

# The Conditional Nature of Democratic Compliance

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## Abstract

Do democratic institutions enhance a country's compliance with international commitments? We develop a game theoretic model that highlights the conditional nature of democratic institutions' effect on compliance. Rather than assuming that the electorate in a democracy benefits from compliance uniformly, we consider domestic distributional consequences of compliance. The model thus incorporates the preferences of competing domestic constituents as well as their politically relevant attributes such as electoral leverage and informational advantage. The model shows that, although electoral institutions intensify politicians' accountability to domestic constituents, the direction of this electoral effect on compliance is determined by the political attributes of competing interests. We illustrate our theory with examples of international economic and environmental policies.

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# 1 Introduction

Do democratic institutions enhance a country's compliance with international commitments? The literature suggests contrasting findings.<sup>1</sup> On one hand, there are important affirmative answers in broad areas such as security alliances (Gaubatz 1996, Smith 1996), trade (Mansfield, Milner & Rosendorff 2002), investment (Schultz & Weingast 2003, Jensen 2003), monetary policies (Broz 2002), the environment (Raustiala & Victor 1998, Neumayer 2002), and the credibility of commitments in general (Leeds 1999, Martin 2000). A key logic guiding many studies is that elections in democracies enable domestic constituents to punish leaders who deviate from their public announcements (Fearon 1994). The fear of such punishment, in turn, may deter democratic leaders from violating international agreements (McGillivray & Smith 2000). For instance, it is expected (Helfer & Slaughter 1997), and indeed found (Hathaway 2002), that liberal democracies comply better than nondemocracies with international human rights treaties.

However, this positive effect of democratic institutions on compliance does not hold universally. For instance, despite better human rights practice in general, liberal democracies seem to have much difficulty protecting rights of minorities (Alvarez 2001). Indeed, scholars have found negative effects of democratic institutions on compliance with various kinds of international commitments. Gartzke & Gleditsch (2004) argue that democracies are less likely to fulfill security commitments to allies. Busch & Reinhardt (2002) find democracies less likely to comply with GATT rulings. Simmons (2000) demonstrates that, due to popular pressure, democracies are less likely to comply with Article VIII of the International Monetary Fund (IMF). Weiss & Jacobson (1998) suggest the generalization that democracies are better able to comply with international environmental agreements does not always hold.

If, as the literature seems to suggest, the effect of democratic institutions on compliance is not uniform, a natural question to ask is under what conditions are democracies better

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<sup>1</sup>For the effects of democratic institutions on conflict behavior, see Russett (1993), Lynn-Jones (1995), Bueno de Mesquita, Morrow, Siverson & Smith (1999), Gowa (1999), and Lipson (2003).

able to comply with international commitments? Surprisingly, this issue has not received much analytical attention. To our knowledge, two studies explore these conditions empirically. Tomz (2002) contrasts Argentina's decision to honor debt contracts and its decision to suspend them a few years later. Walldorf (2002) contrasts US abandonment of security commitments to Chile but not to Argentina. We address this question from a general theoretical perspective.

We develop a game theoretic model to identify the conditions under which democratic institutions enhance a country's compliance with international commitments. There are two essential features to our model. First, we follow previous work to focus on a key aspect of democratic institutions, i.e., regular competitive elections. Political scientists typically define democracy as a system where citizens select political representatives through regular competitive elections (Powell 2000, McGillivray & Smith 2000, Mansfield, Milner & Rosendorff 2002). Earlier studies have derived from electoral institutions the superior ability of democracies to comply with international commitments. We maintain the same focus on electoral institutions but show that the claim of better compliance by democracies does not necessarily hold. Second, we depart from previous work by disaggregating domestic interests. Rather than assuming that citizens in a democracy uniformly benefit from compliance, our model explicitly incorporates domestic distributional consequences of compliance. While all domestic groups may have something to gain from complying with a country's international commitments, some have to pay for it more than others do (Scheve & Slaughter 2001, Gabel 2001, Haggard & Kaufman 1992, Vreeland 2003). Accordingly, competing domestic interests may seek to influence the decision of how much to comply with international commitments.

