

Neoliberal Institutionalism

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CHAPTER 11

NEOLIBERAL
INSTITUTIONALISM

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INTERNATIONAL politics today is as much institutional as intergovernmental. International institutions can be found in every functional domain and in every region in the world. Modern reality consists of an alphabet soup of institutions, that includes the United Nations (UN), World Trade Organization (WTO), International Monetary Fund (IMF), Nuclear Non-Proliferation Treaty (NPT), International Atomic Energy Agency (IAEA), Trade-Related Aspects of Intellectual Property Rights (TRIPS), Missile Technology Control Regime (MTCR), European Union (EU), Shanghai Cooperation Organization (SCO), Association of Southeast Asian Nations (ASEAN), Organization of the Petroleum Exporting Countries (OPEC), Asia-Pacific Economic Cooperation (APEC), North Atlantic Treaty Organization (NATO), North American Free Trade Agreement (NAFTA), Gulf Cooperation Council (GCC), and so on.

Even when people discuss the seeming irrelevance of institutions, the argument presumes institutions. The complaint of US unilateralism only makes sense in a world where the presumption is that states do not act unilaterally as a matter of course. If the world truly approximated the realist vision of autonomous independent states acting in their self-interest in an anarchic setting, then unilateralism would be the norm and would elicit little comment or even the characterization of unilateral.

The study of international institutions has grown alongside their growing number. It draws upon diverse analytic traditions and impacts the broad range of international relations scholarship.

1 A LEXICAL AND HISTORICAL INTRODUCTION

1.1 Institutionalism

The moniker of neoliberal institutionalism is a product of scholarly branding and product differentiation and is one I would prefer to do without. Just as everyone uses a computer but typically not for computing, and even as we talk about game theory though it is not a theory of games, so this chapter will talk of neoliberal institutionalism. Ironically, those who use the label never address whether the “liberal” qualification means that there is an “illiberal institutionalism,” or whether it is possible to talk of institutions and not be a liberal. Unfortunately, scholarly literature in the field revolves around labels and “isms,” and so this chapter will use the common parlance of international relations even though it is essentially about institutions in international politics.

1.2 A Reactive Field Discovers International Organizations

The field of international relations responds to real-world events and historically has shifted the substantive focus of investigation to reflect changing reality. Following the First World War, and with the creation of the League of Nations and the emergence of international law, the field necessarily focused on international organizations. The literature was largely descriptive and normative. When the League failed to deal with aggression in the 1930s and the Second World War broke out, the reaction was to castigate the emphasis on international organizations and international law. The critics dubbed those who promoted international organizations as idealists who believed in the possibility of international cooperation and contrasted them with realism and its emphasis on power and conflict (Carr 1940).

Yet, following the Second World War, there was even more of a broad-scale effort to construct international organizations (Ikenberry 2001). The UN was created, as were the World Bank (initially called the International Bank for Reconstruction and Development) and the IMF, among others. Moreover, the steps taken toward European integration, especially the creation of the European Economic Community, also constituted important institutional developments. Scholars necessarily took note, and international organizations and regional integration became established subfields of international politics.¹

¹ Ironically, the key victim of the realist shellacking of idealism was not the study of international organizations, but rather the study of international law. What had been part of the core curriculum in

The emergence of European integration was especially momentous. On the Continent, where the state system had developed and which had been witness to centuries of great-power rivalry and war, states were combining aspects of governance in some new creation. The project of European unification has undergone fits and starts over the past half-century, but the very project itself implies some transcendence of the anarchic state of nature in which realists presume states find themselves.

1.3 From Organizations to Regimes to Institutions

During the more than half-century since the end of the Second World War, the field of international organizations has undergone significant changes, captured by the changing terms used to characterize it. In general, and consistent with broader changes in political science, the subfield became less normative and increasingly theoretical. What began as the study of international organizations and regional integration took a dramatic turn in the early 1980s in what came to be called regime theory, and was subsequently rechristened neoliberal institutionalism. The turn consisted of both a broadening of the focus and a specific formulation of the causal logic.

