisions. They also lacked access to positions of control for imposing city-wide coordination and gaining support from key constituencies. If Mayor Beame had difficulties firing a few thousand employees, the idea of abandoning nearly all past budgetary calculations, reevaluating the entire expenditure budget in a process of political triage, and taking such unpopular decisions as ending a generations-old policy of free tuition at City University was clearly outside of his political thinking. (41)

In the face of this stalemate, the large New York commercial banks and, later, other banks across the country intervened by precipitating the fiscal crisis. In March 1975 the market for New York City securities collapsed. (42)

Crisis leadership sometimes has to be taken over by higher political authorities, as we saw already in the UN case. In New York's case it was New York State Governor Hugh Carey, rather than the Mayor of the city, who took the initiative in rescuing the city from bankruptcy. (43) According to Martin Shefter, Carey was successful because he was prepared to make a sharp break with the past and to heed the counsel of a small group of advisors, the most important being Felix Rohatyn, having extensive experience as brokers within or between business and government. The group operated through the advisory committee that Carey appointed in May 1975 and then through the new agencies established. The group consulted frequently with New York's leading bankers. (44)

Governor Carey and his advisors confronted two tasks: obtaining the cash the city needed to avoid defaulting on its obligations in the remaining months of 1975, and helping the city find a long-term source of financing. The former was achieved with the loans from public and private institutions that had major stakes in the city's solvency (but this required concessions to be made to these institutions). The second task was to be achieved by the city's re-entry into the regular credit

markets. This required that the municipal government reform its financial practices so that investors would be assured that New York City bonds were redeemable. (45)

For our comparison, the new institutions established for crisis management, and for the long term, are of importance. The most visible and enduring change in 1975 was the creation of a new set of institutions to supervise New York City's finances: the Municipal Assistance Corporation (MAC) and the Emergency Financial Control Board (EFCB), the Office of the Special Deputy Comptroller for New York City and the Office of New York Finance in the U.S. Treasury Department. A total overhaul of financial practices was instituted through these institutions (with creditors well represented). Two other kind of institutions were also created: the Mayor's Management Advisory Board, staffed largely by businessmen, with a mission to advise city officials how to increase the efficiency of municipal agencies, and the Temporary Commission of City Finances which conducted studies and analyzed, criticized and recommended changes in the city's long-range taxation and expenditure policies. Together, these new institutions had the potential for sharply limiting the control that the local officials exercised over the municipal government. (46)

But even these drastic measures failed to reopen the market for securities. Both in the case of New York City and of the United Nations it was the White House which had the last word in solving the immediate crisis. Governor Carey asked the federal government to intervene as a lender of last resort. For a while, the Ford Administration rejected this request, but in November 1975 it relented. With the condition that the city's employees and creditors, as well as the state's taxpayers, make additional sacrifices (e.g. 25,000 city workers were fired and a scheduled 6 per cent wage increase was partially deferred), the White House supported legislation extending up to 2.3 billion in short-term loans to the city per year during the 1976 through 1978 fiscal years.

The legislation authorizing these loans required the Secretary of the Treasury to certify, on a regular basis, that the municipal government was making reasonable progress toward a balanced budget (a somewhat similar kind of practice was also required later from the UN). (47)

There are a number of similarities and differences between the UN and the New York City retrenchments. First, in both cases the leadership was upgraded to higher political level in face of severe difficulties since the incumbent leadership seemed to be unable to make a complete change and was, on the other hand, too identified with the old policies. At the UN, the Secretary-General took the de facto leadership in administrative and budgetary strategy-making from the Under-Secretary-General for Administration and Management, Patricio Ruedas - and this was quite an extraordinary thing to do. Ruedas retired a year later (at his own wish). All the other top management people also either resigned or changed places within a year (see sections 3.3.2, 4.1.2 and 4.1.3). Similarly, in New York City, Governor Carey took the leadership from Mayor Beame to plan the strategy and manage the crisis. Beame was not re-elected in 1977, when Edward Koch started a new period of leadership, at least initially, with better financial results. But the strategy was laid down before, under Carey's leadership. (48)

In terms of Behn variables, Abe Beame and his aides were clearly unable to fulfill the requirements and fundamentals for rational cutback management, almost on all counts. Governor Carey and his advisers did much better. The organizational innovation found in Carey's strategy also had some interesting similarities with the Secretary-General's retrenchment and reorganization strategy. Carey's creation of a small group of more or less informal but more effective advisors, spearheaded by Felix Rohatyn (49), comes closer to the creation at the UN of a special inner cabinet close to the Secretary-General to advise him on solutions for the crisis, with James Sutterlin as the main strategist

and as a point man for contacts with Washington (see sections 3.3.2, 3.3.3 and 5.1). As we recall it, the informal UN group consisting of the Secretary-General's closest advisers acted first (for a few months) in co-operation with the temporary inside body created to find solutions to the financial crisis (High-level Steering Committee on Administrative and Financial Matters). This was similar to the New York's case where Rohatyn's group first acted through an advisory committee established by Governor Carey. One could also find other but perhaps less clear similarities in institutional arrangements in both cases (e.g. Group of 18 and the Mayor's Management Advisory Board).

A crisis of major proportions seems to need a chief strategist with impeccable credentials, often acting anonymously behind the scenes through ad hoc arrangements - and thus more effectively - as a focal point of planning and action. Since the reasons for retrenchment in New York City were basically economic, most urgently related to confidence of the creditors, Felix Rohatyn's credentials were a clear asset as an old master in dealmaking in the financial community (but with a concern for public interest as well). Similarly, since the reasons for the fiscal crisis of the UN were basically political and ideological (we will return to the discussion of the reasons for retrenchment shortly), Sutterlin's experience as a former Chief of the Policy Planning Staff in the U.S. State Department and as one of the main strategists orchestrating the Four Powers' Berlin agreement in the early 1970's, as well as his direct contacts to the highest levels in Washington's policy-making during the crisis, were as valuable assets as Rohatyn's in the business world.

The above-mentioned finding leads to suggest that - if an effective ad hoc team is established for the crisis - the leadership does not necessary have to be direct in terms of the top leader's personal involvement in daily decisions in order to achieve results. This argument will be further analyzed and substantiated in the UN case.

Areas where one can see marked differences between the UN and New York City cases are the Behn variables "Maintain morale" and "Be compassionate". Whereas the UN leadership relied solely on attrition in making cuts in human resources and defended the entitlements of the staff vehemently, the leadership in New York had to cut staff in considerable numbers and reduce their privileges, at least in the first phase. The justification could be partly attributed to the reasons for financial stress in each case. At the UN, the staff at large, individually or as a union, was not contributing directly to the reasons why the U.S. started the withholding policy. The stated reasons of the Americans were ideological, with reference to management problems and disagreement over the budget with the majority of the UN's Member States. Therefore, it would have been harsh for the leader of the Organization to punish the staff for something they had not directly contributed to.

The situation in New York was somewhat different. The unions, as collective bargaining units, had reached agreements which, according to many analysts, greatly contributed to the financial problems of the city. The hiring practices of the city's politicians had also been strongly criticized for outrageous patronage. (50) The financial situation in New York was also so grave and so complex that everyone had to make major sacrifices. One could not really talk about humane retrenchment in that situation.

As a conclusion, therefore, besides differences in leadership there were also a number of environmental (milieu) factors explaining why the New York retrenchment strategy could be seen as less rational than the UN case if the cases are reviewed according to Behn the variables. The enormous size and the complexity of the city made a difference; the high involvement of various and heterogeneous interest groups with vital stakes and ability to effectively block any unwanted solution, day-to-day publicity, etc., all pointed to the role of

environmental factors. The milieu of the UN case was more elitist: the Secretary-General dealt mostly with Governmental representatives and the staff, and only one party (the U.S., although a very heterogeneous one) had to be co-opted to co-operate to a minimal degree - to pay at least half of its contribution - so as to head off the immediate cash crisis. Thus, the leadership and the environment have to be treated together - a topic of our next chapter - so as to give a full description of the role of the leadership. For related reasons we are not concluding that the UN retrenchment leadership was more rational than the one in New York City - only that the retrenchment strategy taken by the Secretary-General turned out, even after this comparison, to have been still surprisingly rational. (We will return to this comparison more later in this and next chapter.)

Reorganization in the World Bank in 1987:

In May 1987 Barber B. Conable, the new President of the World Bank instituted a major reorganization. He announced that "it is urgent at the time of exceptional challenges in many developing nations that the World Bank becomes more responsive, flexible and efficient in contributing to economic growth and the alleviation of poverty." Accordingly, the purpose was not to reduce the size of the staff or cut expenditures but to rationalize and consolidate activities. However, the reorganization was expected to lead to around 300 to 600 positions being abolished (out of a staff of some 6500), including about 50 managerial positions. (51)

A number of observers have concluded, however, that the primary reasons for the reorganization were other than to make the Bank more efficient. The Bank had not been mismanaged in earlier times. Michael Schechter says that Conable's predecessor, A.W. Clausen, had been known as an excellent manager in his previous job as a President and Chief Executive Officer of Bank of America (at the time the world's largest

bank), and that in the World Bank he had tried to decentralize and depersonalize the administration. (52) The reasons for reorganization were evidently related to Conable's appointment in the first place: (53)

... especially a failure [by Clausen] to listen to the budget-cutting concerns of the U.S. Department of the Treasury and the Office of Management and Budget - was expected to result in Reagan's replacement of Clausen before he was ready to depart his office...that is exactly what happened: on April 3, 1986, the Executive Directors ratified President Reagan's decision to appoint former U.S. (Republican) Congressman Barber B. Conable to succeed Clausen...

Sometime after Conable's announcement the lead articles in the Economist and the Business Section of the New York Times concluded that the reason for reorganization and staff cutting was to please the U.S. treasury to obtain the replenishment of IDA, the Banks soft-loan agency. But the Economist said that "It was a public-relations exercise that has misfired. Both Congress and the administration can but want to distance themselves from an organization that is tearing itself apart." But the New York Times reported in September that the U.S. Secretary of Treasury has already decided to negotiate an increase for the funds for the Bank. (54)

The managerial results of the reorganization in the World Bank have been severely criticized. William Cline, senior fellow at the Institute for International Economics said that "business schools will study this case for a long time as how not to conduct a reorganization." (55) Nearly all 6500 staff members were provisionally dismissed. New senior executives then determined which of them should be rehired. According to a manager who resigned after 24 years of service, Conable's great mistake was to appoint people to new positions without first creating the new departments for them to run, resulting in an extraordinary degree of chaos. He claimed that it was often the more talented staff who resigned in frustration, not the deadwood. The atmosphere of demoralization also made it hard for the Bank to attract people of high enough calibre to fill the senior vacant positions. (56)

The reorganization also had immediate cost and policy implications. Those dismissed did not leave empty handed. Golden handshakes averaging \$200 000, with total severance packages reaching \$130 million by November 1987 received media attention. (57) The Economist reported that six months of policymaking was also lost. Earlier lending targets were revised in 1987 downwards because too little work had been done on suitable projects. (58) Neither did efficiency seem to improve. (59)

If the World Bank case is compared to the UN retrenchment strategy, the United Nations, again, stands out as far better planned and implemented in terms of the Behn principles for rational cutback management. In particular, Conable took a hard line on the staff although the immediate financial situation of the Bank was evidently not serious. Leadership values make a difference, and the reasons for retrenchment are important. In the World Bank case, the underlying reasons were principally political/ideological (these concepts are further explored below and in our concluding section 9.4), as was the case of the United Nations as well. But the World Bank leadership had internalized these reasons, something the UN Secretary-General did not. Conable acted, in fact, as the main originator of retrenchment. A somewhat similar background situation as in the Bank's case was triggering the reorganization of the State of New Jersey to which we shall now turn, together with discussion of New York City crisis (we will analyze the World Bank case further later).

Leadership in reorganization: New Jersey, 1982-83, and New York, 1975-77, compared:

The case of the reorganization in the State of New Jersey in 1982-83 was discussed in section 2.4. We can now compare the case to the New York City retrenchment which we divide, in fact, into two cases: New York under Beame's and New York under Carey's leadership.

The leadership provided by Governor Kean in New Jersey was much closer to our rational retrenchment model, based on the variables by Robert Behn, than the leadership provided by Mayor Abe Beame in the case of New York City in 1974-77. One can find similarities (and better rationality), however, in the strategy developed by Governor Carey for New York and Governor Kean for New Jersey - principally in the fact that they both tried to develop and implement long-term "corporate strategies". In addition, in both cases, as well as in the UN case, special ad hoc "management teams" - necessary organizational innovations for the crisis - were established to plan and implement the reforms (in New Jersey's case an outside consulting group, and Rohatyn's group in New York; note also inner cabinet of the UN Secretary-General and Sutterlin's Special Working Group at the UN). Better rationality, strategic orientation and concrete results seem in each case to be associated with the creation of such teams, a point to be further analyzed in some detail.

The reasons for retrenchment and reorganization, and the degree to which these reasons are internalized by the leadership, affect the retrenchment process and, evidently, the results. ('The reasons for retrenchment' -variable is also discussed in our concluding section 9.1 when we develop, based to a great deal on this discussion, a theoretical framework for retrenchment in international organizations.) Common sense indicates that the more the leader supports, understands and promotes the retrenchment (internalize the reasons for it) the more effective the results and the more rationality is found. Mayor Beame clearly did not internalize the values needed to deal effectively with the economic variables constituting the city's deteriorating financial base, with disastrous effects, whereas Carey in New York and Kean in New Jersey had economic soundness as a major goal, and achieved better results, as the following discussion testifies.

Why was an effective retrenchment strategy "out-of-reach" of the Mayor of New York City in the early 1970's? Abe Beame got elected to mayorship in 1974 on the basis of the variation of local politics (coalition of constituencies, especially the unions and minorities providing important electoral support), which had, in the 1960s, succeeded in avoiding a severe financial crisis. This was not, however, creating a healthy longer-term economic base for the city and was, besides the deteriorating economic conditions reaching the area from outside, responsible for the erosion of confidence in the business community. It was next to impossible for Beame to internalize the new leadership values that were required for solving the situation. (60) In serving as treasurer in Mayor Lindsay's second term he had, in fact, advocated great reliance on fiscal gimmicks and, therefore, on borrowed funds. (61) If leadership is associated too much with the past practices a drastic break from the past is difficult if not impossible to initiate.

Governor Carey came to New York's help - and successfully. He was not identified with the past, had his own stakes involved but most importantly, was able to internalize the new values, business values (which are close to the 'administrative orthodox rhetoric' -values discussed earlier) and moved swiftly to improve the economic base of the city. The establishment of a management team from the business community guaranteed that the economic imperatives, related to the economic reasons for retrenchment, were now fully taken into account. (A similar kind of management team was necessary at the UN but with a different composition. Since the reasons for the UN crisis were political/ideological, the crisis team established had a politically oriented leadership, with the ability to assimilate political calculations into its strategy.)

As in New York under Carey, Governor Kean in New Jersey had internalized new business values and was not associated with the past.

From the start - even before - he rode on robust business symbols when he advocated, in his campaign, changes for more efficiency, smaller government and reduced taxation on business, much in line with the overall ideology of Reagan Republicans at that time (note also the Republican background in the U.S. Congress of the World Bank's Conable). In line with this value orientation, business consultants were brought in to plan the New Jersey retrenchment, free from normal bureaucratic and political restraints of local politics - a factor relevant in explaining part of the effectiveness (rationality) achieved.

New Jersey's case illustrates the importance of environmental factors and in this case external values, as well as the role of internalization of these values by the prospective leader. In the 1980s Reagan captured, recreated and projected an atmosphere of the preponderance of free competition, the dominance of the market, privatization, etc., including the re-emergence of the rhetoric of 'administrative orthodoxy'. In this climate of reborn economic stringency values, heartily embraced by a large section of the American electorate, retrenchment was often a natural option both at the state and local levels. Kean was the public equivalent to a corporate raider who used an emerging spirit of loosening central control (deregulation) and implemented retrenchment and reorganization after a "successful takeover", advocating the change and making it happen. He did not make millions as raiders do but evidently earned favorable political credibility and ideological bonus for the future. But more importantly, riding with environmental opportunities, he got political leverage to institute such a retrenchment framework, and the necessary planning and implementation procedures, that he wished.

Conable had similar freedom in the World Bank (i.e. favorable environmental conditions) but did not succeed as well as Kean if the Behn variables are used as a basis of analysis. We cannot explain this fully since it would need a more detailed exploration of the World Bank

reorganization and of its leadership than is possible here. We assume that the leadership, including the values of the leader and his/her skills in setting up of preparatory structures for decision making make a difference, as is further analyzed in detail in the UN case.

Before concluding the comparison we try to make our analysis conceptually clearer by drawing a distinction between the main or primary reasons for retrenchment (immediately responsible) and the secondary reasons (indirectly responsible). If the main reasons are political/ideological, some economic reasons can also contribute to, or be associated with, the main ones (e.g. the U.S. budgetary deficits contributed to the American withholdings policy viz-a-viz the UN budget; additional financial rewards expected to materialize after the World Bank reorganization - replenishment of IDA - might or might not have had an impact on the decision to initiate the retrenchment). Furthermore, immediate economic actions (like granting or not-granting the funding) could be used as an instrument to fulfill the main reasons. Similarly, if the main reasons are economic - based on the behavior and requirements of market mechanisms - some political reasons can contribute as well to the main reasons (e.g. Abe Beame's leadership style, based on political bargaining, which had been successful in earlier times, contributed to the economic and fiscal chaos in New York City in mid-1970s). (Therefore, in this analytical framework the main reasons for retrenchment in New Jersey were, in the first instance, ideological and political and only secondarily economic and financial, as was also the case in the World Bank and the UN; see the table below.)

Conclusions:

We have found a few patterns worth noting from this comparison. These conclusions can not be generalized, however, since we have a limited number of cases in the sample. First, the cases analyzed could be grouped as follows:

Table 4. Retrenchment/reorganization cases compared.

Main reasons for retrenchment/ reorganization	Leader internalized the reasons for retrenchment/reorg.	Leader did not internalize the reasons for retrench./ reorg.

- ideological/ political	New Jersey, World Bank (Kean) (Conable)	UN (de Cuellar)
- economic/ financial	New York 1975-1977 (Carey)	New York 1974-75 (Beame)

If the reasons for retrenchment are economic and the leader breaks clearly with past practices he seems to have better options to institute more rational retrenchment strategies (New York under Carey vs. Beame). If the reasons for retrenchment are political/ideological and the leader has internalized these reasons acting as initiator for the scaling-down process (New Jersey, the World Bank) the leader has a lot of freedom to decide the retrenchment procedures and strategies. But this does not guarantee rationality (according to the Behn criteria).

We have seen before that the UN leadership was evidently acting among the closest, if not the closest, to our rational retrenchment model. The New Jersey case and that of New York under Carey were also close to the rational model, but the humane component, also stressed by Behn and associates, was missing (although the environmental factors also have to be taken into account). In this context it is surprising that the UN comes up as this rational case although the leader had not internalized the immediate reasons for retrenchment (since de Cuellar considered the U.S. withholdings as illegal). The presumption that there are better prospects of success for rational retrenchment if the values causing, or contributing, to the fiscal stress had been internalized is thus supported by the cases of New York (both under Beame and Carey) and New Jersey. However, the United Nations case was different. The question of the surprising rationality of the UN case was not therefore answered through this comparison (although we saw that the reasons for rationality at the UN might lie in such factors as skills in instituting management teams for reforms, values guiding the strategy formation and the role of environmental factors).

In all the successful cases above (according to the Behn variables) a break from the past was necessary. The discussion also highlighted the importance of the creation of "management teams" which have something - still unspecified - to do with the rationality achieved. We shall take this as our assumption in the next section

where we analyze the UN case further. Since our data on cases other than that of the UN case was not detailed enough, the role of the direct (day-to-day) participation of the top-leadership could not be fully answered. The UN case would also warrant a detailed analysis in this respect.

7.4 Rationality in the leadership in the UN's retrenchment analyzed and explained

We used, in the previous section, a "rational retrenchment leadership model" as a basis for comparisons of leadership in our four case studies. But this model does not capture the full essence of the decision making and leadership in the United Nations case. In particular, we would need conceptual tools to explain the surprising rationality of the UN retrenchment as well as to discuss whether the leader should be directly involved in all phases of the process for successful results - as our working assumption hypothesized in the beginning of this chapter.

To penetrate the secrets of rationality in this case we hypothesize that rationality and success are determined by three factors: (a) by the initial focus of the leadership towards selected key areas expected to provide the highest return in success during the crisis; (b) by the organizational design through which the decisions were initiated, prepared and implemented (in this connection the concept of a 'decision making mode' makes the distinction between formal vs. informal structures in decision making, useful in highlighting the special organizational requirements for crisis management) and; (c) by environmental factors (a topic of our next chapter; we have already discussed the elitist nature of UN politics). We further hypothesize that although the leadership has to be active to improve the likelihood of success, an innovative organizational design for the planning and

implementation of retrenchment strategies reduces the necessity of direct participation by the leader.

First we argue that while, during the crisis, Perez de Cuellar's leadership indeed became more forthcoming, this did not take place in all areas but concentrated only on selected fields. To develop this line of argumentation in the UN case, we suggest a crude typology of leadership types to describe three kinds of classes for leaders in international organizations. The key distinction between the categories deals with the 'activism' of the leader. We use this typology to describe the simple fact that leadership in practice cannot be but unevenly distributed within the same organization and over time. The leadership is not a monolithic concept but has to be broken down.

