Institutions, Power, and Interdependence

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The two and a half decades since the appearance of *Power and Interdependence* have witnessed a profound institutionalization of international relations. International institutions have proliferated. There were approximately 300 formal intergovernmental organizations in 1977, compared to 6,250 twenty years later. Their memberships have expanded: The IMF and World Bank currently have 184 members, and the WTO has 148. Substantial decision-making power has been delegated to international organizations, and a few dispose of substantial resources. The IMF held $339 billion in assets and $188 billion of outstanding loans and loan commitments at the end of 2004. International institutions have extended their influence into policy areas traditionally reserved as the prerogatives of sovereign states, and patterns of international cooperation have become progressively formalized in international law. By the beginning of the Twenty-first century there was virtually no problem of broad international concern for which there was no regime of formalized cooperation, and this cooperation almost always involved the participation of international organizations.

On the other hand, international institutions consistently fail to solve the problems they were created to address. The fact that dissatisfaction with institutions such as the IMF, the WTO and the EU is on the rise is not necessarily a bad sign; public institutions that evoke no dissatisfaction cannot be very significant. If public opinion identifies problems and interest groups organize to influence these institutions, this is a sign of their growing importance. Nor can we hold institutions to blame for failing to coordinate states when their leaders have fundamentally opposed preferences, as in the recent case of the U.S.-led war against Iraq: The function of international institutions is to facilitate cooperation when there are common objectives to be achieved. However, across a wide spectrum of issues, the pattern is consistent that the supply of international cooperation is failing to keep pace with the demand. As a result, international institutions across the board are under pressure to reform themselves, and they are evolving at an ever-increasing rate; but there appear to be important constraints that prevent them from achieving optimal solutions.

This returns us to the central question Robert Keohane and Joseph Nye posed in *Power and Interdependence*: what explains institutional change? Keohane and Nye suggested three broad categories of explanations: power, international processes, and the structure of international institutions. These three categories have served to structure many of the subsequent debates in the field. Is progress in European integration due to coincidence of great-power interests, to economic incentives created by markets, or to initiatives promoted by the European Commission? Is the pattern of IMF lending due to the private agendas of the biggest donors, to the logical imperatives of market reform and global stabilization, or to the private incentives facing an agency that is out of control? Organizational incentives are less compelling explanations in issue areas where international bureaucrats are weak, but path-dependent arguments about the design of earlier institutions often arise. For example, did the transformation of the international capital control regime from a closed to an open system come about because of the interests of powerful states, because of the market pressures created by private actors, or because of the inherent vulnerabilities of the closed regime? The three categories capture the broad outlines of many significant debates; but, as their authors acknowledged, they are too underspecified to serve as testable theories.

This essay does not unveil a general theory of international institutional change, but instead selects a few rational-choice hypotheses that represent prominent approaches to studing international institutions since *Power and Interdependence*. The focus is on four central problems: public goods, delegation, bargaining, and agenda control. The approach is suggestive rather than rigorous, but the claim is that we have learned a great deal about the limits of international organization.

The underprovision of public goods

The most prominent explanation for the underprovision of international governance is that it has the characteristics of a public good; if not completely non-excludable, it is at least

non-rival, so that the countries that enjoy international cooperation never fully internalize its social benefits. Keohane (1984) and others have used this logic to link the underprovision of international cooperation to the distribution of power: Only a powerful state could take on the role of an international hegemon, which is willing to provide public goods because it alone internalizes enough of the benefits of cooperation to be willing to pay the costs. Writing in 1984, Keohane believed that it was too early to test his contention that international institutions could support cooperation in the absence of a hegemon. Only if his forecast of U.S. decline over the next decade turned out to be correct would it be possible to test the theory (1984: 219).

Whether U.S. power has in fact declined since the mid-1980s is an interesting question; answers will depend on definitions of power. U.S. global military preeminence at the beginning of the Twenty-first century is without historical parallel. U.S. influence in the former Soviet bloc and in areas that were contested spheres of influence during the Cold War has increased vastly, and there is no longer a formidable rival that can deter U.S. military adventures. Per capita income has not quite kept pace with America's closest rivals, increasing 43% since 1984, as compared to 45% in Europe and 47% in Japan, but U.S. per capita income remains 1.4 times that of Europe and 1.3 times that of Japan. Record fiscal and trade deficits are troubling and unsustainable in the long run, but they are less disturbing as a percentage of GDP, and the ability to run them without seriously disturbing U.S. financial markets is a signal of the extraordinary strength of the U.S. economy. On the face of it, U.S. decline would appear to be a poor explanation for the underprovision of international cooperation.