The original post-1945 focus was on international organizations, concrete entities with a physical presence—names, addresses, and so on. A typical definition was that of “a formal arrangement transcending national boundaries that provides for the establishment of institutional machinery to facilitate cooperation among members in the security, economic, social, or related fields” (Plano and Olton 1979, 288). This rather narrow conceptualization was broadened with a focus on regimes, defined as “principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue-area” (Krasner 1982, 185).

The second critical feature of this intellectual turn was that it rooted the existence of international institutions in the core elements of realist theory: states, power, and interests. Rather than argue that regimes were somehow a different feature of international life, that they constituted an alternative way of thinking about international politics, regime theorists accepted the realist view of states as the central actors of international politics, and they accepted the central realist premise that state behavior is rooted in power and interest.² In addition, they used

international relations before the Second World War, the study of international law, was relegated to law schools and was systematically ignored by political scientists for more than half a century.

² Emblematic of the convergence implied in this formulation is the fact that the critical contributions to regime theory are in a special 1982 issue of *International Organization*, which was edited by a prominent realist, Stephen Krasner. For more on regimes see Young (1986); Rittberger with Mayer (1993); Hasenclever, Mayer, and Rittberger (1997).

the intellectual tools of conflict analysis such as game theory and derived a self-interested basis for the existence of international institutions.

Before long, the term regime was replaced with that of institution. The key reason is that it allowed those in international relations to connect intellectually with the re-emergence of the study of institutions in economics, political science, and sociology. In all these fields and in various subfields, an “old institutionalism” which had focused on formal institutions was being replaced by a “new institutionalism” which embodied a broader conceptualization. Across fields and subfields, scholars could accept the definition of “institutions,” as “the rules of the game in a society, or more formally, [the] humanly devised constraints that shape human interaction” (North 1990).

The expansion in focus made it possible to recognize a broader array of international politics as being comparable and similar. Take, for example, the efforts by states to stop the proliferation of nuclear weapons and their delivery systems. In the 1960s, the vast majority of states signed the NPT and constructed an IAEA to monitor compliance. Years later, to deal with the ancillary issue of delivery systems, states capable of exporting missiles came together and created the MTCR. Although dealing with similar concerns, preventing the spread of particular weapons systems, the two arrangements were constructed quite differently (Rasmussen and Stein 2001). The IAEA was an international organization, but there was none created by the MTCR. Yet both the NPT and the MTCR could be considered international regimes or international institutions. One implication of this broader focus is that scholars could assess the role of international institutions prior to the arrival of actual international organizations.

1.4 Liberalism

Those who studied the post-Second World War international organizations were called liberals. In part, this was because they focused on the cooperation that underlay the new post-Second World War international arrangements. Realists after all focus on conflict and minimize the prospect for, and the nature of, international cooperation. In addition, in focusing on international cooperation and new institutional arrangements, scholars were accepting the possibility of change and improvement (both classically liberal notions) in contrast to the realist emphasis on the continuous and unchanging nature of the reality of international anarchy and the omnipresent prospect of war.

This intellectual turn to a focus on regimes, although it was intended by some to bridge the gap between realists and institutionalists, was nevertheless considered liberal for two reasons. Even though realists had by this point rooted their arguments in microeconomic arguments about competition among the few, the core argument that international institutions constituted mutually beneficial

arrangements reflected the classically liberal argument of economists about individuals and firms engaging in mutually beneficial exchanges. In addition, this new institutional turn also drew on arguments made by economists to explain the integration of firms. Economics was built on the logic of large numbers of producers and consumers exchanging in an efficient market. In classical economic theory, the size of firms could be explained only by economics of scale—that is, efficiency improvements from becoming larger. But firms had clearly grown beyond simply scale efficiencies. Economists thus had to explain why firms replaced market transactions and internalized them in a corporate structure that included production facilities in multiple locations. Economists developed an argument about market transaction costs, and that in some cases firms found hierarchy more efficient than the market. This argument was appropriated by international relations scholars to explain international institutions (Keohane 1984; Lake 1996; Weber 2000). Thus, this new institutional literature, despite emphasizing self-interest as realists do, despite drawing on microeconomics as realists do, and despite using game theory as realists do, was dubbed neoliberalism and neoliberal institutionalism because of its emphasis on cooperation and institutions.