The first leader type is called here a "follower" (a more derogatory term would be "servant" or "bureaucrat"). His or her main concern is to fulfill the mandates of the organization, as given by the intergovernmental governing bodies, faithfully and effectively. (62) The second leader type is called here a "partner". Although he or she is basically seeing himself or herself as one who implements the decisions of the intergovernmental bodies, occasionally, when the affairs are stalemated, he or she is willing to propose initiatives and to take action on his or her own to get things moving in the direction most constituencies usually want them to go. (63)

The third leader type is called here an "initiator". He or she also sees himself or herself as an effective implementor of the decisions of the intergovernmental bodies, and is willing to propose initiatives and action when there is a stalemate. But this kind of leader is also seeing that he or she has to, in the last analysis, fulfill the ultimate purpose of the organization as embodied in the spirit of the international agreement or underlining consensus which created the organization. Therefore, since the Member States are often single-mindedly occupied with their short-term interests, forgetting the

broader goals of the organization, or the international regime which created that organization, the leader thinks that he or she has to regard potential action or non-action in terms of this larger framework as well as sometimes decide to propose or even implement - when the changing environmental conditions so warrant - a drastic course of action, a fundamental policy change or an innovative organizational amendment which the Member States are unable or unwilling to do. (64) We apply this typology (65) to the UN case study, detecting the most important retrenchment and reorganization decisions in the period studied, with the help of Table 5.

The Secretary-General showed quite strong leadership in implementing new initiatives personally and through his aides, in the political reorganization process, in the reorganization of DPI and DAM, in appointing and cutting his high-level staff and in his contacts with Washington. The intergovernmental bodies were neither taking concrete initiatives (except marginally) in these decisions, nor giving any direct advice; their role was clear in finally accepting the proposed organizational changes, which they made in two cases without much problems (ORCI, DAM) and in one case with major battles (DPI). As we have also seen in the case study, some initiatives, like those for: the budgetary process, cuts in posts, personnel initiatives and proposals for the Group of 18 Report, came both from the Secretary-General's office and from the Member States' representatives. On the other hand, there were no major initiatives coming from the Secretary-General or his aides in the reform of the economic and social sectors, nor in the coordination of the UN system.

We define for our analysis (and for the concluding section 9.3, where we draw more theoretical conclusions from this discussion) a leadership mode for a given period as a tendency to show clear preference to one of the ideal leadership types developed above (follower, partner, initiator). (66) We label the leadership modes

Table 5. Major decisions and leadership types in the UN retrenchment.

Major decision clusters in the UN retrenchment and reorganization process (from the Secretary-General's point of view)	Leadership type observed		
	Follower	Partner	Initiator
-new budgetary process		X	
-cuts in posts		X	
-personnel policy initiatives		X	
-services for the Group of 18		X	
-high-level appointments/reductions			X
-contacts with Washington			X
-reform of the economic and social sector	X		
-co-ordination of the UN system	X		
-political reorganization			X
-reorganization of the Department of Public Information (DPI)			X
-reorganization of the Department of Administration and Management (DAM)			X

corresponding to the leadership types in international organizations as follows: a) administrative leadership mode: tendency to be a follower-leader; b) diplomatic leadership mode: tendency to be partner-leader; and c) strategic leadership mode: tendency to be a initiator-leader. (67) Whereas, before, the Behn variables provided our operational definition of strategic leadership in retrenchment in public organizations the strategic leadership mode above is a more general one. It is an empirically verifiable description of a leader in an international organization in the midst of varying circumstances, but does not explain why a particular mode was prevalent at a given time. This is something we shall discuss in the following paragraphs.

The above table makes the point that a leader of an organization under financial stress plays different leadership roles, some of them appearing at first sight as more "rational" for the occasion than the others, some less. In practice, an effective leader cannot take the most "rational" strategy in all his or her major decisions but is pulling and hauling, as required by his/her overall strategy, value preferences, circumstances and advice given, and applies a flexible leadership pattern. But still, the final outcome might be well-calculated, balanced and within an "acceptable range" in terms of the rationality criteria used (in this case the Behn variables).

We argue, based on the table above, that Perez de Cuellar's retrenchment strategy was successful since the initiatives (stronger leadership shown) were concentrated in the most promising areas. Only in two areas, which were those of 'low expected yield' in term of success, were reforms not actively pursued by him. One such area was reform in the economic and social area, a vast and unwieldy sector in which he was not a specialist and the Director-General himself was disinclined to take major initiatives. The other area where no major initiatives were put forward was in system-wide coordination, another

enormously complicated potential task for the Secretary-General. All previous efforts have run into difficulties in these two areas.

Using our new terminology, we conclude that de Cuellar's dominant leadership mode during the retrenchment and reorganization process was a mixture of strategic and diplomatic leadership specifically focussed on areas promising "the highest return of success". The leadership could indeed be strategic, strong and innovative but still miss key foci and produce little results. But, in the UN case, no resources of the Secretary-General or his immediate aides were wasted on efforts which had poor likelihood of success due to formidable political or bureaucratic constraints known in advance. This itself explains some of the overall rationality achieved but not - we argue - all of it, or even a major part of it.

The broader conclusion about the change in de Cuellar's leadership towards a more strategic one during a crisis is interesting anyway since he was, at least in his first term, described by analysts to be very cautious and thus belonging fundamentally to the mode of administrative/diplomatic leadership. Did the crisis change his leadership mode or was it already such that it inherently also included the seeds for a more strategic leadership? Or was it so that the popular understanding did not reflect reality and de Cuellar had been, in fact, a much more strategic leader throughout his terms? We will argue in this chapter, first, that the crisis forced him to become more forthcoming and to establish an inner cabinet, and necessary supportive organizational structures needed, for financial crisis management. The choice of his advisers for the crisis period reflected both his implicit value preferences, to be discussed more in our concluding section 9.6, and political judgement about what kind of focus of action the crisis needed and what would be his proper personal involvement in the crisis management, an issue we now turn to.

Direct participation and rationality of the leadership:

We argue in the following section that a crucial innovation by the UN Secretary-General during the crisis, the creation of an informal infrastructure for the strategic planning and implementation of the reforms, explains a great deal of the rationality achieved and answers as well our research question whether the leadership should be direct or delegated.

We analyze our case study once more according to the basic decisions identified earlier (table 5). Table 6 reviews the decisions from the following points of view: who took the initiatives, where the preparatory work was done, where the final decisions were made and with what results.

According to this table the results were the best when the Secretary-General (directly or through his office) was involved both as an initiator and as a focal point for preparing the decisions to be made. The results were worst if the initiatives and preparatory work were done by the Member States. The table also demonstrates, with its limited evidence restricted to the case study, that the de facto decision-making forum did not have much influence on the success of the reforms. The most important variables were "initiators" and "where the preparatory work was done".

This gives an important first answer to our working assumption whether the leadership has to be direct or not. When the Secretary-General's involvement was clearly felt at the phases of initiator and preparation the reforms seemed to have better chances for success. On the contrary, when this involvement was lacking, the reforms had less possibility for success. The leadership hypothesis thus obtains qualified support from the case study; the direct

Table 6. Decisions in the UN retrenchment according to preparatory stages.

Major decision clusters in the UN retrenchment and reorganization process (from the Secretary-General's point of view)	Origins for initiatives	Preparatory work done at	Forum of de facto decisions	Results (goals achieved) *)
-new budgetary process	OSG+MS	OSG+DAM	GA	++
-cuts in posts	MS	OSG+DAM	GA+DAM	++
-personnel policy initiatives	MS	OSG+DAM	OSG+GA	+-
-service for the Group of 18	MS+OSG	OSG+MS	GA+OSG	++
-high-level appointments/reductions	OSG	OSG	OSG	++
-contacts with Washington	OSG	OSG	OSG	++
-reform of the economic and social sector	MS	MS+UNITAR	GA	--
-co-ordination of the UN system	MS	-	GA+OSG	-
-political reorganization	OSG	OSG	OSG	++
-reorganization of the Department of Public Information	USG/DPI & OSG	USG/DPI	USG/DPI & OSG	+-
-reorganization of the Department of Administration and Management	USG/DAM & OSG	USG/DAM	OSG+DAM	++

Key: OSG = Office of the Secretary-General ++ successful results
 MS = Member States + adequate results
 GA = General Assembly +- mixed results
 USG = Under-Secretary-General - no impact
 -- failure

*) Note that we are not talking about ultimate, long-term results, but whether the primary objectives in each goal area were reached during the crisis period or immediately thereafter.

involvement of the leader is essential if new reforms and policies are to be seen as instrumental for solving the crisis. We will shortly examine what this direct involvement means in practice. (68)

We still have to explain fully the surprising rationality of the UN retrenchment process. To give an answer we discuss what role the decision-making structure of the organization plays in a successful retrenchment and reorganization process.

The table above shows that the major decision-makers of the UN retrenchment and reorganization process were the Secretary-General (including his own office - through the inner cabinet), the Member States (mostly manifested in the decisions and debate of the General Assembly and its subsidiary bodies), and the Under-Secretaries-General. We don't see any major role in the offices of the President or Chairmen of the General Assembly, Committee for Programme and Co-ordination, Advisory Committee for Administrative and Budgetary Questions, the Fifth Committee or in the office of the Under-Secretary-General for Administration and Management for that matter, although they all are part of the decision-making process in many ways. The Secretary-General appears to be clearly the most influential decision maker in the whole process, thus well preserving his prerogative in the Charter by acting as a chief administrator of the Organization.

But, to carry out this leadership role would not have been possible - we argue - without the creation of a new and mostly informal decision-making infrastructure (69) the Secretary-General established in his office for the duration of this exercise. It was a support structure which was instrumental both in bringing up initiatives and doing preparatory work. In fact, during the crisis the main activities of the Secretary-General himself did not change markedly. They were still in the realms of normal diplomatic and peacemaking activity. But what changed was the role of his inner cabinet, with its own newly-established sub-structure (the Special Working Group and later the

Office of the Special Co-ordinator), in initiating and implementing the strategic and management policy decisions of the Organization, taking over - de facto - major powers and even preparatory capacity from the relevant Under-Secretaries-General and Assistant Secretaries-General.

The high-level officials were co-opted to co-operate with this informal infrastructure under the authority of the Secretary-General. No formal decisions were necessary for this. Every major player knew the real authority that the Secretary-General's key aides were wielding during the crisis. The decision making and its preparation thus became much more centralized and less "baronized" during the crisis than before, which made it easier to plan and implement a coherent and more "rational" policy than in normal circumstances.

We shall now clarify the functioning of a decision-making setting of this kind by referring to the typical characteristics of decision making in large organizations described by Graham Allison in his seminal book on organizational decision making, "Essence of Decision". His 'organizational process model' sees the decisions of an organization emerging as outputs of standard operating procedures, repertoires and respective strengths of sub-units interfering constantly with the "rational" decisions the leader intends to carry on (described in his rational model). This intended rationality is still further complicated by political or bureaucratic bargaining emerging at all stages (described in his political or bureaucratic politics model). (70)

In the UN crisis the purpose of the creation of the new informal decision-making structure in the office of the Secretary-General was, in fact, to prevent the normal functioning of the iron laws of Allison's organizational process model, and to a lesser extent those of the political or bureaucratic politics model. In normal organizational settings the crisis decisions would have emerged as outputs of the turf interests from various departments and from standard operating procedures with the necessary political bargaining involved at the

highest levels. But this was seen as detrimental for innovation, and for the quick and effective decisions needed in a crisis situation.

The key departments' experience and input was needed in the decision-making process. But it was basically received by their current or former staff members (irrespective of their rank) who had been transferred to this new entity in the Office of the Secretary-General. The internal High-level Steering Committee established for the first part of the crisis period (the first four months) only partly represented departmental and political interests through its composition. However, it did not have final decision-making authority. Its main function was to provide a certain amount of legitimization for actions contemplated, before proposals were brought for the final decision by the Secretary-General. If the High-level Steering Committee was not able to agree on proposals it could be bypassed.

As we have seen before, the Member States even welcomed this forthcoming leadership, especially as manifested in the Secretary-General's relations to the Group of 18. The Secretary-General's relative, de facto, influence viz-a-viz the General Assembly was thus temporally increased as the crisis management needed a focal point without disruptive interference. The trust de Cuellar had earned over the years with the membership by his low-key, but persistent, quiet diplomacy evidently made the acceptance of these new leadership and decision-making modes and the new initiatives flowing from the changed inner decision-making environment much easier.

More theoretically, we call this combination of formal and informal decision-making structures in the organization as its organizational decision-making mode. (71) (We discuss this concept further in concluding section 9.3.) An explicit model, taking the characteristics of this decision-making mode into account, would be a modified version of the organizational process model by Graham Allison - a necessary version, required to explain decisions during organizational

stress. The real influence of the informal component of the decision-making mode in our case study explains to a great deal the surprising rationality found in the leadership of the Secretary-General (note again that we use the Behn variables as a benchmark for the rational retrenchment leadership model). (72)

A particular decision-making mode might be just a creation for a particular situation, as in the case of the UN. The informal structure created for managing the financial crisis was soon disbanded after the crisis. But the informal structure might as well be of a more permanent feature. One has to caution, however, that in some cases the informal structure - being quite powerful in literally moving in the footsteps of the top-leader - might try to take over some of the powers not contemplated for its initial informal mandate, as perhaps happened in the U.S. National Security Council's informal structure during the Iran-Contra affair. (73) This fact stresses the importance of the choice of staff for these structures and of regular monitoring from the highest level, essential factors in effective leadership. (This point will be elaborated in section 9.6).

One could say, on the basis of this case study, that the creation of an appropriate decision-making mode for a particular crisis situation, or permanently, is a very essential skill for any leader, and that it contributed greatly to the results achieved in the UN case. Informal structures seem to be very effective for innovation and strategic thinking, for avoiding bureaucratic delays and turf battles. The structure can often carry on the responsibilities involved quite autonomously since the leader has "more important things to do" and would just require a regular reporting on the activities taken (as for instance, the Special Coordinator, Margaret Anstee, reported to the Secretary-General once a week on progress achieved).

We can now give a second set of answers to our working assumption on leadership concerning the direct involvement of the leader in

planning and implementing decision-making strategies in an organizational crisis. Our case study shows that the leadership does not have to be direct in terms of personal, day-to-day, involvement if an innovative combination of informal and formal structures is created for the preparatory and initial implementation work involved, which fulfills the leadership fundamentals and responsibilities elaborated before. This is not to say that the leadership should not be direct - this seems to depend on two factors: on the initial leadership mode of the top person (as elaborated before) and the overall political judgement of the situation on issues such as whether the leader should devote the major portion of his or her time to the main functions of the organization or rather to immediate organizational crisis management. In the UN case, both of these factors pointed in the direction of creating a new inside structure rather than occupying the Secretary-General's time substantially and extensively on the detailed managerial and administrative questions of the UN crisis. We shall return back to these reasons in our concluding section, 9.6.

Delegation of leadership:

Our limited evidence suggests that when the leadership was delegated, in terms of initiatives and preparatory work done, in centers over which the Secretary-General had minimal control, there was somewhat less chance for success. But the evidence is somewhat mixed on this score.

In case of reform in the economic and social sectors, as well as on the issue of coordination of the UN system, leadership was, de facto, given to the Director-General for Development and International Economic Cooperation. None, or marginal, results were achieved. However, one has to admit immediately that both fields were extremely complex, and chances for success might be slim for anyone in the leadership position in this area.

In the case of the reform of the Department of Public Information (DPI), another case of delegated leadership, there was, ultimately, something which could be described as moderate success but only with considerable delays and battles (and even this success has been challenged). In the reorganization of the Department of Administration and Management (DAM), a third case of delegated leadership, there was a reasonable success. But one has to remember that the reform of DAM was perhaps the easiest one since there was considerable outside pressure for the restructuring of DAM and better possibilities for streamlining without major ideological cleavages as in the DPI case. These complicating factors make it difficult to derive clear conclusions on this score.

Conclusions: practical and theoretical results

We started our analysis by asking whether leadership has to be strategic and direct to get successful results. Direct participation by the top leader might also increase the likelihood that the whole process is based on rational retrenchment considerations. In the course of our analysis we found out, first, that the UN retrenchment strategy was indeed surprisingly rational, even if compared to other scaling-down cases. We assumed that this rationality and success in achieving intended results were related to the focus given by de Cuellar during the UN crisis only to selected key areas; the direct involvement of the leadership in the planning and implementation of the retrenchment process; and the special organizational arrangements instituted for crisis management. The results of our analysis supported these assumptions. However, the findings indicated also that if the leader establishes an informal and effective structure for preparatory tasks, directly under him, his day-to-day involvement is not necessary in the crisis management.

To draw more theoretical conclusions (especially for the theory formation of leadership, pursued in the concluding section, 9.3) our results indicate that effectiveness of the leadership strategy could best be explained, in addition to above mentioned factors (focus on key areas, effective informal crisis management structure instituted), by three additional factors: (a) The impact of the broader milieu, to be discussed in the next chapter; (b) The values, interests, political and managerial skills, and professional and other background of the top leader and his immediate aides; (c) The values, interests, political and managerial skills, and professional and other background of the senior officers to whom some of the major retrenchment/reorganization projects were delegated.

The necessity of taking all these factors into account in establishing an organizational retrenchment, or any other, strategy leads to the following overall conclusion for leadership theory and practice. First, it seems that a good part of competent leadership is to take only such initiatives that have a reasonable probability of success, according to environmental opportunities seen in the horizon, and to match these anticipated possibilities with right kind of senior or other key aides in a proper organizational setting. Success will be further determined by environmental circumstances, but perhaps even more importantly, by values, knowledge and skills of all the strategic and operational players, and, on the other hand, by the creation of the appropriate decision-making mode as discussed above. (74)

The rationality and effectiveness of the retrenchment strategy in the UN case should not be mixed with the ultimate results. As has been discussed in the case history, the ad hoc structures were disbanded after the crisis period. This was, as such, an indication of the seriousness of the effort: the purpose was not to create new turfs for the major players involved, as happens in the United Nations as often as in any other organization. But the abolition of the temporary

structures of crisis management meant also that the bureaucratic and political iron laws of all organizations would once again run free with the UN. When the crisis atmosphere and ad hoc management structures are gone there are all the reasons, in any organization, to return back to "business as usual". Or perhaps not totally if one wants to avoid crises in the future!

ENDNOTES

1. James MacGregor Burns, Leadership (New York: Harper & Row, Publishers, 1978), p.22.
2. Larry Hirschhorn, Cutting Back, pp.6-7.
3. See e.g. Thomas Frank "The Prerogative Powers of the Secretary-General," in Joseph Jude Norton, ed., Public International Law and the Future World Order (Littleton, Colorado: Fred B. Rothman & Co., 1987), pp.5-16.
4. Behn, "Fundamentals of Cutback Management", p.356; see for instance Robert P. Biller, "Leadership Tactics for Retrenchment" in Lane, ed., Current Issues in Public Administration, pp.446-454.
5. Tomasko, Downsizing. Five downsizing principles identified by Tomasko and forming the basis for his book, were: "start before you have to"; "prepare for the down side"; "use rifle, not a shotgun"; "continually manage size and shape"; "go after more than costs and jobs", (p.57).
6. Behn, "Fundamentals of Cutback Management," pp.312-314; 318-322.
7. According to the literature, as well as the findings of the UN case study, the most important retrenchment goals are smooth transition to a lower bottom line, leaner and more effective organizational structure and staffing, and renewal of key missions of the organization. In analyzing the quality of decisions we are talking about here limited (practically determined) rationality. We assume, as the traditional rational actor model prescribes, that in discussing policy directives Behn has made a reasonably stringent determination on each of the "fundamentals" and "responsibilities" about the following: a) the primary goals of retrenchment are found out and the main ones are common to all public organizations; b) a number of alternative policy choices available for the leadership are identified based on past cases of similar character; c) the consequences of each policy are evaluated based on available data, on the results of a number of case studies; d) such a policy (or policy consideration) is recommended which achieves the objectives most effectively according to evidence gathered (less costs, most benefits). (See e.g. Graham T. Allison, Essence of Decision. Explaining the Cuban Missile Crisis (Boston: Little, Brown and Company, 1971), pp.28-32.) About the difficulty to make these determinations in practice see the discussion in the Journal of Conflict Resolution whether the U.S. strategy in the Cuban missile crisis was a high-quality decision-making process or not. (David A. Welch, "Crisis Decision Making Reconsidered," Gregory M. Herek, Irving L. Janis and Paul Huth, "Quality of U.S. Decision Making during the Cuban Missile Crisis: Major Errors in Welch's Reassessment," Journal of Conflict Resolution, vol.33, no.3, (September 1989), pp.430-445, 446-459. Serious scholars can disagree about what are the reasonable criteria for a rational policy (since no one can assess all goals, choices and consequences and no one can tell exactly how many of all the alternatives has to be included in the analysis). Since Behn has based his work on the findings of a number of scholars of cutback management there is systematically gathered evidence behind his argumentation to support the claim that his policy conclusions are arrived at by using reasonable and practical criteria for rational leadership in a shrinking organization.
8. Behn, "Fundamentals of Cutback Management," pp.312-313.
9. Ibid., p.313.

10. "Serious Staff Day 1986 Reflects Concern with Financial Crisis; Sec-Gen, Staff committee President and Chairman of G-18 Address Staff," Secretariat News, 30 September 1986, vol.XLI, no.18; p.11.
11. Behn, "Fundamentals of Cutback Management," p.313.
12. Ibid., p.314.
13. e.g. Press Conference of Soviet Deputy Foreign Minister Vladimir Petrovsky, United Nations, 15 October 1987.
14. See, for instance, the statements of the delegations on the occasion of the reappointment of Perez de Cuellar (before delivering their comments on the report of the Group of 18). See footnote 33 in chapter 4.
15. Behn, "Fundamentals of Cutback Management," p.314.
16. The phrase 'creation of an inner cabinet' gives an impression of a too calculated strategy; rather it just emerged, whereas it is right to say that the Special Working Group was created as a rational choice.
17. See e.g. United Nations, Secretariat, Secretary-General's Bulletin, Establishment of a Technological Innovation Board, ST/SGB/219 and Corr.1, 24 June 1986.
18. Jonah, "ORCI, The Secretary-General's New Arm of Information", pp.1-3.
19. Behn, "Fundamentals of Cutback Management," p.314.
20. Ibid., p.318.
21. e.g. Secretariat News on the Staff Day, Secretariat News, 30 September 1986, vol.XLI, no.18.
22. Behn, "Fundamentals of Cutback Management," p.318.
23. Ibid., p.319.
24. United Nations, A/42/234, "Reform and Renewal", p.4.
25. Ibid., p.5.
26. Behn, "Fundamentals of Cutback Management," pp.319-320.
27. Ibid., p.320.
28. Progress reports: 1987: A/42/234; 1988: A/43/286; 1989: A/44/222.
29. United Nations, Secretariat, "Some Perspectives on the Work of the United Nations in the 1990s," enclosure to "Note by the Secretary-General on the Preparation of the Next Medium-term Plan," A/42/512, 2 September 1987.
30. Behn, "Fundamental of Cutback Management," pp.320-321.
31. John de Gara, Reforms of the UN, p.12.
32. Kofi Annan, "Update on developments in OHRM," Secretariat News, 30 September 1987, vol XLIII, no.8, p.5.