We argue that, although democratic institutions intensify the degree of electoral accountability, whether or not this effect leads to a higher level of compliance depends on the political attributes of competing interests. The more regularly competitive elections are held or the more election results bind the policymaker's fate of staying in power, the more the compliance policy is biased towards the group with more political leverage and informational

advantage. Thus, compliance varies not only across but also within regime types, as a result of both political institutions and competing interests.

This paper seeks to contribute to the literature in three ways. First, our model alters previous expectations regarding the effect of democratic institutions. It finds that electoral accountability does not necessarily enable democracies to better comply with international commitments. We highlight domestic competing interests in understanding the effect of democracy. Second, our model accounts for compliance variations both across and within regime types. Some empirical works find better compliance by democracies than non-democracies. Some others find the opposite. Yet others find variations among democratic compliance. Our unified framework offers a way to reconcile competing empirical findings. Third, although empirical work has documented variations in democratic compliance as a result of public support, our model throws additional light. It provides a theoretical rationale for incorporating domestic publics and interest groups in understanding democracy. It specifies their causal effect through electoral mechanisms and, specifically, two distinct channels of political leverage and informational advantage.

We proceed as follows. In Section 2, we discuss how this paper builds on recent work on compliance and that on political regimes. We suggest that, to understand the conditional nature of democratic compliance, we need to consider not only democratic institutions but also the preferences channeled by these institutions. In Section 3, we build on a model of compliance, where a government makes a compliance decision in front of competing domestic interests. To make the model more realistic, we incorporate the international effect of compliance in addition to domestic distributional consequences. To consider the impact of regime type on compliance, we recognize that political regimes vary not only in the frequency of competitive elections but also in how binding election results are for the policymaker's fate of staying in power. We study how such differences between democracy and autocracy affect compliance. We derive comparative statics on the conditional effect of democratic institutions. In Section 4, we discuss the empirical implications of our central arguments.

We suggest that our model not only generates finer hypotheses about the effect of democratic institutions but also provides a more complete and logically consistent explanation for existing empirical findings. We conclude by discussing how our analysis contributes to the ongoing debate regarding the impact of democratic institutions on compliance and beyond.

## 2 Compliance and democratic institutions

A central question in international relations is why countries comply with international commitments (e.g. Young 1979, Keohane 1984, Oye 1986, Mitchell 1994, Chayes & Chayes 1995, Downs, Rocke & Barsoom 1996, Simmons 2000, Checkel 2001). Increasingly, scholars argue that foreign policies such as compliance decisions depend on domestic factors, including political institutions (Simmons 1994, Milner 1997, Martin 2000). This paper builds on these strands of literature to capture the conditional effect of democratic institutions on a country's compliance decision.

International agreements provide benefits to some domestic constituents, who in turn have incentives to ensure compliance. Thus, one useful strand of literature focuses on sub-national players who provide domestic sources of enforcement. These sources can be governmental bureaucracies or special interest groups who pursue international rules for normative or strategic reasons (Duffield 1992, Cortell & Davis 1996). They can be lawyers and judges in national courts who appreciate additional international legal instruments to advance their agendas (Burley & Mattli 1993, Alter 2000, Keohane, Moravcsik & Slaughter 2000). Alternatively, they can be epistemic communities or norm based networks and social movements, which use international institutions as simply another channel of influence (Haas 1989, Haas 1990, Sikkink 1993, Keck & Sikkink 1998).

Our analysis builds on these important studies by conceptualizing a government's compliance decision as responding to competing domestic interests. Rather than automatically honoring any international agreement with its signature on it, a government consciously

decides how much resource to allocate towards implementing an agreement. This decision can be influenced by domestic interests for at least three reasons. First, unlike the crisis bargaining situation where the decision to stand firm or back down takes place soon after a political leader's public announcement (Fearon 1994), compliance decisions often take place long after the commitment was made by the current government or even its predecessor. This delay allows for considerable amount of input from subnational actors. Second, the cost of compliance with international agreements tends to become more concrete at the compliance stage. This may induce actions and reactions from previously involved and newly mobilized actors, resulting in increased effort from interest groups to influence governmental decision making. Third, governments often anticipate input from domestic interests at the compliance stage. Accordingly, they tend to build flexibility into international agreements to accommodate subsequent input of this sort (Downs & Rocke 1995).