Furthermore, it appears that the hegemonic stability argument had the effect of the distribution of power backwards. Pahre (1998) shows in a fairly general model that large leading states are able to shift a disproportionate share of the cost of providing public goods onto their allies, precisely because they are so large that everyone else has to adjust. On the

other hand, in a repeated public good model it becomes clear that the more powerful the leader, the narrower the scope of an enforceable cooperating coalition, because bigger states have bigger credibility problems (Stone, Slantchev and London 2004). The type of cooperation chosen varies as well: When possible, larger leading states choose to build discriminatory regimes rather than multilateral ones that provide public goods; this compensates for the disadvantages of size, which make the leader easy to exploit. When discrimination is not feasible, we find that dominant leaders build institutions, but again they do this to reduce the disadvantages of great power. Given these formal results, U.S. decline cannot explain the underprovision of international cooperation, although perhaps U.S. preeminence may do so. It is striking that the United States has taken an increasingly unilateral posture since the end of the Cold War.

Agency and delegation

The familiar realist argument against international institutions is that states do not delegate authority to international organizations because they fear that cooperation will allow rivals to make disproportional gains in military power (Waltz 1979; Mearsheimer 1994). This logic only applies to intense, bipolar military rivalries (Snidal 1991), but two more sophisticated arguments related to agency are plausible. First, states are reluctant to delegate because they anticipate agency problems, and consequently international governance is underprovided. Second, states do delegate functions to international institutions, but do so in a way that allows them to retain substantial control, so international institutions are not underprovided, but they suffer from pervasive commitment problems.

The study of agency in international institutions is thriving, particularly in studies of the EU and the IMF. Vaubel (1984) argued that international organizations should be viewed in a public choice framework: The objectives of international bureaucrats are to increase their power, perquisites and organizational slack, and elected officials delegate to them in order to

escape from their own accountability to voters. This is an unusually harsh verdict, but it finds echoes in the popular argument that the IMF is able to provide political cover for governments that want to reform their economies but face opposition at home (Putnam 1988; Haggard and Kaufman 1995; Vreeland 2003). In each of these arguments, governments delegate responsibility for formulating domestic policies to an unaccountable international organization, and seek to deflect the blame for the resulting social dislocations by using it as a scapegoat. In a less critical vein, but along similar lines, it has been argued that the European Commission (Sandholtz and Zysman 1989) and the European Court of Justice (Garrett 1992) have played important roles in promoting European integration, often over the objections of some of the states involved.

Thus far, however, the agency view implies that institutions are overprovided from the point of view of voters or other relevant principals. In order for agency instead to explain underprovision, it must be the case that principals would like to delegate more functions to international institutions, but do not do so because they cannot control the institutions' policies. This could be the case because there are multiple principals with divergent preferences. Alternatively, agency problems could arise because it is difficult to monitor the policies international institutions implement, but only if the preferences of international bureaucrats are unknown or it is costly when international bureaucrats shirk.

Only multiple principals is a convincing account. Alternative agency arguments must assume that international bureaucrats have substantial information advantages over national authorities. This seems consistent with the widespread assumption that international institutions provide information that facilitates cooperation (Keohane 1984). However, the only convincing empirical stories that have been told about this suggest that institutions reduce transaction costs by making authoritative determinations about what counts as defection from an agreement (Reinhardt 2001). That is, institutions help to facilitate correlated strategies by resolving uncertainty about the definition of the rules. It is hard to

find examples where institutions really have superior information. Most institutions, as for example the WTO, rely upon member states to put violations of rules on the agenda: they rely on "fire alarms" rather than "police patrols" (McCubbins and Schwartz 1984). Even the European Union, the most impressive international institution in terms of its bureaucratic capacity, cannot rival the analytic and data collection capacities of its member states. The IMF certainly does not have an information advantage over borrowers, who filter and often falsify the data that they feed to it, and arguably has no advantage over international financial markets, where major investors have the resources and incentives to procure information. The IMF has no advantage over the U.S. Treasury, which has access to all its internal reports as well as the substantial analytical and data gathering capacity of the U.S. government.[1]