1.5 Rationalism: The Grand Union

The use of game theory and the demonstration that institutionalized cooperation could be explained from a starting point of the power and interest of independent actors made possible not only a rapprochement between realists and neoliberal institutionalists but even an intellectual union in a perspective some dubbed as rationalism. Game theory made possible integrating conflict and cooperation in a unifying framework in contrast to having the field divided between those who studied conflict, especially crises and war, and those who studied cooperation and institutions. It also held the prospect for an integration of those who focus on security and typically emphasize the conflictual nature of international politics and those who study international political economy with its substantial domain of cooperation between states. It made possible a recognition that there were cooperative elements even in the midst of conflict and conflictual elements even in the midst of cooperation.

By the late 1990s, one could detect two distinct views. On the one hand, some accept a view of limited difference between neorealism and neoliberal institutionalism and talk of a single perspective of rationalism (Katzenstein, Keohane, and Krasner 1998). On the other hand, one continues to come across studies setting realism and liberalism against one another as competing explanations (Baldwin 1993; Kegley 1995) and assessing their subtle differences (Schweller and Priess 1997; Jervis 1999).

2 COMPETING FORMULATIONS AND PERSPECTIVES

2.1 Institutions as Marginal and Epiphenomenal

Those who do recognize the seemingly obvious reality that international politics is riddled with institutions must perforce confront the implications of this development. Those who believe they have a set of concepts and theories that have explained international politics all along are quite reasonably chary of discarding them because of the emergence and growth of international institutions. Realists trace their intellectual roots to Thucydides and see states as the primary actors and emphasize the role of power in determining outcomes in the anarchic setting of international politics. And realists see international institutions as a relatively small and irrelevant component of international relations and in any case reducible to the twin realist verities of power and interest (Stein 2001*b*).

Realists have downplayed the role of institutions in international politics for two general reasons. While not denying the obvious reality of a vast array of institutions, they have argued that institutions exist typically in “low politics” domains of lesser importance such as transportation, communication, health, and the like, and not in the “high politics” domains of national security and defense. In these areas, institutions constitute a “false promise” (Mearsheimer 1994–5).

The second main criticism is that institutions are epiphenomenal, that they merely reflect power and interest. Institutions have no independent standing, they have no independent causal role, they constitute the same world of power politics familiar to realists. Institutions may exist, but they do not mitigate in any way the anarchy of the international system. Institutions are created by the powerful to serve their interests, and they are dissolved when power and interest shift. Realists beg the question of why institutions would be needed in the first place to achieve the interests of the powerful.

The post-cold war period thus makes possible a test of the resilience and continuity of institutions. The collapse of the Soviet Union clearly transformed the international distribution of power. The bipolar world of US–Soviet rivalry was replaced by one of US predominance, and this led realists to argue that an institution such as NATO, whose sole purpose was to contain Soviet power, was doomed. The departure of the enemy removed any reason for the continued existence of the institution (Mearsheimer 1990). Yet NATO has not only continued to function; it has expanded its membership and its tasks. For realists, only a concern by former Soviet satellites and newly independent former Soviet republics about the return of Russian imperialism can explain NATO’s expanded membership. More difficult for them to explain is the expansion of NATO missions to “out-of-area operations” such as those in the former Yugoslavia and in Afghanistan.

2.2 How Wide to Cast the Net?

The expansion of the focus of inquiry raises the problem of how widely to cast the net. If institutions are simply rules of the game, and if all recurrent behavior is guided by some rule, then the entire study of international politics can simply be redefined as the study of international institutions. Even the definition's requirement that the rules be "humanly devised constraints" does not do much to delimit a domain of inquiry. In a sense, all social reality is humanly devised, and, since what actually happens can always be contrasted against a range of possibility, what actually occurs can be seen as the product of constraints. States interacting in an anarchic international system follow some rule (even one such as "all's fair in war"), and thus anarchy can simply be redubbed an institution. Nothing is then delimited by a focus on institutions, because all international politics is institutional.