33. Behn, "Fundamentals of Cutback Management," p.321.
34. Ibid.
35. Ibid., p.322.
36. United Nations, General Assembly, "Report of the Secretary-General on the Work of the Organization," Official records: Forty-First Session, Supplement No.1, A/41/1, p.1
37. See, for instance, the statement of the representative of Singapore, United Nations, Provisional Verbatim Records of the Thirty-Fourth Meeting, A/41/PV.34, 13 October 1986.
38. The fact that this is a surprising finding is demonstrated in the following quotation by Donald Warwick and his associates, after their study of the U.S. State Department's reform in 1965-67: "If there is a single conclusion to be drawn from our observations, it is that a reorganization plan pegged only to considerations of rationality is doomed to failure. Even worse, it will often aggravate the very maladies it was designed to cure. Almost any significant change in the executive bureaucracy touches the interests and self-definitions not only of the employees involved, but also of related congressional committees, constituency groups, and interested publics." (Warwick, Theory of Public Bureaucracy, p.205.) In fact, the rationality criteria used by Warwick and his colleagues are more limited than in this study (and in the Behn variables): we include in the "considerations of rationality" the necessity to take into account the constituencies and their interests in a sophisticated way through which the leader can still achieve the intended results. In this line, the executive can indeed deal with bureaucratic and interest group politics rationally and with effective results.
39. Inflation kept driving costs, the city's expenditures for retirement benefits rose from \$365 million in 1965 to \$1.12 billion in 1974 on the basis of a negotiated contract, and the city's borrowing practices were very costly. A lot of well-to-do-people able to pay taxes moved from the city to suburban areas. Most importantly, the new participants who had gained entrance to the city's political system - the public employee unions and minorities - have been able to substantially increase city expenditures. See Levine et al, Politics of Retrenchment, pp.22-23; Shefter, Political Crisis, pp.113-128; David and Kantor, "Political Theory in Urban Budgetary Arenas," pp.204-210.
40. Ibid., p.209.
41. Ibid., pp.209-210.
42. Ibid.
43. The state government's credit would have been seriously impaired if the city had defaulted on its financial obligations. The state ultimately would also have asked for help by calling out the National Guard, if New York City's Government had ceased functioning. Shefter, Political Crisis, p.132.
44. Ibid.
45. Ibid., pp.132-137.
46. Ibid.

47. Ibid.

48. As an ironic footnote, hinting to similarities in leadership required both in international organizations as well in the administration of the cities one can mention that Martti Ahtisaari, who replaced Ruedas in 1986 as a head of the UN Administration, was invited in 1989 by the local politicians of the city of Oulu, one of the biggest cities in Finland and Ahtisaari's hometown, to take up the mayorship of the city after his possible resignation from the UN. Ahtisaari declined although he was interested in the offer. See "Oululaiset etsivat uutta ehdokasta kaupunginjohtajaksi," Helsingin Sanomat, 27 June 1989, p.11.

49. A journalistic account of Rohatyn's role in solving New York City's crisis is given in Judith Ramsey Ehrlich and Barry J. Rehfeld, ed., The New Crowd: The Changing of the Jewish Guard on the Wall Street (Boston: Little, Brown and Company, 1989), especially chapter 13 (Rohatyn City).

50. Shefter, Political Crisis, pp.104, 115-119.

51. World Bank, "Barber Conable Announces World Bank Reorganization", World Bank News release 87/S, 4 May 1987; Clyde H. Farnsworth, "World Bank's Staff Upheaval," New York Times, Business Day, p.1(D), 24 September 1987.

52. Michael Schechter, "The Political Roles of Recent World Bank Presidents", in Finkelstein, Politics in the UN, pp.368, 370.

53. Ibid., p.372.

54. Musical Chairs at the Bank, The Economist, Financial Report, vol. 12, no. 286, 9 July 1987, p.1; Farnsworth, New York Times, p.7(D).

55. Quoted in Farnsworth, New York Times, p.7(D).

56. The Economist, Financial Report, p.1.

57. Farnsworth, New York Times, p.7(D). The Bank's administrative Tribunal later determined that the Bank's management acted improperly during reorganization when it dismissed about 10 per cent of its staff. The Tribunal said that the Bank broke its own rules. The ruling meant that nearly 600 terminated employees were able to file claims for additional compensation. See "World Bank Move Faulted," New York Times, 9 November 1987.

58. The Economist, Financial Report, p.1.

59. Personal communication from persons close to the Bank.

60. Shefter, Political Crisis, pp.131-132.

61. Ibid.

62. As much as possible he or she would like to keep away from taking initiatives or even interpreting in any way the mandates if the directions for action are given in an ambiguous manner or if no specific rules or precedents exist. Thus the leader would like to avoid situations where he or she has to take decisions where any kind of political or intellectual vision is required; he or she would rather like to follow orders but do this, indeed, very efficiently and with good results.

63. However, the leader is, in principle, seeing his or her position in a way that the intergovernmental bodies define this or that particular mandate and he or she has to act within this broad framework as effectively as possible, without trying to develop or interpret that very mandate on his or her own whether or not the changing environmental conditions would possibly justify a renewed overall or specific mandate.

64. These forward-looking proposals from the initiator-leader are not coming as a mandate from the decisions of the intergovernmental bodies but are interpreted by the leader directly or indirectly from the point of view of the purposes of the organization in the face of changes taking place in the macro-environment. In the case of the UN, the Charter and the principles derived from it entrust the Secretary-General with the overall framework under which he can propose initiatives on his own. These kinds of proposals are most often done within the framework of the Article 99 of the Charter.

65. These are ideal types constructed to make a distinction among leaders in any international organization and, of course, do not exist in reality as pure types. One can also refer to the typology of three decision-making modes or patterns of thinking in organizations which John Steinbruner developed for decision making on the basis of a cognitive theory of decisions: grooved thinking, uncommitted thinking and theoretical thinking. (John Steinbruner, Cybernetic Theory of Decision, New Dimensions of Political Analysis (Princeton: Princeton University Press, 1974)) There are some deliberate similarities between these two typologies (analyzed in our concluding section 9.3); our typology is based more on the characteristics found in international organizations and is thus of a more limited application.

66. Leadership mode is used here more or less in the same meaning as leadership style. Alexander George's "operational code of conduct" is close to our "leadership mode". (See Alexander M. George, "The Operational Code," International Studies Quarterly 3, (June 1969), pp.190-222. It refers to a more permanent deep-structure in a behavioral pattern (the one the leader will stick to, ceteris paribus) whereas the word "style" is a more casual and vague, everyday language notion. It could be assumed that personality, past experience and inherent values of the leader have a role in determining the initial leadership mode when the period under investigation starts. If the outer or inner environment (to be studied later e.g. in the milieu hypothesis; environment is a quite relevant factor especially during a crisis) does not interfere too strongly, the leadership mode will show itself as a dominant pattern of leadership strategies during a given period, which could be used also to describe a leader in a more general way. This mode could be studied empirically, for instance, by counting what particular class the majority of important strategies for preparing and implementing decisions are falling into and assuming a more or less stable environment.

67. This leadership classification according to a mode of behavior is close to the popular understanding referred to in literature describing the leaders of international organizations such as the former UN Secretaries-General. Dag Hammarskjöld has often been mentioned to belong, mostly in his decisions, to the third category, and to have been comfortable with a forward looking leadership style. Other Secretaries-General have often been said to behave mostly in the first or second mode of leadership, taking mostly a less active and more cautious leadership strategy.

68. We have also noticed that the leader is somewhat constrained to take initiatives. Partly, this is due to his or her leadership mode

(basically inherent in the leader through his personality and experience), and partly to the outer and inner environments which we will explore later in this and the next chapter.

69. An informal structure refers here to a group of people and/or individuals who have de facto roles and tasks in the organization, given under the oral authority of the top leadership, and which are thus not codified in written communication according to prevailing rules and regulations and standard bureaucratic practices.

70. Graham Allison, Essence of Decision, pp.4-7.

71. We have added 'organizational' to the definition since 'decision-making mode' has sometimes been used to denote the manner in which decisions are taken in a formal body: by majority, consensus, etc.

72. One could perhaps also use this model, in Allison's own case, in the Cuban crisis, and assume that President Kennedy had his own inner cabinet, including certainly his brother, who had most of the real influence in the last analysis. The decisions could be explained through this model as an interaction of the President, his inner cabinet (as a totally informal structure of his closest aides and/or friends), the Executive Committee of the National Security Council and other parts of the Government. Another possibility is to see ExCom already as an informal structure. Recent discussion in the foreign policy analysis on the question of the "ultimate decision unit" in the government highlights the importance of recognizing the role of informal structures. Structures such as inner cabinets often have de facto power to make the most important decisions with direct implications to foreign policy. In this line Margaret and Charles Hermann separate three major alternative types of "ultimate decision units" in government: 'predominant leader', 'single group', and 'multiple autonomous actors'. Discussion of the decision making of a "single group" has similarities to our argumentation. See Margaret G. Hermann and Charles F. Hermann, "Who Makes Foreign Policy Decisions and How: An Empirical Inquiry," International Studies Quarterly 33, (December 1989), pp.361-387.

73. The Independent reports that, according to Miami court documents, that Lieutenant Colonel Oliver North met in 1986 with General Manuel Noriega from Panama, in his efforts to raise money and weapons for the Nicaraguan Contras. Noriega went even much further and offered to assassinate the entire leadership of the Sandinistas in Managua. North relayed the proposal to his boss, Admiral Poindexter, who however, turned it down. (Peter Pringle, "Noriega Offered to Wipe out Sandinista Leaders for North," The Independent, 8 January 1990.)

74. All these factors are relevant but the discussion in this chapter has demonstrated, in particular, the relevance of selecting the right informal and formal decision-making structure for the crisis period. The creation of this innovative arrangement, and the fact that it evidently worked well in practice, can to a great extent explain the 'rationality', 'effectiveness, and 'success' of the Secretary-General's leadership strategy in 1985-88 - but not to explain it all, as will be discussed later in our concluding section 9.6 (Intangibles of leadership).

CHAPTER 8

OUTSIDE THE ORGANIZATION: MILIEU OF ORGANIZATIONAL CHANGE

8.1 Introduction to milieu concepts

The last research question of this dissertation - the interplay between the milieu and UN decision making in the financial crisis - is the broadest and most tentative one. It ties our other working assumptions together with the aid of a specific conceptual approach and highlights the role of the environment in shaping organizational decision making and strategy-formation. The discussion in this dissertation has so far been management-centered. 'Milieu' brings the international relations level back into focus.

We use here a two-tier approach in researching the environment. The more abstract one, a milieu approach, simply assumes that it is useful first to identify the most relevant trends, events and situations in the environment of a decision-making unit before trying to understand the actual decisions taken. The look at the milieu widens the interests of our scholarly inquiry and generates new research questions and angles easily omitted if the analysis both starts and ends within the bounds of the organization.

A milieu framework is a specific presentation of salient variables identified in the environment as "potent" vis-a-vis the decision-making process. The framework gives a detailed account of the ways the environment influences decisions and is, in principle, susceptible to empirical testing.

Our framework posits that ideological and economic adjustments in member states, and the changes taking place in a broader environment of international relations, affected the UN retrenchment and reorganization. The reasons for retrenchment are to be found in this milieu which directly contributed to the decisions taken. Without this understanding the full picture of UN retrenchment and reorganization cannot be seen. The comprehensive nature of our milieu framework -

touching a range of issues related to international relations and trends - makes it necessary to leave its detailed substantiation outside this study, except for those aspects that relate to our case history.

In order to present our research variables more specifically we first introduce milieu as a particular research concept. "Milieu" has been used instead of "environment" as an analytical tool since environment often has physical connotations. Harold and Margaret Sprout, who have frequently used this approach, define the general concept to include all phenomena to which the unit's activities may be related (excepting only the unit's own hereditary factors). The milieu thus defined constitutes of, among other things, human and non-human objects, social patterns and the psychological environment, including the units's own ideas or images of the milieu. (1)

For this study we use the following terms. Milieu refers to - and is synonymous with - the outer environment or macro-environment of a top decision-making unit (sometimes we use also the term outside environment). This macro-environment is legally beyond the direct authority of the leader of the organization although he or she can affect this indirectly (or perhaps even directly). The inner environment or micro-environment (inside environment) of the organization is the area which the leader can in principle control (appointments, policies, structures, etc.). If some variables in the outer environment affect the inner environment through one or more variables we consider the latter one(s) as belonging to the intermediate environment - which is, however, simultaneously part of the outer environment.

8.2 Milieu approach to UN retrenchment and reorganization

Our milieu approach, applied to the UN retrenchment, hypothesizes that by detecting salient developments, forces and trends in the UN's outer environment, first at a heuristic level of analysis, one can

understand better the particular organizational policy and decision-making context and strategy options of the Secretary-General during the crisis. On this line of reasoning, and basing our inquiry on the issues which have risen in our literature review and in the case study, we pose six research questions related to macro-environmental change and the UN's decision making. The questions define our research interest in the milieu context and the scope of analysis we intend to pursue in the next section where a more elaborated milieu framework is presented. To be useful, the framework should provide tools to address the following questions:

How did the UN Head deal with the rapid ideological change in the financially dominant Member State?

The deteriorating economic and budgetary situation was noticeable in a number of OECD countries in 1980s. The growing budget deficit in the U.S. made the Congressional budget decisions deficit-driven and the Americans did not keep up with their high commitment to the UN budget (25 per cent). Since fulfilling this share should not be any more difficult than for most of the other countries in the UN membership - the contributions to the UN budget are collectively decided on the basis of the "ability to pay" principle - ideological reasons within the new U.S. Administration seemed to be decisive in initiating the withholdings. It is also a periodic American tradition to reiterate the ideal of drastic reforms of Government, and cities for that matter, in order to increase efficiency and streamline bureaucratic structures. The spirit of the U.S. legislative initiatives viz-a-viz the UN in the mid-1980s could be seen in this light as well.

How could the UN Secretary-General solve the financial crisis effectively in this context without alienating the Americans, politically and ideologically, and avoid similar crises in the future? Could one do so without influencing the values involved, and without

dealing with the root causes of the crisis? Was the direction of these ideological movements controllable by any action? Would PR efforts help?

How was ideological change in a larger constituency dealt with?

The overall ideological inclination in many OECD countries to cut the public sector in the 1980s, and the economic climate of budgetary deficits and retrenchment - public and private - contributed to the surprising fact that, when the UN reforms were proposed and initiated, they were universally welcomed throughout the UN membership although the U.S. withholdings were regretted and strongly criticized. How did this all-pervasive reformist culture among the diplomats affect decision-making at the UN during the crisis? How much and in which way were the other environmental factors, such as the changing role of the U.S., the Soviet Union or Japan in the world system, blended into this atmospheric change in the management environment of the Organization?

Was the response to the American management concerns disproportionate?

The Secretary-General's strategy to deal with the crisis seemed to be responsive to American concerns. If a lot of attention was given to correct any misinformation was this disproportionate and undue focus from the leadership of an organization where all members should be politically equal? Was the UN yielding, to a degree, to the pressures of a super-power or was it, at the same time, affected by the possibly diminishing role of the same super-power in international relations?

Did the system change come to the Secretary-General's help?

Did a sudden change in the environment - the changed policy towards regional conflict management by the USSR, as well as a reinvigorated use of the UN by both super-powers as well as by other members of the Security Council, give more opportunities for the

Secretary-General to make progress in the area of peacemaking? Did the Secretary-General utilize this development deliberately for his crisis management strategy in the financial crisis?

Did another ideologically changed superpower, the USSR, use the UN financial crisis for its own political benefit?

The dramatic change of the Soviet Union's policy towards the UN might have had direct and indirect impact on decision making at the UN during the retrenchment period. The USSR was willing to participate in the reform process and gave qualified support for increased administrative efficiency although not criticizing the UN as such. Did it use the window of opportunity opened by the U.S. withholdings for its political benefit by announcing voluntary contributions to the UN budget and committing itself to pay off its old arrears in peace-keeping? How much was this Soviet opening to the UN, as well as its changing role in the international system, felt in the Secretary-General's decision making? Did it affect in turn the degree to which the UN was yielding to Washington's pressures.

Did a new big power, Japan, use the crisis to register its emerging new status?

It is generally agreed that Japan has achieved superpower status economically - the largest banks in the world are by now all Japanese. But was the gradual financial and economic leadership Japan had taken felt directly or indirectly in the financial crisis of the UN? It was Japan which proposed the Group of 18 initiative and contributed towards its financing. Its contribution to the UN has continued steadily, and is expected to rise, especially in terms of voluntary contributions. How did all this affect UN decision making during the period?

The questions seem to be important, and to arise from our case study, supporting literature reviewed and the new focus given by the

milieu approach. We cannot answer all of them in full (we will also return to some of them in our concluding chapter 9) but it looks like our theoretical framework, presented in the next section, is able to provide intellectual tools to analyze most of them in an organized way. We turn next to the answers, this time through a systematic analysis of the variables and their relations in our milieu framework.

8.3 A milieu framework for the case study: how macro-environmental factors affected the UN strategy

In our milieu framework we hypothesize that there are three main factors in the UN milieu which had a bearing on the UN financial crisis, decision making and on outcomes: 1) Changes taking place in the economic and financial conditions of the UN Member States, particularly in the economies of major contributors to the UN budget (notably the U.S., the USSR and Japan); 2) Changes taking place in the ideological positions of the Member Governments, especially of those of the major contributors, in relation to issues such as multilateralism, the role of public sector, deregulation, free competition, etc.; 3) Changes taking place in the international system, especially among the major countries - which are also the biggest UN contributors - in terms of the power each could wield viz-a-viz the others measured in capabilities and leverage, or in general as a more complex systemic change including more players. (2)

We hypothesize further that all these changes in the macro-environment affect the overall role of international organizations in world politics, in particular the willingness of the major powers to refer political crises to the UN, as well as their willingness to pay dues to the UN.

In a financial crisis the leader of an international organization has to sort out, prioritize and start to deal with the

variables referred to above. The leadership exercised by the head is a crucial micro-environmental factor both in making possible a smooth and meaningful reorganization and retrenchment process, as required by the circumstances, as well as in fulfilling effectively the main mission of the organization viz-a-viz the changing requirements of its macro-environment. We further hypothesize that the UN's success and failure in both of these two lateral 'crisis management' activities of the late 1980s - e.g. managing a severe organizational crisis and simultaneously facilitating the resolution of political crises of the world - were bound to affect the public perceptions of the UN, having its own feedback impact on broader macro variables themselves.

To summarize, we have tentatively identified three primary (exogenous) factors in the outer environment affecting the UN financial crisis - changes in the economic situation and ideology in the Member States and changes in the international system - and an intermediate factor (playing a feedback role) - public and private perceptions of the UN, and another concerning the role international organizations. In the micro-environment (or inner environment), we have hypothesized the leadership being the critical variable affecting directly, besides the reform process, the intermediate perception factor in the outer environment and, indirectly, the other factors in the macro-environment. This is not to say that there are no other exogenous factors relevant to the UN financial crisis - such as the emergence of eminent statesmen (Gorbachev), etc. However, we have hypothesized that those identified above are the most important ones for us and are sufficient for a meaningful analysis.

We now go into a detailed presentation of the variables of the framework, the relationships involved, and the discussion of their validity and utility.

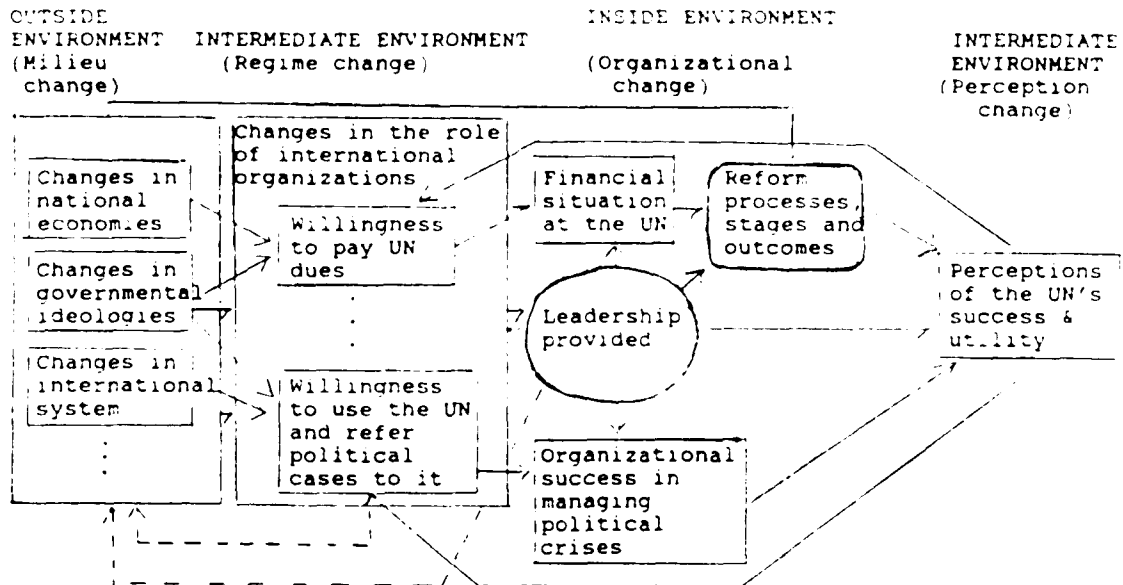
Detailed analysis of the variables and their relations in the milieu framework:

In order to discuss systematically the hypothetical scheme of variables and their relations we analyze our assumptions with the help of a chart that provides a schematic illustration of our framework. We have marked above the 'Role of international organizations' and 'Perceptions of the UN's success and utility' -variables as belonging to the 'Intermediate environment' since the variables seem to be mediating between the inner and outer environment. Let us now discuss the most important variables and their relations as indicated in the figure. But before that two methodological remarks.