Furthermore, even if institutions had an informational edge over states, there would be no agency problem unless the agents' types were unknown or the costs of shirking were substantial. If shirking is not very costly (i.e., discretion is important, but effort is not), the principal can achieve the desired policy by appointing an agent who is known to share the principal's preferences (Moe 1990). A great deal is indeed known about agents' types, to conclude from the recent public discussions over selection of EU Commissioners, ECB Presidents, IMF Managing Directors, and WTO Directors. The problem of shirking, on the other hand, is not very costly in international organizations. The IMF has a staff of under 3,000, so how much money can it waste? The EU is capable of wasting more than any other international institution, and the issue of mismanagement of EU funds is significant enough to motivate conservative candidates in EU parliamentary elections, but it is not important enough to excite voters very much.

[1] The Fund has developed procedures that allow it to withhold certain confidential information from the Executive Board, and some decisions are made without formal consultation. However, the informal consultation mechanism allows the U.S. Executive Director to be fully informed, and in important cases, U.S. Treasury officials are directly involved in the negotiations.

On the other hand, the existence of multiple principals with divergent preferences is sufficient to create agent discretion, even in the absence of asymmetric information (Banks and Weingast 1992, Calvert, McCubbins and Weingast 1989). Discretion, in this formal sense, means that the agent has a range of policies that can be implemented, and at least some of the feasible policies are harmful to some of the principals. In the case of the EU, the Commission exercises a substantial degree of discretion when the status quo lies outside the voting core of the states represented in the Council, because it can make proposals within a wide range that will be approved by a qualified majority (Tsebelis 1994, Tsebelis and Garrett 2001). Along similar lines, Martin (2002) argues that multiple principals account for the substantial degree of autonomy that the IMF staff enjoys in crafting the conditionality attached to its loans. Developed countries and presumptive creditors have consistently favored more extensive conditionality, while developing countries and prospective borrowers have pushed the Executive Board to rein in the staff's discretion. Mody and Stone (2004) likewise find that the Fund enjoys considerably more autonomy in program design than in lending or enforcement decisions.

The existence of multiple principals can explain agency discretion, then; but again it is unclear that this should make the principals unwilling to delegate. In order for the potential agency problems created by multiple principals to explain the underprovision of international governance, it must be the case that governments are unable to coordinate their votes. Otherwise, they could agree on a voting rule that would constrain the agent and leave them all better off than the status quo without institutionalized cooperation. When the European Commission appeared likely to enforce the rules of the Stability and Growth Pact to the disadvantage of Germany and France last year, for example, Germany and France traded votes to prevent the rules from being enforced against either. Similarly, discretion over the enforcement of IMF conditionality agreements is delegated to the donor country most directly interested in the borrowing country, which prevents the IMF from exploiting disagreements

among its principals to enforce its programs rigorously (Stone 2004). Coordination failure may be unavoidable when there are extreme divergences of preferences, severe commitment problems, or a lot of *ex ante* uncertainty. In most areas of economic cooperation, however, coordination among the principals should be able to mitigate agency problems enough to make the costs of delegation tolerable. Furthermore, when ex ante coordination is difficult, it should still be possible for powerful states to limit their losses by circumventing the formal voting process: They buy votes or threaten to exercise outside options (Fang 2004, Voeten 2001). Agency does not provide a compelling explanation for the underprovision of international governance.

On the other hand, the principals' lack of commitment to institutional independence poses a significant obstacle to effective international governance. Principals may prefer to retain discretion because they are uncertain about future states of the world, and are unable to write complete contracts that cover all possible contingencies. When devising the WTO's adjudication procedures and rules covering export subsidies, for example, the United States and the European Union could not be certain whether they would ultimately be directed against Boeing or Airbus. Until the issue became caught up in the 2004 presidential campaign both sides preferred not to roll the dice, and this explains the longstanding informal ceasefire over enforcement of WTO rules against either aircraft producer. On the other hand, there exist areas of international cooperation in which the temptations to defect are very predictable, where commitment is optimal ex ante and defection is optimal ex post. This time inconsistency problem arises whenever current policies affect the pay-off to decisions made in the past (Kydland and Prescott 1977). For example, the London and Paris Clubs of creditors have ex ante incentives to commit to holding sovereign borrowers to their obligations, but have predictable ex post incentives to treat them leniently in order to prevent default, and this creates a commitment problem. Borrowers who anticipate the creditors' incentives may be more willing to take on unsustainable levels of debt.