Yet the preferences of domestic actors affect policy outcomes only through political institutions. Thus, another useful strand of literature emphasizes the effects of domestic institutions on a country's ability to uphold international commitments. To some, the checks and balances between executives and legislatures play a significant role (Cowhey 1993, Martin 2000). To others, liberal states enjoy distinctively different relations among themselves (Slaughter 1995). Still others believe regular competitive elections provide the crucial mechanism to hold democratic leaders in compliance with international commitments (Gaubatz 1996, McGillivray & Smith 2000, Mansfield, Milner & Rosendorff 2002)

Our analysis builds on these important works by specifying the precise effects of regular competitive elections. As a quintessential feature of democratic institutions, regular competitive elections are vital for understanding the compliance behavior of democratic states. While we focus on the same fundamental feature of democratic institutions, we pay more attention to what preferences are assumed into these institutions. In our model, democratic institutions channel competing rather than uniform preferences. Furthermore, democratic institutions do not simply aggregate public preferences such that the majority necessarily

prevails. Rather, preference aggregation is biased towards those disproportionately more influential over a government's continued stay in power. Therefore, the effect of electoral accountability on a country's compliance with international commitments varies, depending on the political attributes of competing interests.

To understand the conditional nature of democratic compliance, it is important to consider democratic institutions as well as the preferences channeled by these institutions. In the following section, we incorporate these ideas in a model of democratic institutions and compliance.

### **3 Effects of democratic institutions on compliance**

How and under what conditions do democratic institutions induce a higher level of compliance? In this section, we address this question with a game theoretic model. In order to study the effects of democratic institutions on compliance, we first need a theory of compliance. We thus build on a model of compliance as presented in Dai (2005), where a government makes a compliance decision in front of competing domestic interests. In addition to the domestic distributional effects, we also incorporate the international effects of compliance in the model. Furthermore, we explicitly model political institutions, of which a democracy and an autocracy are special cases. By contrasting a government's compliance decision in a democracy to that in a pure autocracy, we derive comparative statics about the conditional effect of democratic institutions on compliance.

The policy decision of interest is a country's compliance with an international agreement. We define compliance as the degree to which the explicit treaty provision is achieved by a participating country. We thus let  $X = \mathcal{R}^1$  denote the level of compliance in a unidimensional policy space. This definition of compliance – along with our view on what drives compliance – differs from some earlier studies. In the early literature on international cooperation, compliance is driven by international forces as embodied in the international agreement.

Accordingly, compliance is defined as a binary choice, i.e., a country can either meet the requirement set in an agreement or not. Recent work has shown that compliance with the same agreement may vary among countries and is often driven by more than international factors. A key question is why and how much, rather than whether, a country complies with the agreement. Taking the form of a continuous variable, our definition of compliance reflects the fact that compliance varies across countries and is driven by diverse factors.<sup>2</sup>

## Domestic interests

A country's compliance with international commitments has both international and domestic consequences. Internationally, domestic citizens and voters can gain from complying with international commitments through the mechanism of reciprocity or reputation (Axelrod 1984, Keohane 1984, Oye 1986). A country's verifiable compliance with its international commitment may induce favorable action or avert unfavorable action on the part of other countries on the same issue or on related issues. For example, a country that complies with trade agreements may enjoy lower trade barriers in trading partner countries; a country that repays its foreign debt may obtain future foreign investment more easily; and a country that observes human rights accords may avoid economic or diplomatic sanctions. Yet, whether one's compliance can be fully reciprocated or whether one's reputation in one issue area is fully portable to a different issue area depends on, among many factors, institutional arrangements that enable monitoring and enforcement to varying extent (Kreps 1990, Dai 2002). Thus, the extent to which one gains from complying with international commitments varies. Let  $\mu \in [0, 1]$  denote the degree to which one's compliance can be reciprocated or one's reputation in one issue area can be portable to another issue area. Then, domestic citizens and voters gain  $\mu x$  from one country's compliance  $x$ . As  $\mu$  approaches 1, compliance

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<sup>2</sup>One can judge compliance by comparing the chosen value of  $X$  with what is required in the international agreement. Formally, the variable of interest then becomes "behavioral change  $X$  minus treaty requirement." However, since treaty requirement is often a constant, to explain " $X$  - requirement" is to explain  $X$ . Thus, without explicating treaty requirement, our model sheds light on compliance behavior.



is reciprocated and domestic citizens can fully enjoy the international benefit of compliance. As  $\mu$  approaches 0, compliance fails to induce favorable action on the part of other countries and domestic citizens enjoy no international benefit of compliance.