First, the discussion below is intentionally speculative: by mixing facts and findings from the case study and literature reviews with assumptions of the behavior of the components the purpose is to gather heuristic but still systematic evidence that the framework in its present form is a credible first step in an effort to understand the impact of the environment on the UN decision making.

Secondly, the impact of the milieu on the Secretary-General's decision making is explored in detail concerning only two aspects of his overall strategy during the financial crisis: PR actions taken and senior appointments in the context of reforms instituted. It is assumed that environmental factors have their proper impact on all major decisions taken in the crisis. However, PR-actions and appointments are directly responsive to factors in the outer environment whereas such decisions as deciding on personnel or managements policies are mainly, although not exclusively, responsive to requirements of internal environment.

Fig. 7. Milieu variables and their relations in the UN retrenchment and reorganization



- KEY:
- variables and subvariables discussed below
 - variable discussed in chapters 3-6
 - leadership variable discussed in chapter 7
 - relationships between variables discussed below
 - relationships not discussed below (tentatively touched in chapter 9)

Variables: "Changes in national economies" and "Changes in governmental ideologies"

A number of smaller UN Member countries, especially the least developed ones, have encountered difficulties in paying their dues to the Organization due to their deteriorating national economies. The impact has accumulated and forms now a critical mass which makes any sudden withholding of a major contributor a severe issue. This is an important aspect since this reason for financial stress is beyond the control of the Secretary-General. But he has more leverage toward richer countries.

Financial stringencies had also reached the Western and Eastern European countries in 1980s. A number of OECD countries pursued budgetary cuts throughout the public sector as national economies transformed from growth economies to more stagnation and slower growth. The economic outlook was even worse for the Eastern European countries. But for industrial countries the reasons for paying UN dues, or not paying, were political and ideological. The question was partly whether to invest in domestic or foreign policy. Since security and foreign policy interests were preferred and since the UN's share was relatively small there was no major reluctance in OECD countries to pay UN contributions until the crisis erupted 1985.

Concerning the two super-powers, budgetary pressures were evident in the case of the U.S. but were, most importantly, combined with the perceived decline of the role of the UN in world politics and ideological undercurrents playing down the role of multilateralism in general. Economic pressure was present in the case of the Soviet Union as well but the ideological and political factors were working in the other direction, increasing the Soviet contribution to the Organization.

(3)

Since the ideological and political reasons (4) for not paying were what mattered for the OECD and Eastern European countries the

Secretary-General had an opportunity to affect, to some degree, the financial destiny of the Organization by his actions. He could discreetly try to change the political motivations and the ideological perceptions of the decision-makers of major contributors. Another indirect way is to act behind the scene to head off extreme actions by the General Assembly or its subsidiary bodies on controversial topics, which could affect the financial fortunes of the Organization. The Secretary-General's increased activism viz-a-viz the Group of 18 during the financial crisis, as well as towards actors in Washington, could be seen in this light.

On the other hand, a policy of pleasing major contributors might go too far and be a short-sighted strategy. In determining the financial future of the Organization the extraordinarily high scale of assessment of the U.S. to the UN budget, 25 per cent, gives unique importance (a) to the soundness of the U.S. economy and its budgetary health; (b) to political and ideological will by the U.S. to honor its international commitments and (c) to the capacity of the U.S. legislative and executive system to deliver the U.S. share in full. The issue whether, from the Organization's point of view, there are justifications for maintaining this 25 per cent share has to be assessed in this context. Budgetary troubles, combined with the ideological sensitivity of the values related to UN mandates (now especially on Israel and Palestine), and a political system of checks and balances, which, at times, causes foreign policy to be a hostage of domestic politics, makes the real ability of the U.S. to fulfill its financial obligations fully a tenuous question for years to come.

"Ability to pay" is a major determinant in each Member State's assessed contribution to the UN budget. So far it has been measured only by traditional economic indicators, to a great extent based on national income statistics. But these indicators might give a biased view of real ability. A major contributing Government, the U.S., before

fulfilling its financial commitment in practice, has to take into account the changing concerns of its domestic constituencies, which can also use the financial vulnerability of the Organization to embarrass the Government for domestic reasons. In this light the traditional economic indicators omit political and ideological constraints and factors rooted in the political systems of Member States. The events in late 1980's, when both Presidents Reagan and Bush's commitments to pay their share to the UN in full were undermined by the Congress (5) might testify to fact that the country's practical ability to pay its high UN share - not to talk about arrears - is clearly diminished. Would, in fact, Japan's real ability to pay - reflected in its financial leverage, cultural and ideological commitment to the status quo and a more predictable political system to honor commitments (through a tradition and ideological values in consensus policy) deserve much higher assessment than its present 11.38 per cent share - and the U.S. ability much lower than 25 per cent? (6)

The Secretary-General did indeed raise publicly the issue of a more equal scale of assessment of the United Nations in the beginning of the financial crisis and, in a veiled fashion, in his 1988 Report of the Work of the Organization. He also proposed this topic to the Group of 18 as a major area of study and recommendation. But the membership was not ready for these initiatives - although a number of countries, such as Sweden, Finland, Saudi-Arabia, Kuwait and Peru, referred to this crucial issue in the General Assembly debate on the Group of 18 report, and it had been discussed already in the context of the 40th anniversary of the United Nations. (7)

Variable: "Changes in international system"

We will use two different models to explain changes taking place in the international system as reflected in UN politics. Model I, which we could also call a modified Finkelstein model (see section 2.5),

argues that the U.S. saw itself as a victim of new power and coalition politics in the United Nations. The Third World and the Soviet bloc had by the mid-1980s gained disproportionate influence in the Organization and the U.S. set a goal for itself to regain part of its old dominance, and succeeded. Model II is used, on the contrary, to describe the events after the U.S. withholdings, using a thesis of super-power decline as an argument to explain both some of the U.S. actions outside the Organization and the Secretary-General's inside the Organization.

Model I:

According to this model a policy that the U.S. took to regain its influence in the United Nations was a deliberate effort to institute more consensus-based decision-making procedures in the General Assembly and other UN bodies, giving a practical veto for the U.S. on matters working against the U.S.'s interests. Withdrawals and financial withholdings were effective instruments to achieve this objective, establishing consensus policies in the whole UN system. Another instrument was to place ideologically attuned Americans, dedicated to fight aggressively for American interests, in key positions in the U.S. State Department, the U.S. Missions to the United Nations and Specialized Agencies as well as in the UN Secretariats. Moreover, financial linkage and policies aiming at consensus could be used both multilaterally (by threatening to withhold contributions to an organization or to withdraw participation) as well as bilaterally (foreign aid tied to voting behavior of recipients in the General Assembly) to achieve U.S. interests. Corollary to the linkage politics was the understanding that the U.S.'s 25 per cent share of UN budget should not be reduced - otherwise an effective financial lever would be lost.

We have found support for Model I (which is based mostly on the argumentation presented by Lawrence Finkelstein). The U.S. tried and succeeded in establishing consensus-based decision making in the General Assembly on budgetary matters. The withholdings and withdrawals, or threats to do so, were used to promote American foreign policy goals, at times effectively (e.g. after the crisis in blocking the movement to increase the PLO's status in the General Assembly (8)). The U.S. also strongly objected to the idea of reducing its formal share of 25 per cent of UN budget. This could well be interpreted as an effort to keep the linkage politics option alive and the withholding as an effective threat - a stick to be used if American interests so warrant.

Reagan appointees, such as Jean Kirkpatrick and Alan Keyes, did also act aggressively to promote the new American UN policies and tactics. But in the UN Secretariat, as we have seen in the case study, the crisis did not increase, absolutely or relatively, the share of the Americans in higher echelons, or political appointees for that matter. Although an American (Sutterlin) had a key role in preparing the Secretary-General's retrenchment and reorganization strategy we can hardly see in the financial crisis, or in its outcome, the promotion of plain American interests in the sense of the Model I (increasing Americans, especially those with principal loyalty in Washington, and their influence in key positions in the Secretariat). This aspect is further analyzed later.

Model II:

Many theories have been presented to explain the changes taking place in the international system. Model II takes as a starting point the relative power of the major countries in the international system as reflected in their economic, military and other capabilities. The U.S. and the USSR are in relative decline and Japan on relative rise as major powers according to this model, a case recently also argued by Paul

Kennedy. (9) More generally, the world system could be described in terms of American dominance in the 1950s, as a bilateral world in the 1960s, and the emergence of a trend turning the structure to a more multipolar system in the 1970s and the 1980s, economic power becoming a more important component than before. Thus, by the mid-1980s, American unilateral dominance had clearly decreased in the world in economic and military terms. But, at the UN, it still had considerable unilateral financial leverage - for one thing since the non-payment of many other countries over the decades had increased both the financial vulnerability of the Organization and the stakes of the U.S.'s paying on time and in full.

Model II tries to explain why the Americans are in practice increasingly unable to fulfill their commitments to the UN budget. It argues that this practical inability is a sign of relative decline of the U.S. influence in the United Nations and international politics. This is not because of the economic factors (10) - decreasing ability to honor international commitments made earlier at a time of stronger economic capability (overstretch argument) - but rather due to the special interplay of the U.S. executive and legislative branches in delivering financial commitments to international organizations. This process might be working against U.S. national interests as well (in the sense of model I) if a marked gap between American financial obligations and its ability to pay in practice brings about international pressures to lower its 25 per cent share of the UN budget. The Americans do not want this to happen but are unable to deliver the level of their contributions, irrespective of executive intentions.

A formal change in the UN scale of assessment, to reflect the lowered de facto U.S. share, would be a symbolic but clear sign of the relative decline of the U.S. role at the UN and in international politics. The U.S. would fight strongly against this from a super-power point of view. According to our model, the U.S. would seek to maintain

its 25 per cent share as a crucial objective since it is the last tangible proof of its former dominance at the UN. A lowering would be a symbolic sign of further decline, both in economic and political terms.

Is the U.S. in relative decline and are the events after the crisis further signs of it? Why is the U.S. unable to honor its commitments to the UN although both Presidents Reagan and Bush have promised to pay in full by now? How will this affect the American status and influence in international relations and diplomacy?

The budgetary deficit is one explanation of the U.S.'s inability to honor its commitments, supporting the view of Paul Kennedy of a superpower in relative decline due to economic and military overstretch (mainly because of its defence build-up in the early 1980s). (11) But some analysts have argued that budgetary deficits are not structural difficulties but just results of bad policies of the early 1980s. (12) Whether the budgetary deficits are short-term or long term problems, the consequence, from the mid-1980s onwards, has been that the U.S. could not fulfill all of its international commitments and at the same time carry out all of its domestic programs. This has increased the stakes of ideology and the role of domestic politics in deciding the allocation of budgetary resources. As a further consequence, this development has increased the American vulnerability to the international criticism of failing to honor its international commitments in face of domestic disagreements about budgetary priorities.

The appetite of U.S. domestic interest groups to interfere in international actions contemplated by the executive branch has increased, partly as a result of executive policies in the early 1980s against multilateralism, and U.S. financial leverage over international organizations provides recurrent opportunities for a Congressional veto of this sort. But if domestic constituencies try to become major players in the world of diplomacy, they cause credibility problems to the country's executive branch vis-a-vis other governments. (13)

To maintain long-term credibility, a government has to deliver what it promises, a fact critical in a multipolar world when other governments have leverage to counter with unilateral measures thereby launching a process harming everyone in the final analysis. The perceived credibility of the U.S. Government with other states might decrease in a longer term if others think that in multilateral negotiations involving financial allocations they are not only dealing with a Government fully-in-charge, but with various Congressional constituencies undermining executive authority. In this light, reducing the U.S. 25 per cent share would decrease the temptation and impact of domestic interference in international diplomacy, embarrassing to all members of the international community, including the U.S. Government.

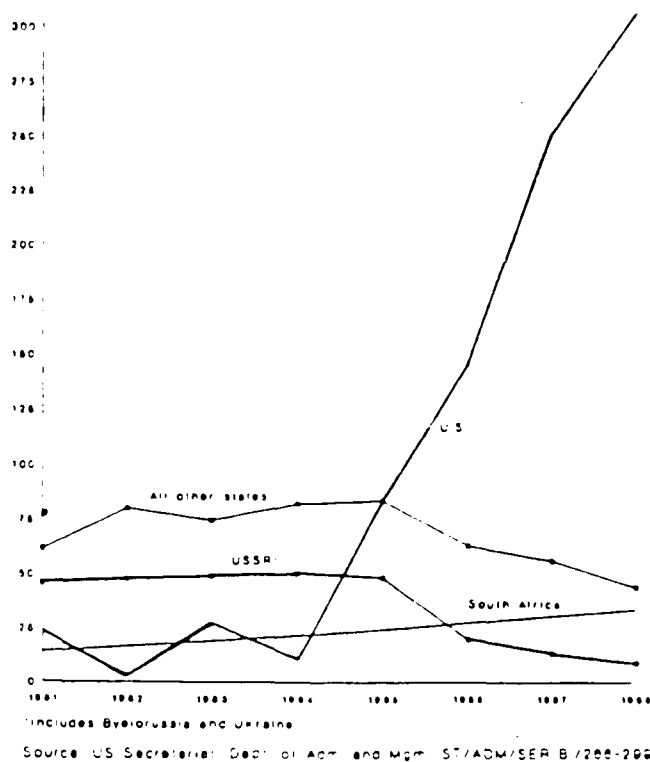
An erosion in Congressional and executive consensus to use the UN as an instrument for the U.S. national interests did take place mainly since the U.S. had lost a major part of its former dominance at the UN. The use of withholdings and withdrawals, the last weapons of the past dominance according to Model II, might increase the U.S. credibility with some allies who appreciate the American strength in forcing changes at the UN. But in the past the Americans did not have to use so drastic measures to change UN policies - withholdings might be proof of weakness rather than strength. Accordingly, the U.S.'s freedom of choice to impose its will unilaterally on controversial issues has decreased to one mighty tool. Its use could be risky for the U.S.'s interests since American financial strength at the UN might not, after all, be on a solid basis in the long-term. A collective political will at the UN might change the basis of that strength, the scale of assessment, if the Americans use their financial lever excessively or unilaterally without consulting others, especially their Western allies.

The insistence of the U.S. to maintain its 25 per cent share of the UN contribution could be seen, according to Model II, as reluctance to come to grips with the national situation - which might not allow it

to maintain that share in a longer term. Its budgetary difficulties, ideological variety (with a number of domestic constituencies favoring unilateral and linkage policies e.g. on Israel vs. PLO and on UN funding), and the standard operating procedures of its political system of checks and balances, make its continuous and predictable commitments to the financial obligations to the UN quite insecure. (14)

Whereas the U.S. downplayed multilateralism in the early and mid-1980s, the USSR, also a power in decline (although more rapid and deep than in the U.S.) according to Model II, evidently determined that, perhaps to counterbalance its declining economic power, the UN could fill part of the emerging power vacuum, and by skilful diplomacy at the United Nations, in the aftermath of the good-will gesture to contribute financially to the Organization, the Soviets could increase their influence. This argument is highlighted by these arrearage figures:

Fig. 8. Cumulative arrearages to the UN regular budget, 1981-1988 (\$millions US). Taken from Puchala and Coate, *The UN in Changing Environment*, p.67.



In this context, a political system of a major contributor also plays a role in the financial fortunes of the Organization. It was easy for the leadership in the USSR in the late and mid-1980s to make a policy change towards the UN without legislative debate and interference in the implementation process, unlike the case of the U.S., as discussed before.

Japan, an economic power on the rise according to Model II, is still seeking symbolic and other ways in the international arena to match its new identity, playing already a major role in the world economy. According to Kennedy, Japan is not yet, however, politically and culturally ready for leadership in world politics. (15) Would then Japan's commitment to Group of 18 reform, as an initiator and financier of the exercise (which the Organization gladly accepted), mean that Japan actively seeks opportunities to make its mark in two ways: proposing initiatives which match its overall management ideology and financing these efforts, thus galvanizing its influence? This could be interpreted as a message to the world that its symbolic and/or official status, including possible assessed contribution to the Organization, should rise. The symbolic upgrading is already important since it does not bring about the political responsibilities the formal upgrading does (e.g. veto power in the Security Council). We will discuss later how this hypothesized wish for increased symbolic representation affected the UN decision making during the crisis.

A systemic aspect related to a moving international scene and its ideological change deserves a further note. The trend from bipolarity to multipolarity might trigger new ideologies, favoring - instead of cold war ideology and power relationship - a new ideology of an enhanced UN role in international relations, as a safety measure making a smoother transition to any dramatic power changes in the future. A number of big powers might find the enhanced UN role to be in their national interest as well:

- A major country (or country group) which seems to be losing its former power, and recognizes the likelihood for further erosion, might strive for an improved UN role and security system to prevent any other country emerging later as a too dominant country (cf. the Soviet actions in the crisis).
- A country (or country group) which seems to be increasing its power in the system, might favor an improved UN role and related security system if it gives some new privileges to it or a forum to show its new status in a non-threatening way to other players (cf. Japan).
- A country (or country group) which seems to be increasing its power at least in one dimension of the international system, but is not yet sure about its overall impact, might favor an enhanced UN security system to reduce the importance of the military capacity (where it is relatively weak) or just in case the expected higher status will not materialize, or if it does to cushion the higher responsibilities required (e.g. EEC, and its member countries now or later, especially after possible German unification).
- A major country (or country group) which seems to be losing part of its former power, but is trying to regain its influence, might strive for an improved UN role and security system to prevent any other country emerging later as a dominant country in case the speculated decline proves to be true (the U.S. might fall into this category later).

The improved performance of the administration of the UN would be critical in making a systemic change such as that suggested in the above scenario a realistic possibility in the eyes of the Member States. No big power would like to give more influence to an ineffective bureaucracy. The UN crisis and reorganization of the mid-1980s could also be seen in systemic light, i.e. as a responsive adjustment by the

international system to new requirements of the changing times. The overhaul of the UN's political sector instituted by the Secretary-General in the crisis could be seen in this context (upgrading the information and research resources available to the UN head for any added responsibilities required from him in the future).

To conclude, the policies taken by the two super-powers and Japan, before and during the UN financial crisis could be explained by looking at the changes taking place in the international system, using Model I and II as a basis for assessment. Concerning Model II, the governments had noticed objective signs of their relative 'rise' or 'decline' in different capability areas and acted accordingly (trying to reinforce, reverse or modify these trends). Economic factors - considered crucial in explaining relative decline of super-powers in a traditional theory of decline - were not critical in explaining their willingness and ability/inability to heed international commitments, in this case their dues to the United Nations. Rather the analysis, using Model II as a basis, paid attention to the capability of a country to wield influence in the international system of 1990's and beyond in a new dimension: namely what is the capacity of a political system, especially that of the major contributors, to commit itself in a credible and predictable way to multilateral objectives and obligations (often involving financial components).

An ability to heed international commitments is also a question whether multilateralism is emerging as a value of importance among key domestic constituencies of the major powers, especially in those with in-built systems of 'checks and balances'. The U.S. has had difficulties in this sense, which appear likely to continue in the future, possibly decreasing its longer-term credibility in the UN community. The Soviet Union and Japan do not seem to have, so far, major problems in this respect. Japan also has considerable financial capacity to take a larger share of the UN budget in the future. It also

has the political will and executive predictability (a tradition and values toward consensus) to fulfill its commitments in practice.

The changing international system affects the behavior of the main players in the world arena, including the United Nations. We will examine below the practical impact of this systemic change, using Model II as a reference, on the UN decision making in concrete terms in public relations and appointment areas of the Organization. (16)

Variables: "Willingness to use the UN and refer political cases to the Organization", "Success in managing crises" and "Perception of the success and utility of the UN"

Changes in the roles of international organizations are usually part of broader changes in international relations and regimes. These changes affect all countries, big or small, at various levels - material and non-material, formal and informal. The world is transforming itself into a more interdependent place, a key proposition of Robert Keohane and Joseph Nye, which stress besides the dependence-generating processes, norms and practices also the role of formal international organization in harmonizing the actions of nations. (17) Here we are interested in two components of the changes in the roles of international organizations: Member States' willingness to pay their UN dues, which has been discussed implicitly already, and Member States' willingness to use the UN and refer political crises to it.

We hypothesize that willingness to use the UN and refer political crises to it depends on the major powers' ideological position and on changes taking place in the international system, as discussed before. The past success rate of the UN also has an impact. This question of success has been empirically studied (18) and new data will be available in due course for studying long-term trends. Since the utilization of appropriate UN bodies has continued enjoyed some successes in 1988 (at least in the popular mind) more such use may be made. (19)

In 1988, the success rate of the UN (as reflected in public perceptions) was quite extraordinary and prospects for continued success opened up. The Geneva accord on Afghanistan in April and the Iran-Iraq cease fire in August 1988 were clear cases where the UN was in key position as a negotiator/manager of the crisis. Other important UN involvements were also foreseen in 1988, for instance, in Namibia, Western Sahara, Kampuchea, Cyprus and Central America. These successes, and possibilities for further UN involvement, had an important impact on the perception of the UN's utility among the Americans and in other UN constituencies, as will be discussed below.