The first-best solution to time inconsistency problems is commitment. Facing such a dilemma, farsighted national leaders should attempt to tie their hands by delegating authority to an international organization. From this point of view, the existence of such dilemmas should be a key functionalist explanation for international organization. However, it is a general feature of the anarchical international environment that such commitment devices are unavailable. Even when they attempt to delegate important functions to international institutions, states always retain the capacity to defect. Furthermore, the most independent international institutions remain vulnerable to the efforts of member states to influence their policies. Only the second-best solution is available: a reputational equilibrium in which states refrain from exercising discretion when the temptation is tolerably small, and defect to myopic behavior when the temptation is overwhelming.

A critical test of the commitment and the agency views is posed by the enforcement of IMF conditionality—the implementation of the conditions the Fund insists upon when it extends financing. Quantitative studies find rather weak effects of IMF conditionality, and a host of case studies indicates that the conditions attached to IMF loans are only weakly enforced. An agency interpretation would argue that poor enforcement is a function of incentives for the IMF to shirk. The testable implication is that enforcement should be more robust in the most important cases, where financial instability poses real risks to the stability of the global economy, and where the major donors have the strongest incentives to monitor the IMF's performance. On the other hand, a commitment intepretation holds that enforcement is weak because the leading donors prevent the Fund from rigorously enforcing its conditions. They benefit from IMF efforts to impose fiscal discipline and market openness on developing countries, but in particular cases they find compelling reasons to interfere, trading their leverage with the IMF for concessions on other issues. The testable implication is that enforcement should be least effective in the most important cases, because these are the cases in which the leading donors face the strongest temptations to interfere. The evidence to

date supports the commitment view. The most influential post-Communist countries—those that received the most economic aid from the United States—were subject to the least rigorous enforcement and violated their conditions most often, and consequently suffered from higher inflation and more devaluation (Stone 2002). Similarly, African countries that received more U.S. aid, that voted with France in the UN General Assembly or that were members of the CFA Franc Zone or the Commonwealth of Nations were subject to less rigorous enforcement of IMF conditionality (Stone 2004). This evidence suggests that the IMF is not an agency run amok, but rather an agency that is so closely controlled by its principals that its ability to enforce conditionality is compromised in the most important cases.

Bargaining

If international institutions were not costly to create and modify, they could have no independent explanatory power; the supply would always equal the demand, and institutional design would simply reflect the short-run power and interests of the leading states. Indeed, in conventional terms such as budgets and overhead, all international institutions but the EU are extraordinarily inexpensive compared to the value of the issue areas over which they preside. Bargaining, however, is what makes institutions costly to institute and reform, because bargaining is costly in terms of the time and prestige of leaders.

Bargaining remains a substantial obstacle to international cooperation. Every GATT round faced delays and teetered on the edge of collapse before it was finally successfully concluded. Some meetings ended in dramatic failure, as in Cancun. Similarly, every major advance in European integration has been delayed, sometimes—as in the case of Economic and Monetary Union—for decades; and every significant change in the rules has come about after high-stakes brinkmanship (Schneider and Cederman 1994). The adoption in May 2004 of a new European Constitution was no exception: Until the moment of final agreement, it

appeared that it would be scuttled over disagreements about vote shares in the expanded Council.

The peculiar curse of bargaining is that the necessary condition for successful cooperation—low discount rates—is precisely the condition that makes bargaining most costly (Fearon 1998). In the familiar alternating offer game with incomplete information, for example, the length of the delay before agreement depends upon the patience of the players; more patient players hold out longer before they make concessions (Rubinstein 1982). Similarly, when bargaining is modeled as a war of attrition, the size of the prize dwindles as the wrangling procedes, and the bargaining drags on longer when the agents are patient (Alesina and Drazen 1991). The same logic has been used to explain the duration of wars (Slantchev 2003, 2004). The lesson is general, and does not depend on which bargaining protocol is chosen, so long as delay is possible: Outcomes are most inefficient when bargainers most value the future.