Although all domestic actors can gain from complying with international commitments through the mechanism of reciprocity or reputation,<sup>3</sup> different domestic groups may gain different amounts from or pay different amounts for a country's compliance. As recent studies demonstrate, international agreements have domestic distributional consequences (e.g. Vreeland 2003). Those who are affected by national compliance with a particular international agreement may seek to influence the government's compliance decision in their own favor. Let us assume that there are two opposing groups of people with a preference over the compliance decision. Each group  $i$  has an ideal point  $x_i$ , for  $i \in \{1, 2\}$ . Without loss of generality, let group 1 prefer a low compliance level and group 2 prefer a high compliance level. That is,  $x_1 < x_2$ . Each group  $i$  desires the policymaker to take a compliance level  $x$  as close to its ideal point  $x_i$  as possible. That is, each group's utility declines monotonically as the distance between the compliance level taken by the policymaker and that group's ideal point increases. In the formal modeling literature, such preferences are typically captured with the negative quadratic,  $-(x - x_i)^2$ .

Of course, interest groups vary more than in their preference. They also vary in how intensely they care about the issue and how much resource they have, which in turn influences how much time and resource they spend to gather information and keep track of the governmental policy. Typically, domestic constituents do not perfectly observe a government's compliance efforts. Rather, they experience only their welfare, which depends partly on the

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<sup>3</sup>To be precise, domestic groups do not benefit from foreign reciprocation equally. However, we have refrained from disaggregating domestic effects of foreign reciprocation. Generally speaking, one's compliance with an international agreement can invoke two types of reciprocation. One type is specific reciprocity, e.g., one's agricultural subsidy reduction induces the other's agricultural subsidy reduction. Another type is diffused reciprocity, e.g., one's agricultural subsidy reduction encourages the other's opening of automobile market or better respect for intellectual property rights. Thus, who benefits from foreign reciprocation varies. Furthermore, to the extent that a state's compliance with international agreements is driven in part by the desire to acquire a good reputation, the international benefit of compliance may go to the entire country. Therefore, it is not clear whether and how domestic benefits from foreign reciprocation should be disaggregated.

government's compliance efforts and partly on exogenous and essentially probabilistic factors. In forming an opinion about the government's performance, both groups need to infer how much the outcome they experience is due to the government's compliance policy versus some exogenous factors. Although both groups can form indirect and imperfect inferences about the government's policy from the welfare that they experience, the relative accuracy of their inference depends on how well each group monitors the policy process. One way to capture this informational dynamics is to incorporate a group-specific exogenous shock in each group's utility function (e.g. Ferejohn 1986, Lohmann 1998, Fearon 1999). This group-specific exogenous shock interferes with the group's inference of the unobserved governmental policy from the observed welfare. Let  $\theta_i$  represent the group-specific exogenous shock. It is a random variable drawn from a strictly unimodal and symmetric probability density function  $f_i$  with mean zero. Let  $\phi_i = f_i(0)$ , which is the density function of the exogenous shock  $\theta_i$  at mean 0. Then  $\phi_i$  inversely reflects the variance of the probability density function of the exogenous shock  $\theta_i$ . As Figure 1 illustrates, the larger the variance of the density function, the smaller  $\phi_i$  is. Intuitively,  $\phi_i$  captures how tight the distribution is. The larger  $\phi_i$  is, the tighter the distribution of  $\theta_i$  is, the better interest group  $i$  is at inferring the governmental policy. Thus,  $\phi_i$  reflects the ability of each interest group to infer the government's compliance efforts from the policy outcome.