Besides the successes in managing political crises, perceptions of the UN seem to be affected by negative or positive publicity on other issues as well (for instance, during the financial crisis by success in administrative and budgetary reforms; by the publicity given to the PLO and its relations with the UN; by the successes and failures of other UN agencies; by the granting of a Nobel Peace Prize to the UN peace-keeping forces in 1988, etc.). But it is difficult to explain the dramatic change in the UN's popularity in the U.S. from 1985 to 1988 unless one simply refers to the political successes in 1988. The following figures testify to the drastic change in perceptions: (20)

Year	The UN doing a good job	a poor job	non-response
1956	51	37	12
1967	49	35	16
1970	44	40	16
1971	35	43	22
1975	33	51	16
1980	31	53	16
1982	36	49	15
1983	36	51	13
1984	38	44	18
1985	28	54	18
1988	46	33	21

Table 7. UN performance ratings 1956-1988 in the U.S. (per cent of all respondents). Source: DPI and "Public opinion Issue No 1", May 1989, United Nations; all samples >1,000; margin of error +/-4 per cent; polling conducted by Roper Organization or Gallup.

The figures from guided tours at UN Headquarters in New York, including visitors from all over the world, also tell the same lesson: that something happened which positively increased the public interest in the UN in 1988. The visitors had plummeted from 666,500 in 1980 to 503,000 in 1985, and to 469,968 in 1987. In 1988 there was already a slight increase of 8,859. But in the first quarter of 1989 there was an increase of more than 20,000 or approximately 35 per cent. This, however, might not indicate a longer-term trend of interest but rather that perceptions on the utility of the UN might correlate with any positive media attention. (21)

The overall milieu framework assumes that perceptions of the utility and effectiveness of the UN affect, through a feedback loop, the "Willingness to pay UN dues" and the "Willingness to use the UN and refer political cases to it" variables. We cannot prove these links here through hard empirical evidence. However, secondary evidence is available. According to a number of newspaper accounts the successes in the political area in 1988 suddenly changed perceptions in Washington and brought more pressure on the Reagan Administration to restore the old share of U.S. contributions, and even to make commitments to start the payment of arrears. (22) In parallel, the co-operation of the five permanent members in the Security Council also increased markedly. The developments in the Soviet Union, including the gradual implementation of its new UN policy, had a major impact on the increased use and effectiveness of the Council. This also affected public opinion positively and increased pressures on the U.S. to change the Administrations's past UN policies and to restore its contributions.

A renewed willingness to use the Organization would mean that the UN has to have the capacity to deal with the additional load of cases. In fact, the Secretary-General did make organizational arrangements during the crisis for an enhanced capacity in fact-finding, early warning and analytical support for his preventive diplomacy and

negotiation functions, in anticipation of more demanding functions to be carried out. However, the Organization's capacity to deal with additional peace-keeping requests would require larger financial contributions from the Member States.

Analysis of the utility of the milieu framework in explaining the UN's decision-making:

Since we have earlier used a comparative method in examining evidence to support our assumptions we start our discussion of the utility of the milieu framework by analyzing comparatively the role of environmental factors on the organization's decision making. The basis of comparison has to do with the main reasons of retrenchment found in the milieu. The reasons for cutbacks correspond to our variables in the milieu framework ('ideological change'='ideological reasons', 'economic change'='economic reasons', and 'systemic change'='reasons coming from systemic change'). Table 8 some of the differences among our case studies reviewed in chapter 7.

We see from the table that when the reasons for retrenchment are mainly economic the improvement of the economic and financial base has to be the focus of organizational decision making. Although the measures improving the economic base were clearly important goals in New York, in particular, as well as in New Jersey, they were almost nonexistent in the case of the UN. There was only superficial review of the revenue producing activities since revenue production was not considered as a proper task for the United Nations. The idea of issuing UN bonds, as had been done with early 1960's crisis, would, again, have been dependent on the Member States' willingness to allocate resources to the UN.

Table 8. Impact of environmental factors on retrenchment and reorganization decisions.

	UN	New York	New Jersey
<u>The main reasons for fiscal stress or reorganization:</u>			
-Ideological/political	+++	+	++
-Economic	+	+++	+
-Systemic changes (international or federal system)	+	+(a)	+(a)
<u>Organizational responses modified according to following goals:</u>			
-Creating PR strategy (changing perceptions)	+++	+(b)	++
-Improving economic base	+	+++	++
-Responding to changing macro-system	+	+(c)	+

Key: + = to minor extent; ++ = to some extent; +++ = to major extent
 (a)= decline of federal aid in Nixon-Ford/Reagan era, respectively, played a role
 (b)= sold new image to lenders
 (c)= own source revenues

The table also shows that when the main reasons for cutbacks are political or ideological the main task of the leadership - not agreeing with these motives (the UN case) - is to affect the perceptions of the decision-makers responsible for the cutbacks, as well as the perceptions of their constituencies.

Since, in New York, the reasons for retrenchment were economic the leadership strategy did not include any marked PR-component. In fact, the business community requested that Abe Beame's fiscal gimmicks, meant to have a positive impact on perceptions, be discontinued. (23) Governor Kean's strategy to deal with reorganization and retrenchment was influenced both by the ideological and economic factors. To respond adequately to the economic reasons he had to make New Jersey more attractive from the business point of view and to respond to the ideological reasons he had to show that he was right in his campaign promises. The latter meant the necessity to prove that through the reorganization he did make savings and that the economy and the public sector were working better than before. (24)

As far as international organizations are concerned the perceptions in Washington are of crucial importance as long as the U.S. holds its financial preponderance. Whenever the motives for legislative action to withhold financial support are ideological there are a number of political lobbyists and activists, responsible in the first place for instigating the ideological/political change, who have a stake in Congressional decisions and try, with the help of facts or propaganda, to maintain the dominant perception in favor of withholding. An effective PR strategy of the targeted organization is of key importance to counter any negative, undeserved publicity of this sort. It is as vital, although in a different context, as it is for the takeover victim in the business world, forced to influence the opinions of its stock owners in various imaginative ways (advertisements in the press, etc.).

Besides PR actions one can also affect perceptions through a major success in the main functioning of the organization that has been criticized for ineffectiveness or impotence. The publicity of the UN's 1988 successes was indeed considerable, and positively affected American perceptions.

Impact of the ideological and perceptual factors on the UN's decision making:

We noticed from the comparison that a leader of an organization has to take the milieu reasons for retrenchment into account, implicitly or explicitly, in devising his/her leadership strategy during a financial crisis. In reviewing the UN case, we find evidence to support the existence of this environmental linkage from milieu to the decisions, as far as ideological change and perceptions were concerned, at least in the following instances:

- The UN head, as any perceptive leader, had to notice that the reasons for fiscal stress in the mid-1980s were mostly ideological/political, related to perceptions among the U.S. decision-makers and their constituencies, and were only partly economic or financial. In this context the UN's PR actions would make a difference. Although, in fact, due importance was attached to a PR-strategy - in changing both the attitudes in Washington (see section 3.3.4) and in developing a long-term public information policy of the house (section 4.3.1) - the immediate PR strategy in Washington was contained and consumed a minimal amount of the Secretary-General's personal time. Another environmental factor, discussed below, constrained the scope of PR-efforts.
- During the crisis the UN Secretary-General had to show leadership at the same time on two fronts: taking care of the retrenchment as

well as handling the political crises of the world. The success of both of them had an important impact on perceptions of the utility of the UN which affected in turn the financial and political future of the Organization. In fact, the Secretary-General never stopped pursuing his functions of political crisis prevention and management, the main function of the Organization in his leadership concept, even during the worst moments of the crisis. The ideological changes in the Soviet Union, with all of their spillover effects, had been instrumental in changing the co-operation of the permanent members of the Security Council. This had improved the chances for the Secretary-General's success in the peace-making area, a challenge he had to take seriously but it also gave him an opportunity to utilize its potential to get positive publicity for the UN. (25)

- Thirdly, although the major withholding came from the U.S. the reform movement was of a deeper and longer duration; the Americans were not to be blamed alone. The ideology towards the public sector had changed, at least in most OECD countries, and the countries wanted more effectiveness from international organizations. The UN leader, as any rational leader, did pay attention to the changes in the management ideology of the Member States, and gave an image of active leadership in rapidly streamlining the Organization, in accordance with and in response to this broader ideological change. But this image also had substance: the Secretary-General created an informal, full-time structure for the planning and implementation of his retrenchment and reorganization strategy. The changes in the administrative expectations of the Member States were thus also taken seriously.

(26)

Impact of international systemic change on the UN's decision making:

We have hypothesized that changes in the international system, as registered in the power (capabilities) and role of major countries (see Model II above), had their impact on the UN's decision making in the crisis. The financial crisis opened up an emerging and evolving role for Japan which proposed the establishment of the Group of 18 - essential step that paved way towards a solution of the crisis. Japan's move reinforced its status as a major new power in the system. In order to show its economic power and ideological flexibility it promised to pay all of the expenses of the Group as well. This was all gratefully welcomed by other players, big and small, giving symbolic acceptance to a new major player in world diplomacy. The Soviet Union tried to send its own message by committing more resources to the UN (as a literal overseas commitment, using Kennedy's terminology) at the same time as the other super-power reduced them.

How did these messages, interpreted here as reflecting perceived and purported status-changes in the international system, affect the retrenchment and reorganization strategy of the Secretary-General. One can find symbolic impact rather than changes of real importance. But symbolism is important in the UN context. A line of argument followed here is that the systemic change could be noticed, indirectly, in the senior appointments and structural changes instituted (our interest here is principally the U.S., the Soviet and the Japanese appointments).

A starting point for discussion is the Group of 18, taking into account the Group's instrumental role in the crisis. Whereas the Group of 18 membership included all important powers the choice of the leadership of the Group, decided formally by the Group itself, was of importance: Chairman from Norway (a Western power) and the Vice-chairmen from Yugoslavia, Japan, Brazil and Algeria. The only major power (in our terminology) in the leadership was Japan. Another question was how the Group was serviced in terms of the staff's nationalities. This

selection was in principle under the authority of the Secretary-General. (We exclude the questions of merit and experience and just look into the nationalities of the staff.) Out of three professionals in the Secretariat the two most senior ones were a director (D-2), from France (a Western power), and a principal officer (D-1), a Japanese.

As we have seen, the formal status of any member in a UN body, such as the Group of 18, does not necessarily indicate who has much influence in the actual work. In fact, neither the formal leadership of the Group of 18 (except the Chairman), nor its formal Secretariat did have great influence in practice. Most de facto preparations and policy suggestions for the Group were still made by the Chairman and the American in the Secretary-General's Office. But the point is that the Vice-chairmanships and the Secretariat of the 18 were formally recognized entities, legitimate for intergovernmental diplomacy to receive symbols for "status" whereas informal units are not. In fact, the Member States are not necessarily interested in who is most powerful or influential in the Secretariat. What matters, from the systemic point discussed here, are the symbols considered legitimate to flag the present ranking or expected one - or one can add - the past one since the UN appointment machinery for higher ranks (the Secretary-General and his key aides) might have slack to register changes correctly and quickly.

In the course of the reform of the political sector in early 1987, the most senior Japanese in the Secretariat, with the rank of Under-Secretary-General, was moved to the political area to head the UN disarmament affairs. Yasushi Akashi had already held a position of similar rank in the UN public information unit, but DPI was not considered to belong to the political area. Later, in 1989, the first Japanese to have a post at the director level (D-2) also came to the political sector, this time in the peace-keeping field.

Both the highest ranking American and Soviet staff members in the Secretariat had resigned during the crisis and were replaced by persons from their respective countries. But at the same time their departments were targets of reorganization and retrenchment. The Soviet-led Department of Political and Security Council Affairs (PSCA) was cut in size. Its importance in disseminating political news and information was diminished when the respective unit in the Department was transferred to the new Office for Research and the Collection of Information (ORCI) and PSCA's Political Affairs Division - headed by an American Director - was reduced in status when ORCI was established directly under the Secretary-General. But the reduction in size and the loss of units happened also to the Department of Political and General Assembly Affairs headed by an American Under-Secretary-General (the loss of the oversight of the Center for Human Rights and the coordination of drugs-control related activities). (27) The Americans lost also in the administrative area (Assistant Secretary-General for General Services). Another major Western power (but in constant decline according to Kennedy), the UK, also lost somewhat in the political area when the negotiation functions of the highest British official were curtailed (although this did not stem directly from the reorganization, see section 5.1).

Although this short analysis of high-level appointments during the crisis dealt only with appointments in the political and administrative areas one can see some, although limited, evidence to support Model II's argument that the U.S. and Soviet influence is gradually but slightly (mostly symbolically) waning in the Secretariat and Japan's is increasing, as registered in the senior appointments and structural changes instituted during the UN's financial crisis. (28) Japan has also recently improved its standing in other senior appointments in international organizations, including WHO and IMF. (29)

In general, the symbolically strengthened role of the Secretary-General in the aftermath of the crisis, when the super-powers lost their role in transmitting, and thus directly controlling, information and analysis provided to the Secretary-General on political developments improves, slightly, the options for the Secretary-General's independent action in the future. The success in instituting these changes (30) in the Secretariat reflects, on its own - although in a minor way - the international systemic change towards a more multipolar world.

8.4 Theoretical conclusions on the value of milieu approach and framework

David and Kantor indicated in criticizing older environmental theories that environmental theory assumes that the authoritative activities of decision-makers tend to be responsive to the influence of largely impersonal social and economic forces but fail to explain the changes of political order since the findings are based on aggregate analysis. They state that the environmental model is incapable of explaining the possible sources of political change. By seeking to identify only simple statistical associations between socioeconomic variables and policy outputs at a point in time, patterns of socioeconomic development and their causes are excluded from the theoretical framework. In particular, one source of developmental change - the impact of policy outputs on society - is ignored. This is, according to them, because the environmental approach is unidirectional; it posits that the environment explains policy, neglecting to identify feedback effects on society which result from the decisions of public authorities. (31)

Our environmental model was not unidirectional. It did try to correct the drawbacks of older milieu theories by using, within the framework, two models to explain systemic changes of the environment.

It also stressed the feedback links which were, in fact, of considerable importance in the analysis (e.g. they highlighted the link between the variables 'perceptions' and 'willingness to pay the UN dues'). We will return to the feedback impacts in a broader meaning (whether the UN can change anything in the macro-environment itself) in the concluding section 9.5.

The analysis was not based on statistical or other hard evidence beyond our case study and the approach remains heuristic in nature. It would be possible, however, to set up empirical tests on the linkages between selected variables and to measure their potency in explaining the changes assumed in others (e.g. through surveying decision-makers' changing perceptions and consequent budgetary decisions in Washington, as a response to measurable decisions by a head of an international organization).

We can conclude, as posited in our milieu approach, that the environment had a clear impact on the leadership as evidenced in various points of the retrenchment and reorganization strategy of the Secretary-General. (32) We have also found that the specific milieu framework highlighted the fact that the reasons for retrenchment are found in the environment (these findings are used in the concluding section 9.1 in building a retrenchment framework for international organizations) - and in turn affect the direction and outer limits of the retrenchment strategy taken. (33)

The heuristic usefulness of the conceptual apparatus in the milieu hypothesis was demonstrated through the initial research questions of our milieu approach and variables in the milieu framework which prompted us to focus on otherwise neglected aspects in our study (like how the payment or non-payment of the assessed budgetary share of the UN reflects the changes in systemic factors; to what extent senior appointments were affected by changes in the international system, etc.). While we noticed that some factors in the environment of the UN

had an important impact on the retrenchment and reorganization decisions we have to think also the other way around. The UN, reformed and streamlined, and, the Secretary-General in particular, might have also an indirect or direct impact on the environment itself. This is one of the topics we will discuss in our concluding chapter.

ENDNOTES

1. Harold and Margaret Sprout, "Environmental Factors in the Study of International Politics," International Politics and Foreign Policy, A reader in Research and Theory, James N. Rosenau, ed. (New York, The Free Press, 1969), p.43.
2. See Cox and Jacobson's definition of power (footnote 2 of chapter 5). Robert Keohane and Joseph Nye have discerned two ways of seeing the structure of world politics. The one is in terms of distribution of capabilities among the major actors of world politics. Paul Kennedy provides a current example of this school of thought, seeing economic resources as a major determinant of power and influence. Paul Kennedy, The Rise and Fall of the Great Powers, Economic Change and Military Conflict from 1500 to 2000 (New York: Random House, 1987). The other way of hypothesizing the structure of global politics is, according to Keohane and Nye, to think of governments as linked not merely by formal relations between foreign offices but also by inter-governmental and transgovernmental ties at many levels. These ties between governments may be reinforced by norms prescribing behavior in particular situations, and in some cases by formal institutions. They use the term "international organization" to refer to these multilevel linkages, norms, and institutions and "international regimes" to refer governing arrangements to regulate and control transnational and interstate relations. We use the term 'international organization' in further analysis in a more traditional sense. However, the thrust of our argumentation is close to the focus given by Keohane and Nye to interdependence. It increases the need of governments, whatever their resources and capabilities, to heed their international commitments, in order to be regarded as credible partners in an interdependent world. See Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition (Boston: Little, Brown and Company, 1977), p.54.
3. During the 1980s we have seen marked ideological changes in both the U.S. and the Soviet Union. President Reagan and his top aides' ideological impact was discussed earlier. Somewhat similar changes were noticed in some other Western countries, notably in Margaret Thatcher's Great Britain. In the Soviet Union, also in the 1980s although at the latter part of it, General Secretary Gorbachev instituted a major ideological change in the country which is certainly comparable to, even exceeding, the Reagan-generated change. The process through which the public sector is going to be streamlined and free markets introduced and tested in a considerable scale in the Soviet economy was launched in the mid-1980s. But in contrast to the U.S in the early 1980s the attitude of the Soviet Union toward the universal international organizations did not change to the negative but instead gave them more prospects for greater prominence in regulating international relations. This new attitude was also felt in terms of the financial crisis of the UN. The Soviet Union made voluntary contributions and, in 1987, it started reducing its arrears. Therefore, it is hard to predict the outcome of an ideological change of a major power on the UN's financial situation, just by looking at the first signs of it. The direction of the ideological change is important. Later in this section we pay attention to the role of a political system (especially the interplay between domestic constituencies and legislative and executive branches) in honoring international commitments like membership dues.
4. Ideology refers here to the principles and values of a government, often materialized in specific political objectives pursued in any area of governmental work. These values and principles might cover attitudes towards a public power and public sector; whether it should be increased

or decreased; do the public authorities have too much or too little influence; is their work truly beneficial to the nation, etc. They also include attitudes toward economic competition, free enterprise, regulation, planning, etc. and attitudes toward multilateralism vs. unilateralism; whether the international organizations have too much or too little power or influence; does one need only regional international organizations with limited mandate or, to the contrary, truly universal international organizations with the acceptance of all consequent obligations. Political reasons to act refer on the other hand to the attainment of some specific objectives adopted by parties, platforms or administrations (governments).

5. John M. Goshko, "U.N. Is Struggling Anew in Role as Peacemaker," Washington Post, 24 October 1989.
6. About Japan's new assertiveness in the international arena, see Shizuo Saito, "The Evolution of Japan's United Nations Policy", Japan Review of International Affairs, volume 1, number 2 (Fall/Winter 1987), pp.188,206; Susan Chira, "Japan and the World: Applying Assertiveness Training to a Foreign Policy," New York Times, 6 September 1988, p.8(A).
7. "The idea of distributing the financial burden more evenly among Member States was highlighted by several speakers at the fortieth commemorative session of the General Assembly last year. The late Swedish Prime Minister, Olof Palme, was one of them. This idea is not new. Various thoughts have circulated for many years, informally in the United Nations, and among interested individuals and institutions outside." Ambassador Ferm from Sweden in the debate of the report of the Group of 18 in November 1986, United Nations, A/41/PV.38 p.18.
8. Paul Lewis, "Arabs at U.N. Relax Stand on P.L.O.," New York Times, 6 December 1989, p.3(A).
9. Kennedy, Rise and Fall of Great Powers, pp.458-470, 488-535.
10. The U.S ranked as number 80 among the UN Member States in terms of its contribution to the UN as a percentage of national income (in 1977-86, 0.007 %). The U.S. contribution is thus quite negligible in financial terms. See United Nations, General Assembly, Report of the Committee of the Contributions, Official Records: Forty-Fourth Session, Supplement No.11 (A/44/11), Annex III.
11. Kennedy, Rise and Fall of Great Powers, pp.514-535.
12. Joseph S. Nye, Jr., "Understating U.S. Strength," Foreign Policy no.72, Fall 1988, p. 129; Samuel P.Huntington "The U.S. - Decline or Renewal?", Foreign Affairs, Winter 1988, p.79. However, getting rid of budgetary deficits would most likely require tax increases. But the Americans are culturally disinclined to accept such changes for 'bigger government' (or for any long-term planning required to use peace dividends for deficit reduction if arms budgets are considerably reduced in the future).
13. The question is also the responsiveness of the American political system to new requirements of a multipolar world in which no country can any more unilaterally dictate solutions without considerable costs. The loss of Congressional consensus towards the UN - and a consensus is a prerequisite for effective executive action on UN matters involving resources - is related to the American political system of checks and balances. Starting from the mid-1980s the Congress has not only had a theoretical but indeed a practical veto over executive actions whether or not to heed multilateral financial commitments. Indeed, Samuel

Huntington sees the U.S. Congress as an archaic institution that fails to reflect the social, economic, demographic, and power transformations of this century. For him, although mentioned in a different context, the "provincial" attitudes of congressmen are ill-suited to problems and policies that are national and international in scope. See Samuel Huntington "Congressional Responses to the Twentieth Century", R.C. Moe, ed., Congress and the President: Allies and Adversaries (Pacific Palisades, California: Goodyear Publishing Company, 1971) pp.7-31 et passim, referred to in Joseph LaPalombara, Politics within Nations (Englewood Cliffs, New Jersey: Prentice-Hall, 1974), p.226.