The fate of the Framework Convention on Climate Change is a sobering case in point. One-hundred ninety-four countries—virtually every state in the international system, and a number of quasi-states—eventually signed the agreement, which was reached at the United Nations Conference on Environment and Development in 1992 in Rio de Janeiro, soon after a consensus on the problem emerged in the scientific community (Bodansky 2001). Members of the OECD and twelve post-Communist countries agreed to stabilize their emissions at 1990 levels by the year 2000. They met this goal in aggregate terms, largely because of the collapse of industry in post-Communist countries during the 1990s, although the advanced industrial countries increased their emissions as a group. They also pledged to work in tandem on an agreement to reduce emissions in the second decade, but the details that would determine individual countries' targets were left for future negotiations. The process of turning non-binding principles into concrete commitments proved to be long and tortuous.

The first chapter in the bargaining revolved around the Global Environment Facility. The GEF was conceived as a way to soften the economic impact of adjusting to global environmental targets by transfering resources from developed countries with high abatement costs to developing countries with lower costs.[2] In principle, there was a surplus to be gained by reducing CO_2 emissions where the reductions would be least costly, so both parties to the transaction should win. In practice, however, both developed and developing countries anticipated that the procedures for disbursing the money would be very important in the future even if the amount of money involved was small in the short run, so the bargaining was intense. Developing countries insisted upon the principle of unconditional funding and sought to funnel GEF resources through United Nations organs where they held substantial leverage, while the developed donors insisted on channeling their money through the World Bank under the existing framework of conditionality. In the end, a compromise was reached that left neither coalition satisfied, and the consequences were low levels of funding and an ineffective institutional structure (Fairman 1996). The GEF was launched with only a symbolic level of funding—$1 billion over three years—and although this was gradually increased, it remains small: The GEF made 227 grants for global climate change in its first decade, with an average size of $3.9 million.

The substantive negotiations over the next round of emissions reductions were launched at once, but dragged on for almost a decade, limping from one inconclusive conference to the next. Finally, in 1997, agreement on concrete treaty obligations was reached at Kyoto. The resulting Protocol fell short of expectations in several respects, however. First, it did not require anything of developing countries. This was the first casualty of extended bargaining; the developing countries refused to sign any agreement that

[2] The Global Environment Facility was established with a mandate to make grants to deal with four problem areas: global climate change, biodiversity loss, pollution of international waters, and ozone layer depletion. Two more areas were added subsequently: Persistent Organic Pollutants in 2001, and Land Degradation in 2002.

required them to make concrete sacrifices, and the developed countries accepted this rather than delay progress in limiting their own emissions. Second, the negotiated quotas were not to take effect until 2012 and called for only a 3.6% aggregate reduction below 1990 levels—with targets ranging from 92% to 126% of 1990 levels for individual countries. The European Union had been pushing for a target of 15% emissions reductions by 2010. Furthermore, the quotas distinctly reflected the bargaining power of the participants. Even before Republicans took over the White House, for example, the quotas negotiated in the Kyoto Protocol were systematically more lenient for the biggest economies, without whom the treaty could not come into effect. Even so, the second casualty of the bargaining process was the participation of the most important producer of greenhouse gasses. In the lead up to Kyoto the U.S. Senate had passed a resolution opposing any agreement that failed to impose restrictions on developing countries, or that imposed costs on the U.S. economy—two conditions that could not be met by any feasible treaty. The European negotiators viewed this as a bargaining tactic, and assumed that the Clinton Administration could nevertheless bully, bargain or buy a majority in the Senate to ratify the Protocol. U.S. delegations did nothing to disabuse them of this notion when it agreed to the formulas hammered out in Kyoto and elaborated at subsequent meetings. President Clinton judged otherwise, however, and the Protocol languished until the new president Bush withdrew the U.S. signature.

Signing the Kyoto Protocol represented only the penultimate stage of bargaining, and the rigor of the commitments adopted suffered further in the process of ratification. Negotiations continued on several issues that the United States had introduced to increase the flexibility of the regime, including emissions trading and carbon sinks. A list of approved policies that remove CO_2 from the atmosphere such as reforestation, land management and some forms of agriculture could make a country eligible for credits against their emissions reduction targets known as removal units (RMUs). These credits effectively relaxed the