The field continues to be in some disarray from an inability to agree on a definition that circumscribes some well-defined domain for the study of international institutions. What I said once about regimes could as easily be applied to today's use of institution: "scholars have fallen into using the term . . . so disparately . . . that it ranges from an umbrella for all international relations to little more than a synonym for international organizations" (Stein 1982, 299). One study assessing historical change in a set of international institutions deals with the following: statehood, territoriality, sovereignty, international law, diplomacy, international trade, colonialism, and war (Holsti 2004). To that list, some add borders as institutions (Simmons 2005). The key question is whether all these can be profitably conceptualized and studied as institutions.

Two literatures, often described separately, are similar in casting a wide net that in effect redefines all international politics along institutional lines. One school is that of social constructivism, in which all social reality is constructed intersubjectively through interaction. The very units of international politics, states, are social constructions, as is the sovereign state system in which they interact. Combining a broad view of institutions with a view of social and political reality as socially constructed leads to the argument that the sovereign state system is itself an institution of international political life. In this view all international politics is subject to a set of rules that are human constructions and in which actors are subsequently socialized.

A second literature is in many ways similar; it is known as the English School and it emphasizes the existence of international society. Although the School recognizes an international system that involves the mere interactions of states and that is subject to power politics, it argues that typically an international society, rather than system, constitutes international reality. The definition of international society provided by the School seems delimiting: an international society exists "when a group of states, conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in

their relations with one another, and share in the working of common institutions” (Bull 1977, 13). But this definition appears in a book titled *The Anarchical Society*, whose point is that states do not really interact in an anarchic international system but rather in an anarchical society guided by rules and norms of behavior. Relations both create and reflect some rules of a game, and these are socially constructed and constitute the basis of an international society.

Both social constructivism and the English School characterize (if not define) the study of international institutions so broadly as to make all international relations institutional. In doing this, they in effect argue that recent developments do not constitute anything new but merely a continuation or a development on what has always been there (a feature they share with realists). Although they both provide essential insights for an understanding of international relations, they do not help circumscribe the role of institutions in international relations.

3 INSTITUTIONS AS SOLUTIONS TO DILEMMAS OF SELF-INTEREST

As already alluded to, the heart of neoliberal institutionalism is a view of international institutions as the self-interested creations of states. States find that autonomous self-interested behavior can be problematic and they prefer to construct international institutions to deal with a host of concerns.

States experience many coordination problems, situations in which their interests generate multiple equilibria and for which they need some mechanism for what has come to be called equilibrium selection. In some cases, there is little conflict of interest, and international institutions are easily constructed. In other cases, there are conflicts of interest between equilibria, yet here too institutional solutions may be preferable to the risk of coordination failure (Stein 1982; 1990; Snidal 1985a; Martin 1992).

States also experience collaboration problems, in which their autonomous self-interested behavior results in deficient outcomes. The Prisoner’s Dilemma game is the quintessential example of a situation in which autonomy results in poorer outcomes. In such cases, institutions can resolve the collective action problems and allow states to reach mutually preferred outcomes. Many situations, from trade to arms races, have been characterized as Prisoner’s Dilemma games, and these are precisely ones in which states have either created, or tried to create, international institutions.

This institutional solution is akin to the social contract arguments of political theorists for the creation of states. These theorists explain the state as an institutional solution to the problem of autonomous choice in the state of nature. Individuals, they argue, out of their self-interest, voluntarily cede some of their freedom of action in order to achieve better outcomes than those arrived at in the state of nature. The argument of these political theorists came to be analyzed using modern game theory, and they were seen as offering a statist solution to Prisoner's Dilemma problems.³

Finally, states may also create institutions in order to reduce the governance costs associated with autonomous decision-making. The costs of organizing coalitions of the willing for every specific problem and circumstance are quite high. Just as firms find it more efficient to take external arm's length transactions and internalize them within a corporate governance structure, so too states find that transaction costs can be reduced by creating international institutions.