14. In 1946, the U.S. share was proposed to be 49.89 per cent of the UN budget but at that time the U.S. objected citing the following reasons: "Such a large assessment to any nation would ultimately have an effect on the sovereign equality of nations." The share was then changed to 39.89 percent. Commenting on this scale the U.S. representative stated "...in my judgement, the general interest and economical administration of the United Nations requires recognition that no nation should normally contribute more than one-third of the administrative budget." Another U.S. representative stated in 1946: "...no one Member should pay such a large proportion that it would tend to have a dominating position in the Organization." In 1952 the scale was reduced to 36.90 percent and later to present 25 per cent. (Singer, "UN Fiscal Process," pp.318-339.) Now the old arguments have been turned around: in order to hold to its past dominance in the United Nations the 25 per cent share has to be maintained.

15. Kennedy, Rise and Fall of Great Powers, pp.469-470.

16. The UN is in one sense an interesting and focussed place to test propositions on the rise or decline of the world powers since the representations, actions or non-actions taken at the UN fora are often taken as symbolic representations of the situation in the countries and in their relations. The public perceptions matter within the international community, and the intangible concept of 'world status' is striven for and watched at, e.g. in terms of high-level appointments, whether or not these positions have real influence or not.

17. Keohane and Nye, Power and Interdependency, chapter 1.

18. See e.g. Ernst B. Haas, The United Nations and Collective Management of International Conflict, UNITAR, 1986, (Sales no. E.86.XV.ST/19); Frank Lester Sherman, "Partway to Peace: The United Nations and the Road to Nowhere?" (Ph.D. Diss., The Pennsylvania State University, May 1987).

19. The UN's success in managing political crises is also dependent on the number of cases referred to it. If no cases, or just marginal or impossible ones, are referred the prospects for success are meager. The trends in the relationship of the permanent members of the Security Council have also a major impact on the willingness to refer cases and on final success. But the leadership skills of the Secretary-General also have an impact, including his negotiation skills in conflict management.

20. Whatever the UN successes were in 1988 de Cuellar did not use them to get himself, or did not succeed in getting himself, much personal attention: Presented with a list of past and current UN Secretaries-General, 15 per cent of those polled recognized Javier Perez de Cuellar as the current Secretary-General but almost as many, 13 per cent, thought Kurt Waldheim is still the UN head - 4 per cent named U Thant, 3 per cent Dag Hammarskjold, 1 per cent Trygve Lie, and 7 per

cent said none of them was the Secretary-General. Public Opinion, Issue No.1, p.2, May 1989, United Nations.

21. United Nations, General Assembly, Proposed Programme Budget for the Biennium 1990-1991, Income Section 3. Revenue-producing Activities, A/44/6, 14 June 1989, p.65. Changes in promotional efforts and overall tourism in New York might have also affected the figures throughout the period from 1980-1988. Therefore, the figures are just indicative.

22. e.g. Elaine Sciolino, "Reagan, in Switch, Says U.S. Will Pay Some Old U.N. Dues," New York Times, 14 September 1988, p.1(A); Washington Post, Editorial, "Internationalism, Reagan Style," 27 September 1988; Lou Cannon, "Reagan's Peace With the UN," Washington Post, 26 September 1988; Christian Science Monitor, Editorial, "The US Pays up at the UN", 16 September 1988.

23. To avoid manipulation, the business interests wanted participation in supervising of the economic management of the city. But a longer term PR-strategy had to be created to some extent. This was related to an essential requirement of trust and confidence within the business community. However, in this situation, when business had a direct monitoring capacity of the leadership and thus the impact of the Mayor's decisions on economic variables was immediately known, the real actions meant much more than any special effort to affect perceptions whether through factual information or propaganda.

24. A controversy of statistics in reporting the purported savings of the reorganization between the Republicans and the Democrats (see section 2.4) could be seen in this light. Ideological reasons for cutting-back raise the stakes of information.

25. An additional but related aspect of leadership merits attention. It is assumed that during the financial crisis the governments increasingly learnt to respect de Cuellar's diplomatic persistency in his continuous peace initiatives - a man of integrity and responsibility rather than self-aggrandizement or self-rescue amid the crisis. This itself nurtured the perception of the political credibility of the Organization, as a last resort in crisis management, when - in a more multipolar world - the super-powers cannot solve all the regional crises either unilaterally or bilaterally. Nurturing trust was thus an essential part of good leadership during the crisis. But beyond that, the Secretary-General was able to turn this trust to a broad willingness by the UN membership to grant him leeway to institute necessary structural reforms, especially in the political area.

26. Had there been no wider cultural change in the attitudes of the Members States toward administrative effectiveness and budgetary control the leadership strategy might have been completely different. The sole target of action might have been Washington, including a full-scale PR-campaign involving the Secretary-General fully and personally. No serious planning for administrative and organizational reforms might have initiated. Another version might have been to put the Secretary-General's authority at stake if the money were not forthcoming: veiled or direct threats of his resignation, closing some parts and/or bodies of the Organization, curtailing peace-keeping (note the start of the 1967 Middle East war when the UN troops were withdrawn). On the other hand, had the main reasons for retrenchment been economic the Secretary-General might have seriously looked into the possibility of making the UN financially more self-supportive by increasing revenue producing activities (and also considering putting a price tag on security-related services and instituting a budgetary arrangement through which new economic powers, like Japan and ECC, would

pay more and super-powers less for the politically stable world which has enabled them to prosper uninterruptedly for four decades).

27. This loss was partly, but only partly, compensated by transforming a unit 'Secretariat Services for Economic and Social Matters' to the Department. The Soviets got a Unit Chief in the Office for Research and Information, the only new entity established in the political area, whereas the Americans didn't. However, in 1990, after the crisis a director level American (D-2) was transferred to ORCI from the British-headed Office of Special Political Affairs which was cut in size.

28. A case could be made that there are contextual factors, confusing the picture and making firm conclusions unjustified. A decline in one sector might be compensated by an appointment in another, outside our scope of research. A high-level official might be fired by pure incompetence which has nothing to do with the nationality, etc. The interviews conducted for this study, however, do not support this view. But still the scope of evidence is limited for firm conclusions.

29. e.g. Alex Brummer, "IMF Hopes for Quota Boost to Aid Eastern Europe," The Guardian, 11 December 1989.

30. In fact, Sutterlin, the main architect of the reform in the political sector was still in 1986 quite pessimistic about the chances to implement the original political reorganization plan and the gradual successes in implementation - whatever their long-term effects might be - came as a surprise.

31. David and Kantor, "Political Theory in Urban Arenas," pp.184-185.

32. Had other kinds of milieu factors been dominant in the mid-1980s, the head of the Organization could have left everything totally to the Member States (especially if the economic reasons had been the only reasons for fiscal stress). Or he could have delegated his involvement in peace-making and peace-keeping activities and concentrated in personally taking care of all the complaints raised and actions taken by the Member States, executing a full-time rescue operation (in a similar fashion as President Nixon tried unsuccessfully before his resignation). But whatever the milieu factors the values and personality of the Secretary-General makes a big difference as we will discuss in the next chapter. In this line, it would be interesting to speculate how more politician-type Secretaries-General, like Trygve Lie and Kurt Waldheim, would have managed in the situation of the mid-1980s. Had they taken Washington's withholdings as a personal and political attack (criticism against how they were personally running the Organization) and, consequently, instituted confrontational, defensive, or PR-loaded strategies to deal with the problem?

33. Besides the outer environment studied in this chapter the inner environment, including decision making and leadership modes discussed in chapter 7, affect the decision-making strategy chosen. We have previously discussed the fact that environmental factors are unable alone to explain the decision-making strategy developed. The leader's final strategy or non-strategy will be formed as an outcome of interplay between environmental factors (outside and inside) and his or her leadership mode. The prediction of decisions of the Secretary-General becomes difficult for a particular decision since the same initial leadership mode can produce different leadership types for any particular decision, depending on the character of environmental input (both outer and inner environment). This is, in fact, close to the characterization given by John Steinbruner of the leaders of the

"uncommitted thinking" mode, usually found in high leadership positions. We will return to these synergistic effects of the environment and decision making in our concluding section 9.3 in proposing a preliminary framework for a cybernetic theory of leadership. See Steinbruner, Cybernetic Theory of Decision, pp.128-131.

CHAPTER 9

CONCLUSIONS: THEORETICAL AND PRACTICAL FINDINGS

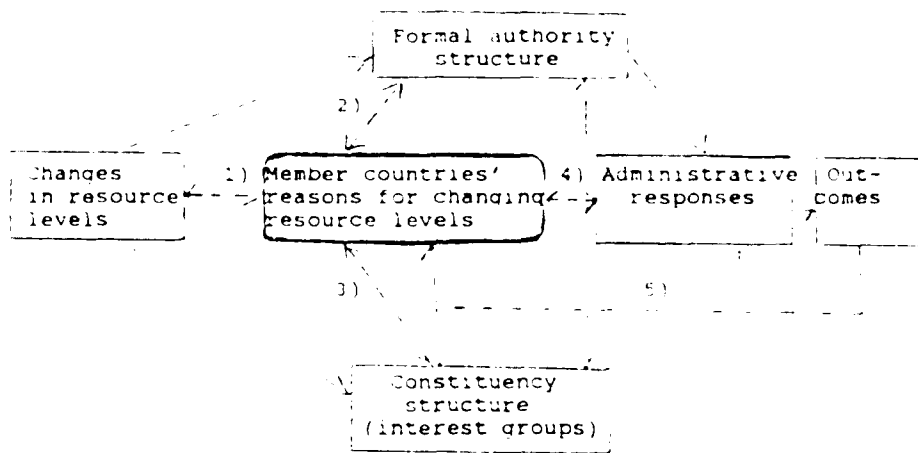
9.1 Towards a theory of retrenchment in international organizations

To conclude the discussion in this dissertation we shall try to generalize the main findings of the research in theoretical propositions and practical conclusions. The first theoretical issue is whether we have developed enough building blocks to establish a theoretical model or framework to analyze retrenchment in all kinds of international organizations in a more systematic way than before.

The urban retrenchment model by Levine, Rubin and Wolohojian has been, in many ways, useful in providing a well organized approach and innovative concepts to describe retrenchment at the United Nations as well. To make the original model more adequate for processes, responses and the outcomes of international organizations where members are states, the model must be modified to take into account the nature of these organizations. The reasons for changes in resource levels in international organizations, which are as a rule dependent on financial contributions by their member countries, are mostly political and ideological although economic factors might also have an effect. This focus contrasts with fiscal crises in cities and other revenue-producing organizations, where pure economic factors play a more prominent role.

If we add a new variable: "Member countries' reasons for changing resource levels" to the original urban model the addition would help to tie the model to the milieu discussion of chapter 8 (the new variable represents the 'outer environment' in our milieu framework). Furthermore, this modification would bring the 'environment' into the original model and may improve its ability to describe urban retrenchment itself, and especially that of federal agencies that do not have their own revenue-producing activities. The new model is presented in Figure 9.

Fig. 9. Theoretical model to analyze retrenchment in international organizations



- KEY:
- > new relationships discussed in this section
 - new variable
 - relationships of the original urban retrenchment model
 - original variables in the urban retrenchment model

Based on our case study we can draw the following corollaries from the new model concerning the relationship of its variables:

1) RELATION BETWEEN 'CHANGES IN RESOURCE LEVELS' AND 'MEMBER COUNTRIES' REASONS FOR CHANGING THEM'

There is an important distinction between economic and political/ideological reasons that might prompt member states to change contribution levels to an international organization. Ideological/political reasons are typical causes for financial stress in international organizations. Ideological and political reasons to withdraw participation or withhold contribution might prompt other countries to follow suit (cf. events leading to withdrawals of the UK and Singapore after the U.S. withdrawal from UNESCO) or might, as a counteraction, cause other countries to raise their contributions to increase their political influence in the organization (cf. Japan's and the USSR's actions after American withholdings in the UN case).

2) RELATION BETWEEN 'FORMAL AUTHORITY STRUCTURE' AND 'MEMBER COUNTRIES' REASONS FOR CHANGING RESOURCE LEVELS'

Formal authority structure (e.g. majority vote in the budgetary process) that a member state finds unsatisfactory might prompt, or legitimate, ideological and political reasons for withdrawals or withholdings to force changes in the organization. A threat to do so affects the administrative responses - see 4) below - but might also introduce a movement to change the authority structure (e.g. scale of assessment) to the disadvantage of a withdrawing/withholding country.

3) RELATION BETWEEN 'INTEREST GROUP STRUCTURE' AND 'MEMBER COUNTRIES' REASONS FOR CHANGING RESOURCE LEVELS'

Unilateral withholdings for ideological or political reasons, although possibly strengthening coalitions of close allies of the same

ideological inclination, create resentment and political tension among the other members and their coalitions and might cause efforts to reduce the relative influence of the state responsible for withholdings, ultimately creating an incentive for this country to reinstate the original contribution level.

4) RELATION BETWEEN 'ADMINISTRATIVE RESPONSES' AND 'MEMBER COUNTRIES' REASONS FOR CHANGING RESOURCE LEVELS'

Administrative responses by an organization to fiscal stress are geared to take into account any political/ideological reasons for withdrawals or withholdings; satisfactory administrative change might provide an incentive to a withdrawing/withholding state to reinstate participation and/or the old contribution level; if this does not happen the reasoning described in relationships 2) and 3) above are reinforced.

5) RELATION BETWEEN 'OUTCOMES' AND 'MEMBER COUNTRIES' REASONS FOR CHANGING RESOURCE LEVELS'

Positive final outcomes - if clearly attributable to political/ideological withdrawals and withholdings and consequent administrative and authority structure changes - might, in the short run, eliminate the reasons for withdrawals or withholdings and improve the financial situation of the Organization but also ultimately also validate the practice of politically-motivated withdrawals and withholdings (cf. the new threat by the U.S. in 1989 to withdraw from WHO and other UN agencies that might accept the PLO as a member state of the organization). This is not in the long term interest of the organization. Positive results may also reinforce the motivations for any major withholding contributor to maintain the financial lever over the organization (to maintain the present scale of assessment structure in the UN case).

The theoretical corollaries derived from the model have been based on a study of only one international organization, the United Nations. Any further research on retrenchment in the UN, regional or other international organizations (with state membership) might test and modify this overall model. In fact, there is ample room for research in the field since retrenchment seems to be endemic in the international community, and a number of organizations have had to cut back, although the expectations of their performance seem to be growing due to changes in the international system as was discussed earlier.

9.2. Some initial working assumptions addressed

Complexity of retrenchment in international organizations vs. retrenchment at the national and local levels:

In our introduction (chapter 1) we assumed that public international organizations have a more difficult task than national public organizations, such as a city like New York or any federal agency facing budget cuts, in guaranteeing a rational and coherent approach throughout the scaling-down process. We hypothesized that the international constituency, which sets the Organization's ultimate objectives and strategies and provides its financial support, is a more complex mixture of political ideologies, cultures, management practices, and national interests and patronage than can be found in any national or local setting.

In our research we found, somewhat surprisingly, that this premise did not hold, based on the evidence gathered and analyzed from the UN case study (see especially chapter 7). We found a combination of the following factors explaining contrary results to our expectations:

- (a) Nature of politics: UN politics seem to be somewhat more elitist with fewer participatory groups gaining access to decision making than in national and local politics, thus opening avenues, at times, for more "rational" outcomes. The UN politics consists

on the one hand of diplomatic debates, negotiations and decisions among delegates in the Security Council and the General Assembly, other UN bodies and subsidiary organs and, on the other hand, diplomacy between the Secretary-General, governmental and other leaders, the delegates and high officials in the Secretariat. The unions do not have such bargaining rights as are often found in national and local politics. Parties and caucuses have their equivalents in UN diplomacy in terms of regional and other groupings (and perhaps lobbyists in non-governmental organizations with observer status). But the machinery of full-time political activists (equivalent to party bosses and party officials) orchestrating political packages and concrete policies behind the delegates seems to be less developed at the UN than in national and local party politics.

Horse trading deals do occur but in a smaller scale than in national and local politics, partly since the large constituency corresponding to the electorate in national and local politics (the peoples of the world) has not such a direct influence and meaning in the politics at the United Nations as at the national and local levels. There are no direct world elections and global referenda. Consequently, full-scale direct campaigning directed at the large world constituency, with generous (and often conflicting) promises for gathering votes from the masses, is almost non-existent at the UN. Campaigning, when and if it happens at all, is undertaken among diplomats and governments only.

At worst, the nature of these diverse - although elitist - players and their coalitions, with a wide variety of differences among ideologies, national interests and cultures - produces stalemates. At that moment the opportunities for leadership by the Secretary-General is crucial, and can, promptly

- done, produce coherent strategies to identify new concepts and common interests and initiate implementation of practical action.
- (b) The constitutional role of the UN Secretary-General: In our case study, the Secretary-General exercised relatively strong and innovative leadership during the crisis. That kind of leadership seems to make a lot of difference in getting decisions from the international community, especially in administrative matters. The UN Charter offers both obligations and opportunities for this kind of leadership. Constitutionally the Secretary-General is the sole administrative head of the Organization but also, politically, more or less equal with the other UN organs in preventing and managing wars or disputes. This gives the head of the Organization a key role in taking initiatives, implementing them and breaking stalemates (often, although not always, behind-the-scenes).
 - (c) The specific nature (type) of leadership taken in this crisis: We have found that the Secretary-General used the opportunity opened up during the UN financial crisis positively and showed strategic leadership, as was discussed in chapter 7. The creation of an informal ad hoc structure for planning and implementing reforms, and thus minimizing - although only temporarily - the parochial influence of the barons (departmental heads), assisted in arriving at a rather consistent and rational approach in this retrenchment and reorganization.

The applicability of the findings made in the reorganization of the U.S. Government to reorganization of the UN:

James March and Johan Olson, referring to the U.S. experience and also to similar research from other countries, saw dim prospects for success in reorganizations, especially in a shorter range. However, in this view, reorganization efforts might have some educational and

symbolic values in the longer term. As major scholars in the field, their assumptions and conclusions carry some weight and require comparison with our findings. Their key conclusions of what the expected results of a reorganization are likely to be are summarized and compared to our case study as follows (the phrases between quotation marks are found in section 2.4):

- (1) "In terms of their effects on administrative costs, size of staff, productivity, and spending, most major reorganization efforts have been substantial failures." We found, however, that - as the reorganization in New Jersey - the staff could be reduced, spending curtailed and structures created, which are working adequately (e.g. budgetary reform), at least in the shorter run.
- (2) "Most reorganizations fail to survive political trading. The realpolitik aspect of the reorganization means that fundamental political interests, within the bureaucracy and outside, seek access, representation, control and policy benefits in the organization which thus reflect victorious interests and establish a mechanism for future dominance. Thus, conflicts and inconsistencies found in statutes, authorizations and contradictory legislative mandates cannot be coordinated through reorganization. Reorganizations easily become garbage cans, highly contextual and happenstance combinations of people, choice opportunities, problems, and solutions."

We found in our case study that some trading occurred (e.g. in the political reorganization) but this did not mean the collapse of the whole plan. Partly this was attributed to the fact that the scope of trading was minimized through secrecy of preparations and by limiting access to the ad hoc structures created for various reorganization efforts. The elitist nature of politics at the UN explains partly the success in limiting access

and political trading. The crisis atmosphere in turn allowed the leadership to carry out organizational and procedural innovations, and also forced all other players to co-operate and compromise, to a reasonable degree, in order to get quick results, potentially benefitting all.

- (3) "Reorganizations have difficulty in sustaining the attention of major political actors and drive reorganization into competition for scarce resources of attention." Reorganization was forced on the United Nations through financial stress. In this kind of case the issues are bound to maintain the attention of the key players until the crisis is solved, at least to a minimum degree. After the crisis the attention will, however, dissipate. (As a practical lesson, it is, therefore, crucial to act swiftly when the crisis is still on. More leeway is then allowed - and even latitude - to proceed with novel plans.)
- (4) "The reorganization is often an expression of current, or reemerging expression of social values, a symbolic frustration with bureaucracy and governmental intrusion in private lives but it is also a symbol of possibilities for meaningful action - though, in fact, crystallizing as an alternative for action, a pure cultural and repeated ritual. Therefore, there is no real interest to study the results achieved by the initiators."

We found indeed that there was a lot of symbolic values involved in the UN reorganization. But since there was also a real crisis something innovative had to be tried and was, in fact, done beyond ritualistic measures. The delegates in the General Assembly have now expressed interest in studying the long-term impact of the reforms (see section 4.5) contrary to March's and Olson's expectations. In addition, although it might be somewhat extraordinary to present it as evidence, this dissertation might be an indication of interest in studying the reorganization and

its results, from the theoretical point of view, by people who used to be involved in the reform process.

9.3 Towards integrating concepts of the environment, decision making and organizational design into the theory of leadership

We can assess the theoretical findings of this study from a broader perspective also, i.e. what is its potential input to political science theory in general, beyond the more specialized area of retrenchment theory discussed previously. We will use the criticism of the public policy formulation literature given by Stephen David and Paul Kantor as our starting point.

David and Kantor have argued that theoretical innovation in public policy formulation has tended to be one of piece-meal breakthroughs, with theoreticians focusing on particular sets of variables while neglecting the larger phenomena to which the parts are related. Environmental, decisional and policy output theories constitute three such innovative currents. Yet, because all of them are essentially segmental theoretical attempts, they are unable to explain adequately how changes in the policy making process occur. What is needed, according to David and Kantor, is a comprehensive analysis exploring critical interrelationships among environmental, decisional and output variables in order to reconcile and integrate existing theoretical formulations. (1)

We suggest that the approach followed in this study takes key features from all of the theoretical approaches to which David and Kantor refer, and integrates their elements. Furthermore, the approach applied in this dissertation offers an overarching concept of higher-level abstraction, that of leadership, which plays a unifying role as the common denominator at different levels of analysis.