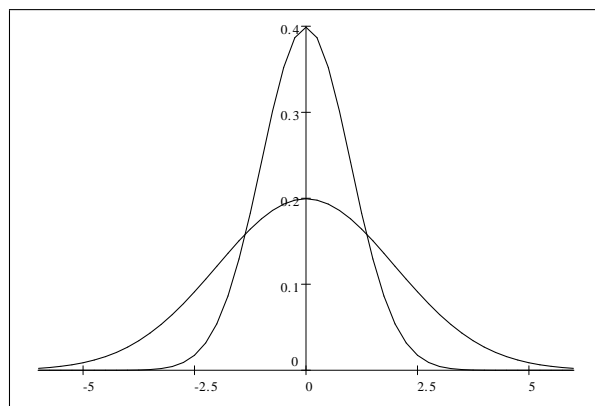


Figure 1: Comparing density functions

Accordingly, each interest group experiences a group-specific outcome of the government's

compliance policy. Formally, each group’s utility function is

$$U_i(x) = \mu x - (x - x_i)^2 + \theta_i, \quad \forall i \in \{1, 2\}.$$

The function consists of three components. The first component,  $\mu x$ , is the group’s gain from compliance through international reciprocity and reputation mechanisms. The second component,  $-(x - x_i)^2$ , is the group’s domestic distributional benefit from compliance. The third component,  $\theta_i$ , is the group-specific exogenous shock, which influences each group’s ability to infer the government’s compliance effort.

## The government’s preferences

The government or the chief policymaker, as a representative of domestic citizens, has incentives to care about both the public and private interest.

Regarding the public interest, we assume that the policymaker maximizes social welfare. Because our focus is on the effect of electoral institutions rather than the policymaker’s preference over social welfare aggregation, we keep the latter simple, where the policymaker aggregates unweighted utilities of competing interests.<sup>4</sup>

Regarding the policymaker’s private interest, we assume that the policymaker cares about staying in power. To capture this component of the policymaker’s preference, we denote the benefit of staying in office with  $V > 0$ . Whether the policymaker gets to enjoy  $V$ , however,

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<sup>4</sup>Our model can be easily generalized where the policymaker gives unequal weight to competing interests. This modification does not affect our central finding regarding the effect of electoral institutions. Clearly, if the policymaker gives more weight to a larger group in aggregating social welfare, the resulting policy will bias toward the larger group in both a democracy and an autocracy. However, the source of such policy bias – as well as its magnitude – differs in two regimes. The policy bias in a pure autocracy is entirely driven by weighted social welfare aggregation. In contrast, the policy bias in a democracy results from two different sources. In addition to the same amount of policy bias as a result of weighted aggregation as in an autocracy, an additional amount of policy bias results from an analytically distinct effect, i.e., electoral accountability. Because the larger group controls more votes and thus affects the incumbent’s chance of staying in office more than the smaller group, it gets favored by additional policy bias. Our central argument concerns the effect of electoral institutions. It is distinct from the effect of the policymaker’s preference over social welfare aggregation. Thus, our central finding holds, even if the policymaker conducts weighted rather than unweighted social welfare aggregation.

depends on whether the policymaker gets to stay in office. That probability depends in crucial ways on political institutions.

## Political institutions

Domestic interests and the government as described above are linked through political institutions. Whether a policymaker gets to enjoy the benefit of staying in office depends on the electoral institutions that channel domestic interests.<sup>5</sup> Elections thus serve as a central device that holds politicians accountable to their constituents (Barro 1973).

Electoral institutions vary along many dimensions. Two important dimensions are the following. First, electoral institutions vary in how regularly competitive elections are held. In a democracy where competitive elections are held regularly, a policymaker is constantly kept on his toes to work for reelection in the next round. In a pure autocracy where elections are nonexistent or genuinely competitive elections are rare, however, a policymaker has less reason to worry about the next round. We capture the regularity of competitive elections as follows. Let  $\delta \in [0, 1]$  represent the policymaker's discount factor. The closer the next election, the less the policymaker discounts the value of holding office in the next round, thus the higher the value of  $\delta$ . The discount factor  $\delta$ , therefore, reflects how regularly competitive elections are held. A higher value of  $\delta$  occurs in a political system with regular competitive elections.