4 THE DARK SIDE OF THE FORCE

Realists responded to these arguments about cooperation and collective action.⁴ Their response focused on what they saw as too rosy a picture about the prospects for, and the nature of, international institutions. International cooperation and international institutions were harder to construct than the picture provided by institutionalists. In addition, not only did international institutions themselves reflect the power of the states that created them, but their construction itself entailed the exercise of power even as it was the product of voluntaristic and autonomous choice.

4.1 Relative Gains and the Problem of Institutions

One realist retort was to emphasize that institutional cooperation in international relations was more difficult than imagined because states had distributional concerns and not simply welfare-maximizing ones. That is, they argued that, even

³ It should be noted that anarchic solutions to Prisoner's Dilemma problems could still arise if there were repeated interactions and sufficient weight attached to future payoffs. Ironically, within civil society, the statist solution is omnipresent. In international politics, the statist and anarchy solutions are both present.

⁴ The title of this section pays homage to Jack Hirshleifer (2001), who continually emphasized that the voluntaristic domain of economics has a coercive component to it.

if states found themselves in situations in which they would be better off cooperating with one another, it remained the case that states were concerned about the relative gains that would accrue from cooperation. In short, cooperation was more difficult to achieve and sustain because states would give up potential gains if the cooperation that brought them these gains meant that others gained even more (Grieco 1988). States were concerned about their relative standing and the relative gains from cooperative arrangements and did not just focus on their own returns.

The issue of relative gains led to a mini-literature, the net result of which remains open to competing interpretations (Stein 1990, ch. 5; Powell 1991; Snidal 1991*a*; 1991*b*; Busch and Reinhardt 1993). What is clear, however, is that relative gains concerns do not do away with the possibility of cooperation and especially so as the number of powers in the system increases.

The point to be made, however, is that, relative gains notwithstanding, there is a great deal of institutionalized cooperation and much of it having quite differential payoffs. The international hierarchy of power and wealth has changed over the last half-century, and those shifts have occurred in part because of, and certainly in the context of, the workings of international institutions.

4.2 Coercive Cooperation: The Power of Clubs and First Movers

A second line of criticism argues that international institutions are less benign than they are pictured and reflect the actions of the powerful. States differ in power and they use that power in the creation of international institutions. They use their bargaining power as well as their power to structure the choices for others in the construction of institutions. Realists argue that this vitiates their view of the world.

Stephen Krasner (1991) argues that when there is a set of acceptable outcomes (a Pareto frontier), great powers use their bargaining power to obtain outcomes they most prefer. I described this as “coordination for the powerful” (Stein 1982, 311), and it arises whenever there are multiple equilibria, and states have conflicting preferences over which they want to see emerge. But the existence of such cases in no way reduces the importance of institutions and voluntaristic agreement. It simply reminds us that there is a coercive aspect to mutually beneficial exchanges. Actors have different endowments and different possibilities and different bargaining strengths, and these determine outcomes. But this was the point of neoliberal institutionalism, that one could begin with the power and interests of states and deduce a role for international institutions. That such outcomes were described as cooperative does not imply the complete absence of power and even coercive threats.

There are also cases in which especially powerful states can get together in a less than universal grouping and leave other countries with the difficult choice of joining or staying out of the arrangement. The creation of the inter-state club changes the status quo and means that what may have been a more preferable alternative is no longer available. States outside the club are left with a choice: they may join the club but there is a substantial component of coercion along with the voluntarism in the choice. The states creating the club have exercised a form of power (Gruber 2000).

This latter point is also a long-recognized one. The emergence of a liberal trading order began with the inclusion of most-favored-nation clauses in bilateral trade agreements (Stein 1984; 1990). States bound by such agreements created a “club good.” Those in the club shared a collective benefit, that of the lowest negotiated tariff rates between them. Those not in the club were excluded and paid the standard and often substantially higher tariff rate. Such clubs provide benefits to members and exclude non-members, and their existence changes the incentives for future prospective entrants. They are *clubs of agglomeration* and constitute “regime creation by accretion” (Rosecrance and Stein 2001, 225–6). Such a sequential admission of members based on their preference for cooperation results in an institution exhibiting more cooperation than could have been achieved by an initial strategy of complete inclusion (Downs, Rocke, and Barsoom 1998). Those on the outside might prefer not to have to choose between joining and staying out. They might even have preferred to join initially when they could have had a larger role in writing the rules. But this exercise of power is hardly the coercive vision of classical realism (Rosecrance 2001).