According to David and Kantor, theorists on decision making (among them Robert Dahl and Graham Allison) deal with how policies are

formulated, stressing the idea of policy making as a process of decision, i.e. the interactions of socially microscopic phenomena encompassing interpersonal relations, groups and other aggregates. Larger macroscopic elements, such as environmental and institutional forces which impinge on individual behavior, are treated in micropolitical terms. Thus, rules of the game, political norms, and legislative bodies are considered to be specialized processes themselves. However, according to David and Kantor, it is difficult to use this form of analysis to explain transformations in the policy-making order because theories on decision assume that mechanisms for political change exist within each decision-making process. Therefore, like the environmental theories, decision-making analysis does not explain what causes the developments in the decision-making process which lead to new patterns of policy formation and governmental output. Moreover, David and Kantor also assert that the assumption that decision-making processes are the source of change can be and has been challenged. (2)

Output theorists - for instance Aaron Wildavsky in his seminal books on budgeting (1964 and 1976) - try to link decision-making processes with different types of policy outputs. The impact of particular policies tends to be associated with distinctive forms of decision making. Again, according to David and Kantor, the approach fails to specify the conditions which lead to changes in the independent variables and also neglects the possibility that environmental factors may be an important source for change. (3)

In contrast to decision-making and output theorists, the research focus in this study tried deliberately to include both decision making and environmental change in its conceptualizations. We stated earlier that our milieu hypothesis includes feedback links from decision-making strategy formulation to environmental factors. The empirical analysis of the linkages, including typologies of decision-making patterns

associated with particular strategies and their feedback outcomes, were left for further research. The milieu hypothesis provides a pre-theoretical conceptual framework at this stage, but it is intended to help develop more specific and meaningful hypotheses and to set the stage to test them later with more accurate measures. (4)

Towards a cybernetic theory of leadership:

We now analyze more specifically the relationship of our study to theories of decision making. In this way we can better arrive at a conclusion about the contribution of this research to the broader field. To do this we compare our findings with certain characteristics of the "classical decision-making models" - as we call them here - found in the literature on decision making. We are interested in the key features of the 'rational', 'organizational process' and 'bureaucratic politics' models developed by Graham Allison and the 'cybernetic model' of decision making presented by John Steinbruner. To the last one we add a 'cognitive model' by Steinbruner, meant by him to complement the original cybernetic paradigm.

First, we argue that the theoretical findings of this dissertation point out the usefulness of three concepts and corresponding (although cross-cutting) levels of analysis in describing and explaining the decision-making behavior in an organization under stress: 1. Decision-making mode = the combination of formal and informal decision-making structures in an organization; 2. Leadership mode = initial (and subsequent) characterization of the organization's leader's tendency to follow a certain pattern in making decisions; 3. Environment = combination of key factors identified as critical to decision-formulation and located outside the organization's leader's immediate and individual decision making.

We now hypothesize that the conceptual framework for an eventual theory of leadership under stress can be formed on the basis of these

three conceptual elements. (Leadership here means the leadership in complex organizations, ranging from a firm to a government and to an international organization.) Moreover, if we redefine the stress factor (i.e. an organization facing a crisis) to be just one particular element in the environment in which the organization operates the combination of the above mentioned concepts offers a pre-theoretical framework for a cybernetic theory of leadership, presented in the most general terms. (Note that the cybernetic theory of leadership builds upon, but is distinct from, Steinbruner's cybernetic model of decision making.)

The relationship of these concepts to the actions of a leader, providing support for the cybernetic theory of leadership, can be described as follows: a) What is the leader's action in relation to the decision-making mode of the organization (which is a combination of its formal and informal, permanent and ad hoc decision-making structures): The leader decides this mode initially for his tenure (although the formal departmental structures might be more or less given and imposed on him/her under usual bureaucratic constraints) and separately, for instance, for any crisis period when more leeway is often given to the leader. b) What is the leader's action in relation to the leadership mode: Although the initial mode is given (reflecting his/her personality, beliefs, values, experience, etc.) the leader modifies his/her standard behavior through learning or through new types of (perhaps tentative) choices taken, especially during the crisis; some input into this modified behavioral pattern comes from the decision-making mode (see 1. above, e.g. suggestions for action from informal teams) as a reaction to the factors coming from the environment (see 3. above). (Sometimes the suggestions from, and the leader's interaction with, the informal part of the organization might be the most enlightening way of understanding the actual decisions taken.) c) What is the leader's action in relation to the environment: The leader

acts and reacts to the environment at all times (e.g. taking into account considerations a) and b) above) but can also try actively to influence the environment for longer-term purposes in order to produce certain kinds of environmental factors to which he/she could react (innocently) in the way he/she would prefer (reinforcing his/her initial or preferred leadership mode).

These concepts do not yet constitute an elaborate model - in the sense of Allison's and Steinbruner's systematic formulations - but some reference to these classical models of decision making can be made. The purpose is to show that the main elements of the classical models can be identified within this new conceptual framework. But since our research has also highlighted some new aspects of decision making, this approach can also provide useful pointers for future research which have been omitted by the classical models.

The typical behavior of organizations described by Graham Allison in his "organizational process model" comes close to the behavior in the "decision-making mode" in our terminology, especially when the activity is understood to take part in the formal part of the organization. Neither Allison nor Steinbruner talks explicitly, as a topic, about how crucial these informal structures are to decision making, although these sometimes play a pivotal role, especially during a crisis, as this study has demonstrated. We discussed earlier that the creation of an informal but powerful internal structure during the UN financial crisis explained a major part of the surprising rationality of the decisions taken.

A model which contains informal structures as a research focus might be useful in describing and explaining results (decisions made) in organizational crises: scandals in governments, the response by multinational companies as well as governments to major accidents, etc. The creation or non-creation of new, ad hoc, structures to deal with the crisis might explain a major part of the success or failure of the response. Since the old formal structures tend to be ill-prepared to

face totally new situations and thus just continue according to the organizations' standard operating procedures, the inability to form new and informal structures quickly probably corresponds closely with slow and uncoordinated outcomes. It is no accident that situations such as Watergate, Bhopal, Chernobyl, the Iran-contra affair, Exxon Valdez and others are seen by observers to be the real test periods of leadership talent at the top.

The "rational model" which both Allison and Steinbruner use as their starting point, has the intentional behavior of individuals as the philosophical basis for the model. It is an adequate approach for describing the initial "leadership mode" of the leader in our terminology. Immediately after appointment, he or she is thinking about his/her own leadership objectives, foreseeable problems, etc. (before the leadership actually starts in practice and there is still time to think 'rationally'). The rational model is less useful during the period of active duty when he or she has less time and energy to remodify his/her position according to standard rational criteria.

When the leader is interacting with the environmental factors (including his own organization, especially the formal part of it) we could use the "bureaucratic politics model" by Allison to describe how decisions are reached. But 'the environment' is a wide concept, and it can be divided into outer, inner and intermediate environments as we did earlier in the analysis. The bureaucratic politics model does not explicitly make this distinction, but, as we have hypothesized, this might result in useful methodological inroads. To make the point we will use the concept 'intermediate environment' as an example of a new research focus.

The intermediate environment and the variables identified therein (including "perceptions") can show how a leader may influence the outer environment in the short- or long-term. In the short-term, the leader can try to influence the perceptions (see section 7.4) of key

constituencies to get out of the crisis, and in the long-term he/she can try to show strategic leadership to shift the larger environment in a desired direction. On the other hand, intellectual leadership shown by visionary strategic leaders in government and/or international organizations, through their practical but far-reaching initiatives - in effect introducing new concepts and values - can change perceptions in a deeper way than mere PR-actions do to solve a particular crisis or gather electoral support. Visionary leadership changes, potentially, the very culture among the constituencies, which is a crucial element in triggering a change in the whole environment (we will return to this discussion in section 9.5).

Finally, all three conceptual levels identified in our leadership framework interact all the time with each other when the leader is considering an action, acting and/or reacting (or doing all at the same time). The leader can in principle, as well in practice, correct his position at any time in terms of any or all of these levels of analysis. For this reason he or she monitors especially critical variables established from the leaders's own perspective (implicitly or explicitly). It is in this sense that we can call this a cybernetic approach, coming close to the methodological focus of John Steinbruner's cybernetic model of decision making.

As we have seen in our case study, in order to deal with complexity and uncertainty prevalent during a crisis, the leader has to use some variation of organizational design to fulfil his/her goals. Steinbruner's cognitive paradigm, amending the cybernetic one, can be used to explain the choices made in this connection.

According to cognitive theory, firm, categorical beliefs are dominant in a leader in situations of intense uncertainty and complexity. (5) According to Steinbruner, the three cognitive syndromes of thinking identified in organizations - grooved, uncommitted and theoretical modes - state, in the most concrete terms, the general

argument of cognitive theory as to how basic structures come to be established for complex decision-making problems. Inference mechanisms of the mind impose structure on uncertain situations in systematic ways under given organizational conditions, and the cybernetic decision-making process operates within the structure thus established.

(6) We have built upon this observation but modified the argument. First, we noticed different thinking modes of the leader within the same organizational structure according to changing situations (see section 7.4). Secondly, as seen in the case study, we have maintained that the leader can intentionally establish a special informal structure to deal with complexity and uncertainty by composing a group of his or her "trusted men and women".

A comparison of the New York City and the UN cases, particularly in light of the similarity of organizational decisions, shows the crucial importance of this informal structure. In order to be effective, the trusted men and women (for instance Rohatyn in New York City and Sutterlin in the UN case) should (a) have capabilities that the crisis requires and that the leader might not have (organizational skills, strategic planning skills, etc.); (b) represent, indirectly, some major interests in key constituencies (note that Rohatyn came from the business community elite and Sutterlin was formerly a high-level U.S. official and still had direct contacts to the top level in the U.S. State Department; (c) possess a basically similar value system as the leader (in a non-threatening way).

The last point is an important practical and theoretical one to make. Cognitive theory asserts that under severe uncertainty a leader tends to resort to categorical beliefs rather than hard evidence. In this critical moment a choice of appointing key advisers for the crisis, perhaps the most important decision of the whole period, is fundamentally affected by deep-rooted values/beliefs. The "trusted men and women", as a critical ad hoc structure, will only have the necessary

trust of the leader if he/she knows that they share his/her values (we will discuss the question what these values were at the UN case in the last section 9.6). The problem for a leader is to find individuals who fill all of the requirements specified in (a), (b) and (c) above.

The cognitive paradigm of Steinbruner gets us into a deeper level of analysis, that of the leader's intentions, goals, beliefs and inner psychology. The intellectual tools Steinbruner offers in presenting a cognitive amendment to the cybernetic theory of decision making could be useful for this next level. The cognitive aspects touch upon questions of motivations and the value system of the leader and can be used to explain the initial leadership mode and, more interestingly, the degree the leader is willing to change his mode in face of changing environmental conditions and suggestions received from his formal and informal advisers. We will briefly return to the question of these 'intangibles' in the section 9.6.

Leadership is not ever shown in a vacuum but in a particular ideological environment of a particular time. We will now discuss the features of management ideology of the 1980s and, later, how this might change in the future as well as what chances the UN leadership has to influence both the ideology and the practical actions of the member governments.

9.4 Drive for efficiency: Similarity of retrenchment in the private and public sector as part of a change in management culture of the 1980s

The question has been raised a number of times in this dissertation whether retrenchment is something which plagues all organizations, whether urban, state, national or international, profit or non-profit, private and public. Recent increases in corporate takeovers, especially in the United States, is indicative of the retrenchment values of the 1980s. Corporate downsizing and reorganization is imposed on the firm by deliberate acts of corporate

raiders - who claim to act out of concern for corporate efficiency and better management - and not by traditional market mechanisms as is expected in normal reshuffling of a corporation due to sagging profits. Because the new surge of efficiency-driven raiders appeared in globalized financial markets, approximately at the same time as the sudden emergence of new efficiency reasons for retrenchment and reorganization in international organizations, we can suspect that their common roots lie, to a great extent, in the American-inspired "efficiency culture" of the decade.

As in the corporate world the financial stress on international organizations in the 1980s did not emerge from anonymous market mechanisms, but mainly from deliberate decisions made by their biggest budget contributors, i.e. by efficiency-driven politicians. The politicians and their constituencies had retrenchment-centered motives and ideologies, just as the corporate raiders did. But there were also differences between two cases. (7)

Table 9 shall compare, schematically, the retrenchment and reorganization features in the UN case and the cases of New York, New Jersey, World Bank, as well cases related to business takeovers. We shall try to draw a general profile of retrenchment in the 1980s. The chart clarifies some concepts used earlier in this study. The similarities of the cases are located at the bottom of the table, providing a common denominator for retrenchment - that of efficiency. The cultural level - where we find the ideological origins of retrenchment - is formed by basic sets of prevailing values, and one particular set refers to current management values (for a more specific definition of the 'value' concept, see section 9.6). We have noticed that a very pertinent value of the 1980s has been 'efficiency' per se which, in fact, provides in every case a good justification for those initiating retrenchment processes. It is indeed easy to refer to these kind of values, accepted by everyone at a very general level.

Table 9: Comparative profile of retrenchment from the point of view of the reasons for retrenchment.

Main reasons for retrenchment	Political (the UN)	Ideological (New Jersey, World Bank)	Economic (New York)	Takeovers	Defense against takeover
Organizational level of initiators	parties, administrations	head of the organization	market	raiders	CEO
Motivations of key initiators	political	ideological	- (market balance)	profits and/or power	survival
Number of key players	a few	one (initially)	large	one (initially)	one (initially)
Crucial instrument used for initiation	withholding decision	management initiative	credit denial	takeover bid	management initiative
Main defence mechanism	reform PR	-	reform	-	reform PR
Ideological origins	management culture	management culture	management culture	management culture	management culture
Justification	efficiency	efficiency	efficiency	efficiency	efficiency

The motivations are the more specific reasons of the initiators of the retrenchment process for attaining immediate identifiable goals, the attainment of which results often in retrenchment as an instrumental, secondary outcome. Motivations can be based solely on a set of values, coming directly from the ideological level, or only indirectly, in which case motivations are economic, organizational, political, psychological or other reasons to attain concrete goals. Retrenchment could thus be seen quite often as an outcome from an instrumental and intentional process to attain other goals. (8) We will continue the analysis of values and motivations guiding decisions on retrenchment in the UN in our concluding section 9.6.

Any changes in management culture will affect the frequency of future retrenchment cases both in the public and private sectors and, indirectly, how well the management of the world economy creates wealth, and welfare and, at the same time environmental and social problems. We now turn to questions about how the overall management ideology might change as a result of environmental changes and in turn alter, along with other milieu factors, the requirements for leadership at the United Nations.

9.5 Lessons for the future UN leadership: Can you affect the environment, instead of simply reacting to it?

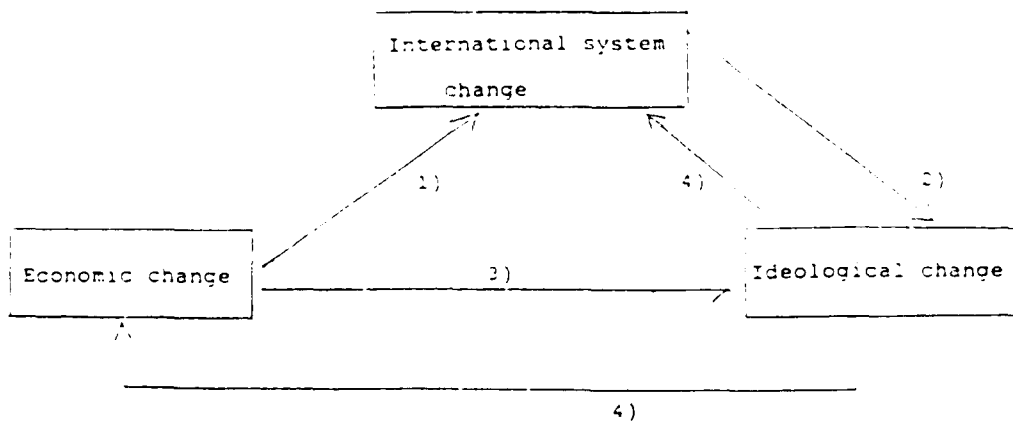
In chapter 8 we discussed the relationship between the UN's leadership on the one hand and the environmental factors - economic, ideological and systemic change - on the other. We have analyzed this relationship from the standpoint of environmental factors affecting the UN's decision making and not the other way around, from the standpoint of the UN affecting the environment. We now turn to this potentially important feedback aspect.

We argue in this section that the trends observed in the environment in the 1980s point to a more multilateral and interdependent

world. This development has increased the need for intellectual and coordinating leadership by the Secretary-General. But the UN has been unable to respond to these new requirements and to provide effective co-ordination, especially in the economic and social fields. The findings of this dissertation show that only a major global crisis could give an opportunity for the Secretary-General to move the UN to the forefront in this field and to act as "a center for harmonizing the actions of nations" envisaged in the UN Charter.

The key macro-variables presented in the milieu framework in chapter 8 provide a framework to understand future changes in the world in general. We hypothesize the following key relations between the environmental variables discussed earlier:

Fig. 10. Relations between economic, systemic and ideological change.



In order to discuss the future we have to be speculative. But this could still be done in a credible way, based on our findings, and on the arguments and concepts discussed in previous chapters. The future direction of the relations marked by the arrows in the chart are argued to be developed along the following lines:

1) Economic change in relation to international systemic change.

Paul Kennedy has provided arguments on the predominance of the economic base in determining the relative power of nations in the world system.

(9) The changes taking place in national economies gradually affect the whole international system, and the global international system evolves to reflect the more multipolar character of world relations.

2) International systemic change in relation to ideological

change. The cultural climate in the world changes as a result of systemic change, putting more stress on multilateralism and on related values in order to respond to increased global multipolarity. Values will gradually change to fit the new mode of multilateralism, accommodating the need for better international co-ordination and crisis management in the world scene where political, economic, and other crises are more intertwined than before (providing new breeding ground for conflicts) and increasingly requiring management and preventive efforts by actors other than the super-powers (e.g. new economic powers, middle powers and international organizations since the super-powers no longer have such unilateral or bilateral leverage as before).

3) Economic change in relation to ideological change. The

successful economic performance of some countries will make an imprint on the business values of other countries and reinforce the values of management culture of the economic winners of the future (assuming the continuous success of Japan these will be Japanese efficiency, team spirit, discipline, hard work, sacrifices for the future, etc.). The ideological change might have an indirect impact on international organizations (the same efficiency principles might be tested in some international organizations).

In terms of privatization, increased competition and economic deregulation, the prominent (Western) values stressed in the 1980s will be tested in non-OECD countries (Eastern Europe and the Third World).

(10) Depending on the results achieved, the world management culture

will change accordingly. The continuous rise of these values (privatization, etc.) will, however, require more attention to be paid also to harmonization aspects of national and individual actions at the global and regional levels. (11)

4) Feedback loop: Ideological change in relation to international systemic change and economic change. Increased complexity and multilateralism combined with efficiency and privatization will bring about more pressures for enhanced coordination and harmonization of the international system, including its economic and financial base. (12) This would mean, in practice, that more attention should be paid by international organizations to the interactions between changing world economics on the one hand and global or regional security on the other. The economic factors interacting with social, political, and environmental factors can easily cause imbalances and disruptions in the world of tomorrow. (13)

The fourth relationship above raises the following fundamental question: Is the UN able and willing to take the leadership role in coordinating the economic and social sectors of the world (including environmental questions), required by the dynamism of the interactions of the above-mentioned factors in the years and decades to come? Donald Puchala and Roger Coate regard, in fact, the inability of the UN to make a credible contribution to these sectors, in terms of authoritative co-ordination and intellectual leadership for coherent policies and innovative visions, as a major flaw in the United Nations system of today. (14)

As our case study has shown, the effort by the UN's Member States to reform the economic and social sectors, and to enhance the UN coordinating machinery in general, failed during the 1985-1988 crisis. This would justify Puchala and Coate's pessimistic concerns about the future prospects for any reform in this area. We will now argue that a strong leadership initiative could make a difference. If the Member

States are unable to show leadership in the economic and social areas the UN Secretary-General can assert himself in the future and have a major influence in this vast field but - we argue - only during a crisis of major proportions. (15) In this line, the findings of this study point to the following conclusions:

(I) The Secretary-General would not have much possibility of asserting intellectual and coordinating leadership in these areas in normal times for the following reasons: (a) one can expect major turf problems with specialized agencies with clear economic and/or social mandates, such as IMF, WB, UNDP, UNCTAD, UNEP, etc., (agencies which would not likely welcome this kind of leadership initiatives at this point); (b) the Secretary-General has no special experience in this area and probably may not have it in the future since the election of the Secretary-General will likely be made on political grounds (in which process diplomatic experience counts); (c) no credible effort was taken by the Secretary-General during the 1985-88 crisis to assert leadership in this area.

(II) During a major crisis, however, the situation is quite different. A really severe crisis could be of two types: one is a major new UN financial crisis. This would not, however, be likely to open avenues for leadership initiatives since reform was already tried once and it failed. Furthermore, such a crisis takes place only in the Organization not in the major countries, thus lacking a major driving force (a real crisis atmosphere necessary to push through any deeper reforms of the whole UN system). Therefore, a second alternative seems to be the only way to open realistic opportunities for leadership initiatives: a major world crisis. It could be economic (financial), political or environmental with severe economic and financial consequences.

As the analysis of our case study and that of the New York crisis have shown, when a hidden, long-lingering crisis suddenly deepens, the

de facto authority to plan and implement crisis management strategies tends to be taken up by higher political authorities if the lower authorities, charged with authority in normal times, are unable to launch new initiatives and innovative thinking required by the sudden environmental change. But a precondition for reform is that the higher political authorities are able and willing to start to exercise stronger leadership.