Second, electoral institutions also vary in how much they affect the policymaker's chance of holding office in the next round. In a pure democracy, the policymaker's chance of getting

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<sup>5</sup>We interpret our model mainly in terms of electoral accountability. This focus is driven by our task to rethink the claim that democracies are better able to comply with international commitments – a claim based largely on electoral institutions. We acknowledge, however, electoral accountability is only one mechanism in the broader domestic accountability. The analytical logic of our model is in fact broader. Votes can be replaced, for instance, by dollars or acquiescence as a form of political support (Bueno de Mesquita & Siverson 1995). Thus, interest groups can influence autocratic policymaking through mechanisms distinct from electoral accountability. Focusing on electoral accountability, our results echo those studies that examine alternative mechanisms of domestic accountability (Geddes 1994, Geddes 1999, Bueno de Mesquita, Smith, Siverson & Morrow 2003, Hicken, Satyanath & Sergenti 2005): Political institutions alone are insufficient to explain foreign policy; Rather, domestic interests must be taken into consideration.

reelected entirely depends on the policy he adopts and consequently the citizens' voting decisions. The chance that a democratic policymaker wins reelection is thus a variable,  $\Pr(\omega)$ . In a pure autocracy, even if elections exist, voters' decisions are largely irrelevant. This is because the policymaker's fate of staying in office does not depend on winning genuinely competitive elections. That is, an autocratic leader stays in office with probability 1.<sup>6</sup> To capture the variation of political institutions along this dimension and to incorporate both pure democracy and pure autocracy as special cases, let  $\rho \in [0, 1]$  represent the extent to which the policymaker's chance of staying in office is determined by election outcomes. Thus, the probability a policymaker stays in office for another term is  $\rho \Pr(\omega) + (1 - \rho)$ . When  $\rho = 0$ , that is, election results are not binding and thus the policymaker's fate does not depend on voters' decisions, this probability is 1. When  $\rho = 1$ , that is, election results are completely binding and accordingly the policymaker's fate is entirely determined by voters' decisions, this probability is  $\Pr(\omega)$ . As  $\rho$  increases from 0 to 1, the chance of staying in office is less and less a sure thing and more and more dependent on voters' decisions; electoral institutions accordingly reflect less autocratic and more democratic characteristics.

It should be noted that the characterization of political institutions here is extremely general. It is a continuum of political institutions that vary along two important dimensions, with pure democracy and pure autocracy as special cases.

## The government's utility function

As mentioned before, the policymaker seeks to maximize both social welfare and his chance of getting reelected. His utility function reflects his preferences and the political institutions that channel domestic interests.

$$U_G(x) = \sum_{i=1}^2 U_i(x) + \delta(\rho \Pr(\omega) + (1 - \rho))V, \quad \forall i \in \{1, 2\}.$$

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<sup>6</sup>Of course, this does not mean that there is no turn over in autocratic leadership. It is just that leadership change is not determined by electoral institutions.

The first part  $\sum_{i=1}^2 U_i(x)$  is the term of social welfare. The second part  $\delta(\rho \Pr(\omega) + (1 - \rho))V$  is the discounted expected value of staying in office in the next round. It depends on how much the policymaker values staying in office and how much his chance of reelection is shaped by political institutions.

## The sequence

The game consists of the following events. First, the policymaker decides on a compliance level  $x$ . Then, observing the group-specific policy outcome  $U_i(x)$ , each group  $i$  subsequently votes for the incumbent policymaker ( $v_i = 1$ ) or not ( $v_i = 0$ ). The payoffs are realized. The policymaker may or may not remain in power for the next round. A new game starts with either the current policymaker or a new policymaker.

## Equilibrium analysis

As previously discussed, the policymaker sets the compliance level to maximize not only social welfare but also the expected value of retaining office. Thus, depending on electoral institutions, the expected value that the incumbent policymaker derives from staying in office partially drives his compliance decision.

### Proposition 1.

*In equilibrium, the incumbent policymaker chooses a compliance level  $x^* = \frac{\sum_{i=1}^2 (1 + \lambda_i \phi_i \delta \rho V)(\mu + 2x_i)}{\sum_{i=1}^2 2(1 + \lambda_i \phi_i \delta \rho V)}$ , where  $\lambda_i = \frac{\partial \Pr(\omega)}{\partial \Pr(v_i=1)}$ , for  $i \in \{1, 2\}$ .*

*Proof:* See Appendix.