4.3 Institutional Failure

International organizations were also faulted as failures on their own terms. The fact that they were created to improve outcomes for states provides no assurance that they actually accomplish their objective. The argument is much like that made regarding states and domestic policy. State intervention is a desirable outcome when there is market failure. But the fact of market failure and the possibility of better outcomes is no guarantee that states deliver. Instead, government failure is itself a possibility. So citizens in democratic societies debate when markets fail and whether government intervention would provide improvement.

A similar debate exists about international organizations. There may indeed be failures of autonomous independent behavior, and the possibility for improved coordinated and collaborative behavior. But creating international institutions may not provide the hoped-for improved outcomes, because they may themselves exhibit a form of international organizational failure (Gallarotti 1991; Barnett and Finnemore 1999).

5 INTELLECTUAL AGENDAS OF NEOLIBERAL INSTITUTIONALISM

5.1 Do Institutions Matter?

Central to an interest in institutions is the notion that they matter, that they make a difference in the behavior of states and in the nature of international politics. Otherwise they are the irrelevancies that realists claim.

In one area after another, then, there are literatures devoted to assessing the impact, or effectiveness, of international institutions. There are many studies, mostly by economists, assessing the impact of regional and global trade arrangements (Goldstein, Rivers, and Tomz 2007). There are many studies on the effectiveness of international environmental regimes.

Similarly, scholars have focused on the question of state compliance with international institutions, and have found that states by and large comply with the agreements they make. They have demonstrated that compliance is not easy to ascertain (Chayes and Chayes 1993) and is related to the design of the institution (Mitchell 1994). Much of the force of the original wave of work on compliance was that compliance occurred even without enforcement mechanisms, and a mini-literature developed on the possibility of a managerial alternative to enforcement as the basis for compliance.

Yet the empirical assessment of compliance is bedeviled by the problem of selection bias. As George Downs, David Rocke, and Peter Barsoom (1996, 380) put it in discussing the first wave of work on compliance, the problem is that compliance with minimal enforcement results “from the fact that most treaties require states to make only modest departures from what they would have done in the absence of an agreement.” More recent extensive statistical work on compliance has been subject to the same charge (Simmons 2000; von Stein 2005). While it may be difficult analytically to assess the impact of institutions, it remains striking that states use institutions to arrive at the outcomes they want.

5.2 How they Come into Being?

That international institutions serve state purposes provides an explanation but no process for how they come into being. One answer, and one that oddly links institutionalist and realist thought, is that hegemonic powers create institutions. Yet imposition is only one mechanism (Young 1982), and hegemonic powers often provide inducements to create institutions (Stein 1984; Snidal 1985*b*). They provide a variety of forms of leadership central to the process of regime formation (Young 1991).

5.3 Institutional Design

International institutions vary along many dimensions. They vary in their membership and size. Some are universal and encompass almost all states in the international system. Others are purely regional in character and encompass only a small set of countries. Some focus on very narrow issues, whereas others are broader and multipurpose in character. As discussed above, some are embodied in formal organizations, whereas others have no building, no address, no secretariat, and so on. They vary in the degree of attention paid to issues of monitoring and enforcement, in their mechanisms for dispute resolution, and in how they deal with possible non-compliance by states. They vary in their rules of procedure—in how collective decisions are selected.

These issues are the same ones that underlie domestic institutional construction and are at the heart of constitutional arrangements (Rogowski 1999). Domestically we speak of the franchise rather than membership, but the issue is the same: who is part of the enterprise and who is not. In international organizations, as within countries, representation mechanisms and decision rules determine how preferences are aggregated into a collective choice.

All these issues are negotiated by states in the course of dealing with the problems that underlie the search for institutional responses. Why particular institutional designs are chosen and with what consequence are the focus of a growing literature.

