

*Corporations, Environment, and International Comparative Advantage* which begs the question.

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**When Knowledge is Power: Three Models of Change in International Organizations** by *Ernst B. Haas*

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"Organisations are a means of achieving the benefits of collective action in situations in which the price system fails".<sup>1</sup> They have flourished in both domestic and international arenas, even though we know little about the design of organisations. Economists have been reluctant to try to extend their ideas about optimal resource use to organisations, even though such invisible capital is being seen as the real wealth of nations.

Ernst has now made an important contribution to our understanding of organisational change. He focusses on international organisations, noting that they are all designed to solve problems that require collaborative action for a solution. His approach is to try to explain "the change in the definition of the problem to be solved by a given organisation" (p.3). For example, the World Bank problem began as the rebuilding of Europe and changed successively to spurring industrial growth in the developing countries and the elimination of Third World poverty.

Haas argues that problem redefinition takes place through one of two processes: adaptation and learning. In the first of these, activities are added or dropped. The implicit theories underlying the programme are not examined; the organisation's purposes are not questioned; and a technical rationality triumphs. Change is incremental. In the second, the theories and original values are questioned; the purpose is redefined; and a substantive rationality triumphs. "New nested problem sets are constructed because new ends are devised on the basis of consensual knowledge that has become available, as provided by epistemic communities" (p. 3).

Each process yields models of organisational development. Adaptation can divide into 'incremental growth' or 'turbulent nongrowth'. Learning is associated with a 'managed interdependence' model. He attempts "to suggest when and where each model prevails, how a given organisation can change from resembling one model to resembling one of the others, and how adaptation can give way to learning and learning to adaptation" (p.4).

Which organisations have shown themselves able to adapt and, at times, to learn? Answer: World Bank, WHO, IMF, OECD, UNEP, and IAEA (p. 161). Which are the less successful cases? Answer: UNESCO is an example. It "never enjoyed a coherent programme informed by consensual knowledge and agreed political objectives; it suffered no decline in institutionalisation and power because it had very little of these in the first place. Both authority and legitimacy declined to a nadir in 1986 after decades of internal controversy over the organisation's basic mission" (p. 5).

This book impresses on several counts: first, the careful analysis; second, the richness of the organisational evidence; and, third, the potential gain from a fusing of Haas' analytical approach with two elements of economics — the traditional concept of efficiency and the information-theoretic approach that has come to be labelled information economics. This third count is of major importance, despite the fact that the book's blurb does not number economists amongst those whose interest it seeks to elicit, listing only political scientists, organisation theorists, bureaucrats, and students of management and international administration.

Limited space enforces choice so I shall concentrate on the potential benefits of adding the economic dimensions. As to efficiency, Tinbergen, in a neglected paper, has attempted to compare alternative forms of international co-operation. He was, I feel, justified in his belief that his essay was "prolegomena to a complete and useful method of evaluation" (p. 231).

The second economic aspect involves a close look at the information processes involved. Arrow's approach was to ask how new items got onto the agenda of organisations. What were the obstacles? His theme was that "the combination of uncertainty, indivisibility, and capital intensity associated with information channels and their use imply (a) that the actual structure and behavior of an organisation may depend heavily upon random events, in other words on history, and (b) the very pursuit of efficiency may lead to rigidity and unresponsiveness to further change".<sup>2</sup>

This review would turn into a lengthy paper if I were to attempt to fuse together Haas' analysis and Arrow's information-theoretic approach. Both recognise the role of information in reducing uncertainty. Arrow emphasises the cost of information and its influence in shaping forms of organisation. It would be an interesting exercise to try to attach cost tags to the processes of adaptation and learning in the Haas models and to take account of the capital costs involved in creating his organisations.

How successful is Haas' effort to delineate the conditions under which organisations both redefine problems and change their methods for defining problems? Two comments seem appropriate. First, the consensual knowledge provided by epistemic communities seems rather dependent upon the role of experts including scientists and technologists. Haas' earlier work<sup>2</sup> questioned the influence of scientific knowledge, many of the experts surveyed concluding that only random application of knowledge was feasible. Second, the epistemic communities are themselves organisations and are subject to the risks of organisational obsolescence that Arrow highlights.

Overall, this is an important and very well produced book, to be read by all those who need to appreciate that knowledge of how to design organisations may have a bigger contribution to make to solving the world's problems than have science and technology.

## REFERENCES

1. K.J. Arrow, *The Limits of Organisation*, Norton, New York, 1974, p. 33.
2. J. Tinbergen, 'Alternative forms of international co-operation: comparing their efficiency', *International Social Science Journal*, 30, 2, 1978, pp. 223-37.
3. *ibid.*, p. 49.
4. E.B. Haas, M.P. Williams and D. Babai, *Scientists and World Order: The Uses of Technical Knowledge in International Organisations*, University of California Press, Berkeley, 1977.

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