In choosing the compliance level, the policymaker must consider how his decision might affect the probability that he gets reelected, more so when the next election is close and election results are binding. As we show formally in the appendix, the effect of the compliance level on the incumbent's chance of getting reelected consists of two elements: how the compliance level affects the probability that each interest group votes for the incumbent

policymaker, and how the probability that each group votes for the incumbent policymaker affects the probability that the incumbent wins reelection.

Regarding the first element, whether a chosen compliance level can induce a particular interest group to vote for the policymaker depends on the voting strategy of that group. The voting strategy for each interest group is a rule that says whether, after the policymaker chooses a compliance policy, to reelect the incumbent policymaker. Since the groups do not directly observe the actual compliance level chosen by the policymaker, they assess how much the policymaker attends their interests according to the welfare they experience. If the welfare that group  $i$  experiences is at least as great as the level  $k_i$ , that is  $U_i(x) \geq k_i$ , then group  $i$  votes for the incumbent. Otherwise group  $i$  votes against the incumbent and for the competing candidate. As we show in the appendix, interest group  $i$  chooses the optimal threshold  $k_i^*$  to maximize the sensitivity of the incumbent's chance of reelection to how much the incumbent attends the group's interests. The actual choice of  $k_i^*$  is shaped by the group-specific exogenous shock  $\theta_i$ , which captures the extent to which group  $i$  is able to infer the government's action from its observed welfare. The better informed a group is about the governmental action, the more likely that its voting rule reflects the policymaker's effort rather than the noisy outcome. Accordingly, to win the support of such a better informed group, the policymaker must attend its interests in return.

Regarding the other element, besides the voting strategy of each group, the policymaker must also consider the extent to which the support of a particular group enhances his chance of getting reelected. In other words, he must consider the electoral significance of each group. Empirically, the electoral significance or leverage of a group can be a number of things, depending on specific feature of electoral institutions. It can be the number of voters in each group, or the amount of campaign contributions the group can generate, or the ability of the group to mobilize those with weaker preferences over a given issue, just to name a few.

Anticipating the effect of his compliance decision on his chance of reelection, the incum-

bent policymaker decides on a compliance policy  $x^* = \frac{\sum_{i=1}^2 (1 + \lambda_i \phi_i \delta \rho V)(\mu + 2x_i)}{\sum_{i=1}^2 2(1 + \lambda_i \phi_i \delta \rho V)}$ , for  $i \in \{1, 2\}$ . Again,  $\phi_i$  is the density function of the exogenous shock  $\theta_i$  at mean 0. As  $\phi_i$  increases, the variance in the probability density function of the exogenous shock  $\theta_i$  decreases. This means that, as  $\phi_i$  increases, group  $i$  is better able to infer the compliance policy  $x$ . Capturing the informational status of group  $i$ ,  $\phi_i$  influences the choice of this group's voting strategy. Furthermore,  $\lambda_i = \frac{\partial \Pr(\omega)}{\partial \Pr(v_i=1)}$  expresses the incremental change in the probability that the incumbent policymaker wins reelection due to the change in the probability that interest group  $i$  votes for the incumbent policymaker. It thus captures the electoral leverage of group  $i$  over the policymaker. To examine how electoral institutions, along with political attributes of competing interests, influence the compliance level, we now turn to comparative statics.

## Comparative statics

When and how do electoral institutions influence compliance? We first compare the equilibrium policy under electoral influence to that without any electoral influence as a benchmark. This comparison will show that electoral institutions indeed affect the compliance policy. We then focus on whether and under what conditions democratic institutions induce a higher level of compliance.

Consider first the case of pure autocracy, where either elections do not occur or election results are not binding. Arguably, empirical cases of this sort are increasingly rare. We use this case simply as a benchmark for comparison. We will later focus on the case where electoral institutions are indeed at work. For now, consider the case where either  $\rho = 0$  or  $\delta = 0$ , then the equilibrium compliance level becomes  $x_{Auto} = \frac{\mu + \sum_{i=1}^2 x_i}{2}$ , for  $i \in \{1, 2\}$ . Thus, when elections will not take place in the foreseeable future or when election results do not bind the policymaker's fate of staying in power, the policymaker considers only the international benefit of compliance as well as social welfare. In other words, when he has no electoral incentives, the policymaker does not respond to the political attributes of competing interests.