The original formulation of international organizations as solutions to collective action problems contained the broad implication that the design of international institutions was related to the nature of the problem they were intended to solve. Institutions that provided coordination, for example, were self-enforcing and did not require extensive mechanisms for monitoring and enforcement. Thus they were unlikely to be highly institutionalized and formalized. In contrast, collaborative solutions to Prisoner's Dilemma problems were subject to defection and cheating and exhibited extensive concern with monitoring and enforcement (Stein 1982; 1990).

There has been a heightened interest in institutional design, as evidenced by a special issue of *International Organization* on the topic that appeared in 2001 (reprinted as Koremenos, Lipson, and Snidal 2004). The special issue lays out five dimensions of design: membership, scope of issues covered, centralization of tasks, rules for control of the institution, and the flexibility of arrangements in dealing with new unanticipated circumstances. In addition, the special issue argues that design choices along the above dimensions are a function of distribution problems, enforcement problems, the number of actors as well as asymmetries between them, and uncertainty.

These design features do not exhaust the possibilities. Thinking of international institutions as forms of governance and thinking of governments as analogues, one

can characterize the structure of international institutions as including legislative, executive, and judicial features. The above items capture aspects of the first two, but some international institutions even embody a judicial function. These institutions are designed with mechanisms that provide disaffected states an alternative to exit. States, for example, can depart from their institutional obligations, and quasi-judicial procedures exist for distinguishing acceptable departures from opportunistic behavior. In addition, institutions also have mechanisms for dispute resolution that embody different design features (Smith 2000).

Another design feature of international institutions has to do with how they treat property and provide the good in question. It is a misconception that international institutions deal only with public goods. Indeed, they deal with both private and public goods.

Some international institutions are constructed to change the nature of the good being provided. Environmental problems such as clean air are quintessential examples of public goods. Yet the international institution created to clean the air did not approach the problem by instituting a global regulatory regime for air quality; rather it created a market in emissions trading. On the other hand, international trade is an inherently private good, and it is only the design feature of including most-favored-nation clauses in bilateral agreements that provide it with a collective character (Stein 1984; 1990; Rosecrance and Stein 2001). In some cases, international institutions make collective what is inherently a private good.

There is much work to be done characterizing the design features of international institutions, the tradeoffs associated with different design features, their bases, and their consequences.

5.4 Domestic Politics and International Institutions

One of the major developments in the study of international relations has been the breaking-down of the intellectual wall separating domestic and international politics. It is increasingly recognized that international relations has domestic roots and domestic consequences.

The link between domestic and international politics applies as well to the study of institutions. On the one hand, domestic political institutions must typically be supportive of membership, and thus we can talk of the domestic political requisites of joining international institutions. Further, there must be domestic support for subsequent compliance as well (Dai 2005).

But international institutions also affect domestic ones. First, because there are often domestic requisites to joining international institutions, membership conditionality has an important effect on internal political arrangements (Skålnes 1998; Kelley 2004). Secondly, since membership in an institution subjects a state

to continuing restraints, joining one has the affect both of locking in domestic changes and of making credible a domestic commitment to a particular policy path (Pevehouse 2002; Grigorescu 2003). Thirdly, international institutions may provide a degree of legitimacy (Franck 1988; Hurd 1999) and make difficult domestic changes more palatable by providing political cover (Allee and Huth 2006; Vreeland 2003). In these cases, domestic actors come to frame their arguments in terms of international institutions (Cortell and Davis 1996).

The relationship between domestic politics and international institutions is an important one that requires further exploration. And it is an evolving one, as shown by the next section, which describes the growth of international intrusiveness into domestic life and how such increasing constraints on sovereignty interact with domestic politics.

5.5 Toward a Historical Institutionalism

Alongside the development of the new institutionalism in the social sciences has been the emergence of a historical institutionalism, emphasizing the ways in which institutions change. Some institutions arise and decay and disappear. Others arise and grow and develop (Shanks, Jacobson, and Kaplan 1996), and become more complex (Holsti 2004). They take on new members and even new tasks.