commitments that had already been reached: The average quota at Kyoto represented a reduction of emissions to 96.6% of 1990 levels, but after the agreement on implementation mechanisms at Marrakesh in 2001, the effective quota represented a target of 101% of 1990 emissions (RIVM 2001). While the European Union countries rapidly ratified the Protocol after Marrakesh, other countries held out, and received larger increases in their effective quotas. Russia reaped the grand prize for brinkmanship. Russia had already secured high quotas at Kyoto, allowing it to increase its production of greenhouse gases to 100% of 1990 levels, although actual levels had fallen 28% during the transition of the 1990s. After the United States dropped out of the Kyoto Protocol, however, Russia's participation became arithmetically necessary to bring the agreement into force, and president Vladimir Putin played his cards skillfully to extract the maximum possible advantage. Russia's effective target was increased to 105% of 1990 levels at Marrakesh, so that under any likely prognosis of Russian growth, Russia would have substantial excess quotas to sell throughout the duration of the agreement. Nevertheless, Russia withheld ratification and threatened to scuttle the agreement, as lucrative as it was, until the European Union agreed to drop its long-standing demand that Russia allow its domestic natural gas prices to rise to world market levels before it could enter the World Trade Organization.

Russia's ratification brought the Kyoto Protocol into force, along with a global market for carbon emissions rights and a new mechanism for environmental technology transfer, but twelve years of bargaining had left it a pale shadow of the original Framework Convention. In the critical case of the United States, the requirement of domestic ratification combined with the incentives of international bargaining to scuttle the agreement. In Russia's case the domestic actors had become a formality by 2004, but the threat to block the treaty's entry into force was a potent source of bargaining leverage. Across the board, successive rounds of bargaining led to increasingly modest targets. There was no immediate cost to signing in Kyoto; but precisely because countries cared about the future in which they would have to

cooperate, they gradually whittled away at the cooperative agreement until it failed to stabilize the carbon emissions that it was originally intended to reduce.

Agenda control

International institutions evolve through a political process that privileges insiders, who are then able to impose many of their preferences on countries that join subsequently. All voting rules privilege the status quo, and many international institutions use supermajority rules that make the status quo very hard to change. In some cases this may be good for international cooperation (Downs and Rocke 1998). In general, however, the privileged status of insiders is a significant impediment to deals that would deepen international cooperation.

Downs and Rocke (1998) argue that the privileged position of insiders allows international institutions to choose consistently higher levels of cooperation by initially including only the most committed cooperators, and gradually broadening membership to include laggards. In their model, late entrants prefer membership in an international institution to exclusion, even if they must accept a high level of cooperation as the price of admission, and the level of cooperation within the institution is chosen by voting. By expanding membership gradually, a group of intensive cooperators can assure a high level of cooperation, which then becomes the reversion point for future votes. A subsequent entrant is faced with a *fait accompli*: The status quo is more cooperative than it would prefer, and the pivotal voter, which likewise prefers more cooperation than the new entrant, will block any proposal that it does not prefer to the status quo. As new states enter, the intensity of cooperation is gradually diluted—there is a trade-off between the depth and breadth of cooperation—but cooperation remains consistently more intense than it would be if all states had entered the arrangement simultaneously.

The necessary condition for this logic to work is that previous entrants prefer higher degrees of cooperation than subsequent entrants, which is plausible if cooperation occurs on

only one dimension and high cooperators are most interested in joining institutions. Indeed, this story explains aspects of integration in the European Union, as more committed cooperators gradually coopted states that were initially reluctant. However, the European Union also serves as a counterexample. Cooperation in the EU procedes on numerous tracks that touch virtually every area of public policy, and these have gradually proliferated, so that the original cooperators could not anticipate all of the forms cooperation eventually took. On some of these dimensions the original cooperators have more conservative preferences than many of the countries that have joined more recently. To take a prominent example, Britain refused to sign the Treaty of Rome in 1957, and acceded to the European Economic Community only in 1973, by which time the interpretation of the Common Market had become well established. Under a variety of Labor and Conservative governments, Britain consistently pushed for a more liberal trade regime in Europe; France was often able to block these proposals, relying upon its position as a veto player and the fact that the status quo was favorable to French interests. The logjam was finally broken only in 1986, when the Single European Act provided an opportunity to reopen the package deal of European integration. On other dimensions, of course, it was France rather than Britain that was in favor of deepening European cooperation in 1986, but this is the point: Voting rules may favor deeper cooperation on some dimensions and shallower cooperation on others, depending upon which countries entered first.[3]