If a severe economic or financial crisis in the world takes place (just to take an example of a major crisis), and is suddenly deepening with major political repercussions - despite the efforts of the major powers or the IMF, and the World Bank - then the initiatives of the Secretary-General might be welcomed as a political and symbolic leader of the whole UN family with higher political standing than any other agency head (or governmental head for that matter, assuming the super-powers have lost a major part of their hegemonic powers in the future, in a true multipolar world). But as this study has shown this leadership scenario will only be possible if:

- the Secretary-General has innovative ideas in terms of substance, form and organization (requiring, for instance, an immediate creation of an informal group of top-notch advisors);
- he/she asserts himself/herself firmly in his/her new position of influence by launching coordinating initiatives with major players on the world scene (requiring, for instance, that his/her informal advisors are also major figures in the world, able to make packages with all the major outside parties involved);
- he/she moves ahead under his/her own terms and not within the framework defined by parochial interests (e.g. as represented by the major powers or agency heads);

The Secretary-General could also use the opportunity of a rapidly-changing outer environment to assert his new coordinating authority for the future, by instituting necessary structural changes

(which the agencies and the major powers have to accept as a part of the package). Thus, a big change like this opens a window of opportunity. But the Secretary-General has to act swiftly for any longer-term impact - as this and other studies have shown. If this does not happen, the leadership vacuum will be filled by other players, or their coalitions, who might, however, have less chances to exercise effective leadership, lacking the same broad international legitimacy as the Secretary-General, to act as crisis manager in a major world crisis.

To conclude, we have used the lessons from the case studied in this dissertation to argue that the UN Secretary-General can make a difference in the economic field, in the capacity of a major participant, mainly during a major crisis. Lacking this he/she would be best served by sticking to political diplomacy since excessive diversification (e.g. going forcefully and unsolicitedly to economic, social and environmental fields) may be risky. In the end he/she might easily lose all of his/her political capital, still much needed in any major world crisis of the future.

Although an opportunity might not open up easily to assert authoritative leadership in the economic area a lot could be done in other areas to respond to new requirements of the 1990s and the 21st century. B.G. Ramcharan has put forward the following propositions about the requirements for leadership in the UN secretariat: (16)

1. The purpose of leadership in the United Nations Secretariat is to help in the realization of the goals of the Organization as stated in Article 1 of the Charter. Leadership is, therefore, required in the political, economic, social, humanitarian, environmental and administrative sectors.

2. The Secretary-General should interpret and communicate the relevance of the Charter to his or her times.

3. The Secretary-General should exercise leadership in developing policies as well as leadership in the conduct of diplomacy. On matters

of policy, the Secretary-General should participate in the process of identifying the main challenges before the international community, shifting approaches and strategies to meet these challenges and helping in the determination of policy options to be pursued by the United Nations.

4. Leadership in diplomacy requires efforts by the Secretary-General to help build consensus around issues.

5. The Secretary-General also has important leadership functions with regard to early-warning, peacemaking and peacekeeping (Article 99 and other provisions of the Charter).

6. The Secretary-General has a responsibility to lead the Secretariat as an intellectual organ, as a servicing organ and as a group to be motivated.

7. The Secretary-General should help co-ordinate and integrate the activities of the United Nations system.

8. The Secretary-General should organize his Executive Office and make arrangements designed to promote a sense of policy orientation in the Secretariat, a sense of direction in the activities of the Secretariat and a feeling that all parts of the Secretariat are working together.

Will recent UN reforms help subsequent Secretaries-General fulfill these requirements. (17) The answer is 'possibly yes' on two counts: (18)

We argue that the UN reform has increased, to a degree, the Secretary-General's technical and organizational capacity to show intellectual leadership in tackling the root causes of instability in the 21st century. We maintain that the daunting task of doing this is not possible without the help of the world academic and research community. When as part of the reform process a new office, ORCI, was created for this and other analytical purposes, preliminary steps were taken, according to its new mandate, to create also an outside research

network to support this potential leadership function. The establishment of a concrete partnership between the Secretary-General and the research community would enable him or her to mobilize teams of scholars to produce, even on short notice, multidisciplinary research on the challenges of the future. (19)

The vision of a national leader is usually short-lived, limited in scope and intended for domestic consumption. In contrast, the Secretary-General is perhaps the only world leader who has a mandate to direct world attention to the various massive dangers looming ahead in the 21st century; and if urgent multilateral action is warranted, he or she can do so effectively by mobilizing the General Assembly, or the Security Council by invoking Article 99 of the Charter.

The UN reforms have also increased the Secretary-General's capacity to articulate strategic visions and expose problems to the world public before they explode. Like any world leader, the Secretary-General exhibits part of his leadership role through speeches, statements and reports. Speeches are part of policy-making and they should, ideally, be incorporated into the overall leadership strategy, reflecting both the political judgment of the moment but at the same time providing warning about problems on the horizon, identifying workable strategies for solutions and preparing consensus for action - all the time drawing upon the best available research and ideas developed in the world. Again, the Secretary-General established a new capacity for this task in ORCI - a specialized drafting service for speech writing, working in co-operation with the research staff of the office.

As in the case of the new Office's early warning potential, the development and utilization of this new research and speech writing capacity is still in its infancy. But the intellectual challenges of the future might be so demanding that the full mobilization of both the UN's resources and those of the academic world community might be

needed, through research networks and informal channels, to identify problems before they get out of control and to provide bold new ideas and strategies for the Secretary-General to cope with new problems by initiating and coordinating the necessary multilateral action.

Finally, one has to notice that the UN reforms brought about a better organizational capacity with the potential for intellectual and strategic leadership. Its future use, perhaps even its existence, will depend on the will and skills of future Secretaries-General. If the premise of the growing interconnection of future global issues is true, the selection of that person will be of vital importance for the whole UN system, even for the course of international developments in the 1990s and beyond. This is one of the issues discussed in our concluding section.

9.7 Epilogue: Intangibles of leadership

The discussion of the previous chapters has left one dimension of leadership unanswered, that of the permanent inner values (overarching fundamental beliefs) of the leader and how particular values of the highest order affect the decisions taken, if at all. The cognitive theory discussed in section 9.3 does not deal with this aspect, since it concentrates rather on the question of the structure of beliefs and regularities found in the processing of the mind. (20) But what about the content of the basic moral values, and motivations stemming from these deeply-held-beliefs? Does the adherence to certain fundamental values affect the decisions taken?

It is clear that values affect decision making but they are often left by political science for philosophy, psychology and religion. This is unfortunate since, if we could control other parameters, such as the structure of the organization (decision-making mode), the leadership mode (including the regularities of mind that the cognitive theory is speaking about, the psychology of the leader and the group dynamics with

his/her immediate aides) and finally the environment, we could try to explain - on the basis of values - certain decisions which are difficult to understand only as a resultant of the other variables.

The full discussion of this question is beyond the scope of this study. Instead we postulate here a working hypothesis, a value hypothesis, (21) which might explain the content of some of the decisions taken during the financial crisis. We also suggest some further corollaries which follow if the hypothesis proves to be true. We don't try to prove this, however, with factual evidence but offer it rather as a hypothetical conclusion explaining part of the 'unexplainable' noticed in this study.

Some relevant definitions are necessary to clarify such concepts as "value", "ideology" and "belief". Janice Beyer, drawing upon the work of Apter, Freud, Erikson and others, defined ideology as relatively coherent sets of beliefs that bind some people together and that explain their world in terms of cause-and-effect relations. (22) Values, on the other hand, concern what should be. They are said to be normative standards by which human beings are influenced in their choice among alternative courses of action or a rationalized normative system of preferences for certain courses of action or certain outcomes. (23)

As we discussed in section 7.4 the initial leadership mode of the top decision-maker was a tendency to take a certain pattern of decisions which was affected by his/her personality, past experiences, human and group psychology but, also, his/her values. The values could have been formed on the basis of ideological factors, experiences in earlier years, (24) or, inherently.

We could now first postulate our normative value hypothesis by stating that a pervasive and dominant value present in the belief system of any UN Secretary-General, giving an operational pattern for his/her decisions, should be that of 'integrity'. Secondly, we hypothesize that this value was indeed present in the decision-making strategy of the

Secretary-General in 1985-1988, and a decision-making model incorporating this value could explain some of the decisions taken better than other models (such as the rational or cognitive model) in certain situations of the UN financial crisis. (25)

Integrity is often understood to be required from the holder of the UN Secretary-General's office by the characteristics of that post. A simple operational definition of integrity, in order to study it empirically, is the leader's tendency to make decisions in terms of the fulfillment of the UN Charter's principles and objectives and not in terms of his/her personal gains, the interests of his/her nation or other parochial reference groups, whether this is in terms of his/her re-election, place in history, or any other things much valued personally by the office-holder.

Our tentative answer to value hypothesis suggests that de Cuellar did stand this test and his basic strategy to deal with the crisis was influenced by a value structure where integrity was an important component. We don't try to prove this empirically, decision-by-decision, but just offer it as a supplementary or alternative basis for explaining some of the basic decisions taken.

His values could explain the decision by de Cuellar to continue the sensitive negotiations to solve the ongoing political crises more or less as before, although the destiny of the Organization, and his future as well, was at stake after the financial crisis erupted in 1985. In line with this argument, we could interpret some strategic decisions taken as coming from values rather than from pure rational considerations (as for instance specified in a classical rational model).

According to this argument, in 1985-88 the Secretary-General felt that it was his duty to be there - in peace making activity - where his full contribution was most needed, according to the Charter obligations, even if the Organization was facing bankruptcy. He had to

do so no matter what happened to his political future. Therefore, his decision to concentrate on political crisis management rather than "full-time rescue operation of the Organization" was based on values and not calculated "rationally", i.e. the decision was not taken as a sophisticated strategy to affect perceptions in Washington (as was indeed suggested by the discussion in chapter 8) through successes in managing political crises (calculated in 1986 and 1987 to have better chances due to changes in East-West relations).

We hypothesize rather that the decision to prefer political 'crisis management' over an organizational one was simply based on deep values although it served him well in the final analysis as if suggesting the presence of a rational initial calculation. But reasonable and responsible attention was also given to financial crisis management and the consequent reorganization, e.g. through the establishment of the informal structures for crisis planning and implementation. But this was not intended to consume a major share of his time.

We can also support, and elaborate, the integrity assumption by propositions from cognitive theory, as described by John Steinbruner. Using argumentation from cognitive theory we argue that the values not only affected the focus of the basic strategy of the Secretary General but as well the selection of the team he created for the financial crisis management - and this could even explain some of the surprising rationality achieved.

The cognitive theory suggests that, during a crisis, decisions tend to be based more on deeply-held beliefs, in face of increasing uncertainty, than on hard evidence about desirable choices, to be prioritized carefully and systematically according to rational considerations. (26) During the UN financial crisis there was as much uncertainty as in any crisis. As a way to cope with this uncertainty the Secretary-General first made a decision - as a value-guided choice -

to stick to the principal political job he was supposed to do according to his Charter mandate and a tradition set up by previous Secretaries-General and not to overreact and panic by changing the focus suddenly to administrative and budgetary area. Secondly, uncertainty about the future would be also reduced if a small group of trusted individuals, and with same values as the leader (although possibly with different skills and experience), would be asked to find out whether the UN could be streamlined and reorganized in meaningful way for better performance.

This argumentation, if proved to be valid, has certain theoretical and practical implications. First, the necessity of picking a group of individuals around the leader to achieve most effective results (e.g. setting up 'management teams' as discussed in a comparative context in chapter 7) could be explained on the basis of cognitive theory (a leader has to find some way to master increased complexity during a crisis). We also argued that a leader has a tendency, in a major crisis, to choose only those individuals who have the same value structure as himself/herself to deal concretely with the deepening crisis. Thirdly, if, in the UN case, the group (or its main members) indeed had the same values as the leader (integrity) then more emphasis could be placed on doing things correctly according to "rational" considerations. This is so because the 'integrity model' of making decisions in the UN context is, in fact, conceptually close to a 'classical rational model' (which excludes as a main focus the role of parochial interests and the psychological ambitions of the players; our 'integrity model' postulated the same thing as a normative hypothesis).

Values were therefore hypothesized to be involved at two levels in our case study. They guided the initial selection of the team for the inner cabinet. But their content - that of integrity - increased, through the operational values of the inner cabinet, the likelihood of implementing a rational planning approach to the retrenchment and

reorganization - rather than doing things just sounding good, scoring short-term PR-points, resorting to excessive publicity measures, etc. (27)

Had the Secretary-General had different value system he could have ordered his inner cabinet (and its infrastructure) to concentrate on a publicity campaign to enhance the Secretary-General's image (as a symbol of the Organization), including his visits and appearances in Washington and in the U.S. media - but then also increasing the 'stage character' of the UN rescue operation. The hard-selling of the Organization to its constituencies would have resembled the theatrical approach often present in national and local politics. Henry Kissinger has considered a 'stage character' to be a natural aspect of the U.S. Presidential briefing and decision-making which the players have to realize and accommodate in order to be successful. (28) But Perez de Cuellar definitely did not want to do follow a salesmanship strategy in the crisis. (29)

If we accept 'integrity' as a value which should always guide the UN Secretary-General then a practical question might follow. Is a national or local politician a good candidate for the job of the Secretary-General? We will discuss this pragmatic point as a conclusion of this study.

The cognitive theory tells us that during immense complexity and uncertainty, as in an organizational crisis, the leader tends to resort to firmly-held categorical beliefs and values, irrespective of facts and evidence suggesting other kinds of action. A claim could be made that the operational values of national and local politics, held by experienced politicians, are determined by considerations geared to the political survivability and political career of the participants. To achieve these, in fact, reasonable goals, politicians have to influence the electorate by all necessary means, where public appearance, the PR-component, lobbying and other stage-measures play a major role.

Would this mean that a seasoned political candidate for the office of the Secretary-General, with extensive experience in national or party politics, would see the international community also much in national and local terms, with bargaining, deals, PR-actions and all the theatrical characteristics used back home to influence the electorate, producing often chaotic results but, most importantly, also stable coalitions able to govern effectively. The thesis of "dewaldheimization of the UN" by Johan Galtung could be seen in this light, i.e. as a wish to depoliticize the Organization from the methods used, and individuals immersed, in party politics. (30) It also stresses the urgency to bring the "integrity of the candidate" to the election process for future Secretaries-General.

It is the politicians themselves who will make the final choices for future Secretaries-General through their representatives in the Security Council. The ultimate question is, then, whether they see that the interests of the whole international community are not best served by the same leadership characteristics found effective and legitimate in party politics. If they prefer diplomats, civil servants, scholars and others over seasoned national or local politicians, as reasonable candidates, this would give a practical response to this question.

Politics in international organizations is qualitatively different from politics in national and local settings, as we have already discussed - although there are a number of similarities. But the differences are decisive for the leadership required at the United Nations, as this study has sought to demonstrate.

ENDNOTES

1. David and Kantor, "Political theory in Urban Budgetary Arenas," pp.183-187.
2. Ibid. pp.185-186.
3. Ibid. p.186.
4. In the following section we relate our overall approach and findings particularly to environmental and decisional approaches. We discussed already the nature of the environmental approach in this study (see section 8.4), separating it from the old environmental theories which have not adequately, if at all, used feedback mechanisms. In fact, our milieu framework, as a research approach, comes close to systems analysis or cybernetics, stressing feedback links and servomechanisms in describing events and their relations to the environment. In our case, one could interpret that the "system" tries to balance the difference between the goals of its parts (survival and enhancement of the role of the UN) and its observed present state (e.g. the UN crisis) through feedback links (e.g. to change perceptions among the constituencies to the positive in order to improve the chances for prompt payment of dues). It is not crucial what terms one uses but rather that the terms are adequately understood and defined for the purposes believed to be useful. For us, the environmental approach has been useful in putting the decision making in a proper context, internally and externally. To use the principles, terms and the concepts of systems analysis would need new definitions and a separate discussion about the whole tradition, a task not necessary for this study.
5. Steinbruner, Cybernetic Theory of Decision, p.110.
6. Ibid., p.136.
7. More specifically, politicians have motives but constituencies are driven by values related to ideologies which provide the breeding ground for the particular motives held by the politicians.
8. Political motivations are those which refer to the attainment of some specific objectives adopted by parties, platforms or administrations (governments). An ideological reason, on the other hand, is broader and more vague and has not, as such, an immediate, more concrete goal but refers directly to the adequate set of values at the ideology level (e.g. one could initiate a reform to increase efficiency as such).
9. Kennedy, Rise and Fall of Great Powers, p.xvii. Dramatic political developments which started in late 1980s in the Soviet Union and Eastern Europe give new credibility to Kennedy's argument. Paradoxically, they also confirm a fundamental Marxist argument about the predominance of the economic basis, as a driving force of history and society, over its superstructure of ideology, culture, politics, philosophy, etc. (although not going in the direction foreseen in classical Marxist literature).
10. The trend is clear. Concerning the Third World, in a report of a high-level United Nations expert meeting in 1989, with over half of the participants coming from the developing countries, the meeting recommended for least developed countries, for instance: "...each country is urged to devise a package of macro economic measures which will create an conducive domestic environment, allowing competition to improve efficiency and encourage the development of indigenous

enterprises... While most LDCs began their development process with the public sector, this should gradually be confined to strategic areas, leaving the private sector to become a major engine of growth." UNCTAD, "Report of the High Level Experts' Meeting on the Role of the Enterprise Sector in the Development of the Least Developed Countries", Helsinki, 4-6 April 1989, Second United Nations Conference on the Least Developed Countries, Preparatory Process for the Conference, UNCLDC II/2, 5 May 1989, pp.2-3.

11. This will include the world commons (environmental problems, drug trafficking, etc.) and the question how to manage the increased interdependency aspects of development, transgressing national boundaries in an ever-increasing scale. Another problem is the social development trend in the world: how to treat the victims of a retrenchment-oriented efficiency culture: those downsized from the work and work opportunities, permanently unemployed, minorities with lack of skills, etc.

12. The attitudes are changing as the following quotation from Jeane Kirkpatrick testifies: "Maybe the U.N. will get the chance in the 90's to show what it can do. Three reasons are cited for believing the world organization may play a more important and constructive role in the next decade than in a very long time: the winding-down of the Cold War; the increasing number of problems that involve more than one country, and the manifest predisposition of both George Bush and Mikhail Gorbachev to use the U.N." Jeane Kirkpatrick, Washington Post, 11 December 1989.

13. Indications of these trends are the controversies, and social and political turmoil, caused by IMF loan conditions in a number of countries in late 1980s.

14. Puchala and Coate, The UN in Changing World Environment, pp.57-59.

15. A less extreme position would be that only a major crisis would increase the opportunities to take a stronger leadership since there are always options to show leadership and initiate action whether there is a crisis or not.

16. Introductory presentation by B.G. Ramcharan at a seminar of Friedrich Neumann Foundation on the UN reform, the United Nations, 22 February 1990.

17. The creation of the Office for Research and the Collection of Information (ORCI), through the reforms coming out from the crisis, was meant, among other things, to facilitate a potential change in the Secretary-General's leadership mode. In fact, we have to add a new category to our typology of leadership: besides 'administrative', 'diplomatic' and 'strategic' leadership types discussed before we have to add a 'visionary leadership' mode to our typology. Simply said, the Secretary-General who is willing to show in a dynamic way both strategic, diplomatic, intellectual and managerial leadership, according to Ramcharan's propositions, belongs to this visionary category.

18. The following is based on the paper given by the author in a Conference on the Reduction of the Risk of War through Multilateral Means in Kingston, Canada, 7-8 October 1988. Tapio Kanninen, "Towards Effective War Risk Reduction within the United Nations Framework," a conference sponsored by the Yale Program for International Security and Arms Control and the Canadian Institute of International Peace and Security, pp.8-10.

19. If this cooperation is undertaken under the Secretary-General's direct authority under the Charter it would eliminate intergovernmental scrutiny, which often produces mediocre, compromise-laden and timid results, not necessarily suitable for the needs of the Secretary-General in preventive diplomacy and crisis management.

20. Steinbruner, Cybernetic Theory of Decision, p.94.

21. We use the term 'hypothesis' in this section in an abstract sense. The value hypothesis is an assumption that values could be used to explain decisions taken, together with other variables affecting the situation, hypothesizing that in certain circumstances the values might be the most important driving force behind a single decision.

22. Janice Beyer, "Ideologies, Values, and Decision Making in Organizations," Paul C. Nystrom and William H. Starbuck, eds., Handbook of Organizational Design, Volume 2: Remodelling Organizations and Their Environments (London, New York: Oxford University Press, 1981), p.166.

23. Ibid.

24. Steinbruner discusses this at various points in the theoretical part of his Cybernetic Theory of Decision. Researchers in psychology - perhaps even including Steinbruner who has his basic education in the field - tend to explain the behavior of humans only in terms of psychological/cognitive laws omitting the role of values whereas in philosophy, especially in moral philosophy, the values are the main objects of study.

25. More specifically, our value hypothesis consists of a normative and empirical component. The normative part is an axiomatic statement about how the things should be and is not subject to empirical testing. (Of course, one can argue whether the normative proposition is a realistic or generally acceptable position.) The empirical part of the hypothesis asks whether the leader behaves in reality as normatively posited and is subject to testing.

26. Steinbruner, Cybernetic Theory of Decision, pp.110, 122-123. We could separate beliefs (which are factual things in a person's mind) from values (which are normative). This is not often, however, done in discussion. Beliefs in this sense usually mean deeply-held convictions both about a certain state of affairs and their desirability.

27. Rationality is, on the other hand, perhaps easier to accomplish in international organizations, since it might be more difficult (although not impossible) to deceive the elitist group of diplomats by populist measures than the broad electorate in national politics.

28. Henry Kissinger, "Domestic Structure and Foreign Policy," in James N. Rosenau, ed., International Politics and Foreign Policy: a Reader in Research and Theory (New York: The Free Press, 1969), p.265.

29. An observer has remarked that during the crisis his PR aides proposed a more aggressive approach to promote the image of the Organization. His popularity as a Secretary-General, a symbol of the Organization, could have been used for an elaborate media coup (any competent media consultant would most likely have proposed something similar to a leader or politician whose organization or reputation was in serious trouble). But his response was reported to be: your job is to sell the car, not the driver!

30. Galtung, "The UN Today," p.15.

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