Even more broadly, institutions can themselves substantially change the circumstances under which they were created. Although the original regime literature emphasized that institutions reflected power and interest, it left open as a question what would happen to institutions as the distribution of power changed and as the constellation of interest shifted. The possibility was raised that the creation of institutions would itself change the nature of interests and subsequent calculations (Stein 1982; 1990).

The discussion above about how institutions can begin with a small set of countries and then grow signals the role of accretion and agglomeration in institutional development. Most international institutions have grown in size. Even narrowly crafted security ones, such as NATO, took on new members.

Institutions also develop and become formalized and organized. The Group of Seven (G7) economic summits began as informal exercises but became routinized over time. The institutional structure that is NATO was not at all foreseen in the founding arrangements (Wallander 2000).

Institutions also change and take on new tasks with changing conditions. The IMF, for example, proved inadequate for its originally intended role and thus did little in its early years. It then functioned as intended during the 1950s and 1960s, but found a new role as the major states left the system of fixed exchange rates. The IMF today functions in a way never intended or imagined by its founders (Pauly 1999).

Perhaps the most important development is that institutions have become more intrusive and constraining over time. To deal with the challenges that have led them to construct international institutions in the first place, states have demanded and accepted unprecedented levels of intrusiveness in their domestic affairs (Stein 2001a). In both security and economic arrangements, states expect and tolerate more involvement in their internal affairs by international institutions. On-site monitoring by foreigners, an item that was once an immense stumbling block in obtaining security arrangements, is now much more readily accepted. International economic institutions now lecture and grade member states on a host of political variables that were once deemed as off-limits and not related to economic management. It has even become accepted practice to have external monitors for internal elections (Santa-Cruz 2005; Hyde 2006). Nowhere is the decline of sovereignty more apparent than in Europe, where states still exist and matter but where significant governance operates at levels above the state (Mattli 1999; Wallace 1999).

5.6 Multilevel Governance

The number of international institutions has become sufficiently large for scholars to have begun to focus on the implications of competing and overlapping institutions and the choices that states have regarding institutions. Faced with new problems, states can extend the scope of extant institutions or create new ones. And, as institutions proliferate, states have a choice in which institutional setting to deal with their problems and concerns.

In a rich institutional environment, states have a choice between creating new institutions or reforming existing ones in order to deal with new problems. As mentioned above, rather than extend the scope of the institutions already dealing with proliferation of nuclear weapons, a new institution, quite different in character, was created to deal with the proliferation of missile technology (MTCR). On the other hand, as also mentioned above, states have changed the character of extant institutions, such as NATO and the IMF, when facing new challenges.

In a number of areas there are multiple institutions that are either nested or overlap (Aggarwal 1998; Rosecrance and Stein 2001). In the area of trade, for example, bilateral trade agreements and regional trade agreements coexist with the global WTO. In such cases, states have the opportunity to engage in forum shopping, deciding in which venue to pursue their interests and concerns (Alter and Meunier 2006; Busch forthcoming).

A wide array of international institutions exist, some regional and some global, some narrowly focused and others quite broad. The result is a more complex world of multi-level governance which states navigate (Stein forthcoming).

5.7 Ideas

Ideas are central to many of the above agendas. As social constructions, institutions inherently reflect ideas about governance, and many of the illustrations above implicitly demonstrate this (Goldstein and Keohane 1993). For example, as discussed above, the transformation of trade from a private to a club good depended on the idea of an unconditional most-favored-nation clause. The idea of a market in pollution rights is the key underpinning of the institutional design that transforms that public good into a private one. Similar cases can be made about other elements of institutional design. In addition, institutional change is also related to ideational change.

6 CONCLUSION

The world is full of international institutions. Disagreement about definitions, about how old or new the phenomenon, and about its exact impact cannot mask the reality of a growing number and role of international institutions. How much and how adequately these institutions of international governance tame anarchy is open to question, but the world is witnessing an increase in supranational governance, created by states and in which states increasingly live. Understanding and explaining international politics (and indeed even many areas of national politics) increasingly requires incorporating the role of international institutions. Scholarship on international institutions is growing and developing commensurately.

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