The international trade regime likewise provides examples of the pernicious effects of gradualism. There is a persuasive argument that gradually expanding the membership of trade agreements helps to overcome free-rider problems by diverting trade away from non-members (Oye 1992). The same bargaining tactic, however, shields early members from the need to make concessions to new entrants. Early members of the General Agreement on Tariffs and Trade were developed countries, which tended to share a preference for lower

[3] Britain was reluctant to accept the institutional innovations of the SEA, and agreement was only reached after

tariffs for industrial manufactured goods, which they exported, and for higher tariffs for textiles and agricultural goods, which were produced more cheaply abroad. Subsequent rounds of trade negotiations have expanded the range of goods and services covered by the regime, until the Uruguay Round extended it to cover services, foreign direct investment and intellectual property rights. As new members have joined the regime in the 1990s, they have been required to accept the status quo and harmonize their trade policies with those of the WTO in return for equal treatment with existing members; the existing members have not been required to make corresponding concessions. As a result, the international trade regime remains asymmetric, tolerating high subsidies and barriers to trade in agricultural goods. Annual U.S. cotton subsidies, for example, exceed total U.S. foreign aid to sub-Saharan Africa, and indeed, exceed the GDP of any of the West African countries that depend on cotton exports.

These examples illustrate the point that when institutions are used for cooperation on multiple issues, gradually expanding membership may create a bias against deepening cooperation. More generally, supermajority voting rules create a bias against cooperation whenever a new issue emerges: For example, new scientific knowledge identifies a previously unknown threat to the international environment, or a dramatic terrorist attack focuses attention on a previously marginal group. The status quo level of cooperation in new issues is zero. The strongest policy response that can be chosen is one that the pivotal voter prefers to the status quo, and if a supermajority is required to initiate a policy, as in the United Nations Security Council, the pivotal voter will be one that prefers a minimal policy.

Conclusions

Power and Interdependence inspired much of the subsequent work on international institutions, and if its concepts of power, interdependence and organizational process do not

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France and Germany threatened to move ahead without British participation (Moravcsik 1998).

specify a rigorous theory, they nevertheless provide a framework for organizing many of the insights that subsequently emerged. Interdependence provides the rationale for international organization, and the rapid proliferation of institutions, broadening of memberships and expansion of functions that we have witnessed in the last two decades are testimony to the increasing demand for coordinated solutions to problems that states cannot solve unilaterally. Interdependence, however, fails to predict the underprovision of international governance. To do this, we have to turn our attention to theories of power and institutions.

The standard agency perspective fails to solve our problem. First, agency conventionally predicts excessive institutionalization of international affairs rather than weak governance. Alternatively, a principal-agent view could hold that states fail to delegate precisely because they anticipate agency problems, and this explains why we do not observe them. This begs the question of why such farsighted states are not clever enough to coordinate their behavior to limit the cost of delegation, however; and in fact we observe that they often are. Second, the agency view does not correspond well to empirical observation. Whenever excessive autonomy of international institutions has been alleged, it turns out that states nevertheless held the reins and chose when to delegate. The pattern of cooperation is consistent with the interpretation that influential states interfere in the smooth operation of international institutions when their interests are affected, rather than that international agencies generate policies largely autonomously.

Explanations based on sheer power have fared equally poorly, and on both theoretical and empirical grounds the ill-fated theory of hegemonic stability has fared worst; furthermore, the realist claim that states refuse to delegate important functions to international institutions because they are obsessed with security concerns is not plausible. The problem is rather that irrevocable delegation is simply not feasible. International governance, in short, remains a form of cooperation in a society of autonomous states. Institutions cannot serve as commitment devices because true delegation is never really possible; instead, only

reputational equilibria are available, and cooperation is only sustainable when the short-term costs are tolerably low.

More complex theories of interactions between power and institutions are more persuasive, however. Powerful states delegate authority to international institutions, but they do so in ways that allow them to retain substantial degrees of control. International cooperation is negotiated, and the bargaining depends on the resources and outside options that states bring to the table. Institutional membership and voting rules provide resources that shift the range of feasible agreements. Influential states manipulate institutional rules, hold out for privileged treatment for their own interests, and exploit their agenda control, and these strategies undermine the ability of institutions to provide effective international governance. The results are that international institutions suffer from credibility problems, that progress in forging new cooperative projects is slow, and that cooperation in many areas is blocked by the entrenched interests of founding members. Power and institutional design interact in complex ways, but generally to the detriment of the common interests emerging in an increasingly interdependent global society.