However, the forces of influence are different when competitive elections are regularly held and when election results are binding, that is, when  $\rho > 0$  and  $\delta > 0$ . In fact, the compliance level in a democracy differs systematically from that in a pure autocracy.

**Proposition 2.**

*Compliance in a democracy differs from that in an autocracy, that is  $x^* \neq x_{Auto}$ , if  $\lambda_1\phi_1 \neq \lambda_2\phi_2$ .*

*Proof:* See Appendix.

When electoral institutions are at work as in a democracy, the compliance level differs from that in a pure autocracy (so long as  $\lambda_1\phi_1 \neq \lambda_2\phi_2$ ). By holding all other variables constant across regimes, we can ascertain that the difference between the compliance level in a democracy from that in a pure autocracy as we derive from this model is entirely due to electoral institutions.

Analytically, electoral institutions induce a different compliance level in a democracy than in a pure autocracy. This holds except in one case, where domestic interests are perfectly balanced in terms of their political attributes. In that case, although the compliance level in a democracy appears the same as that in a pure autocracy, the underlying logic is nevertheless different in these two regimes. In a pure autocracy, because elections are practically irrelevant, the policymaker does not take competing interests into account. In a democracy, because his chance of staying in office is determined by elections, the policymaker must consider competing interests. It is just that, in this rare case, competing interests are in perfect balance and they cancel out each other's effect on the policymaker's compliance decision. However, in all other cases when domestic competing interests are not perfectly balanced in their political attributes, the effect of electoral institutions is manifested in the different compliance level in a democracy than that in a pure autocracy.

This difference of the compliance level in a democracy from that in a pure autocracy, however, can go either way. That is, the effect of electoral institutions on compliance can be either positive or negative, depending on the political attributes of competing interests.

**Proposition 3.**

*The effect of democratic institutions on compliance is conditional on the electoral leverage and informational advantage of competing interests. That is,  $\frac{\partial}{\partial \delta} x^* > 0$  and  $\frac{\partial}{\partial \rho} x^* > 0$ , if  $\lambda_1 \phi_1 < \lambda_2 \phi_2$ ;  $\frac{\partial}{\partial \delta} x^* < 0$  and  $\frac{\partial}{\partial \rho} x^* < 0$ , if  $\lambda_1 \phi_1 > \lambda_2 \phi_2$ .*

*Proof:* See Appendix.

Although electoral institutions affect the magnitude of compliance, the direction of their effect is determined by the political attributes of competing interests. If those who favor compliance are electorally more significant and better informed, then the more regularly competitive elections are held or the more binding election results are, the higher the compliance level. On the other hand, if those who oppose compliance are electorally more significant and better informed, then the more regularly competitive elections are held or the more binding election results are, the lower the compliance level. In other words, the more the voters' decisions affect the policymaker's fate of staying in power, the more the compliance decision favors the electorally more significant and the better informed. The closer the next election is or the more regularly competitive elections are held, the more the compliance decision favors the group with more electoral leverage and better information. Thus, electoral institutions determine the extent to which the compliance policy is biased toward the stronger group.

The following figures illustrate such effects of electoral institutions visually. To focus on the effect of  $\delta$  and  $\rho$ , we hold  $x_1$ ,  $x_2$ ,  $\mu$ , and  $V$  constant in all simulations.<sup>7</sup> Figures 2A-B illustrate the effect of  $\delta$ , or how regularly competitive elections are held, while holding  $\rho = 0.9$ . These figures show that the effect of  $\delta$  on the compliance level depends on the relative strength of competing interest groups in their electoral leverage and informational endowment. In Figure 2A, we assume that group 2 is substantially stronger.<sup>8</sup> As  $\delta$  increases,

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<sup>7</sup>In the following figures,  $x_1 = 10$ ,  $x_2 = 60$ ,  $\mu = 1$ , and  $V = 3$ . The particular values for these variables are not important, because they do not alter the qualitative effects of  $\delta$  and  $\rho$ .

<sup>8</sup>Specifically, we let  $\lambda_1 = 0.3$ ,  $\phi_1 = \frac{1}{0.2\sqrt{2\pi}}$ ,  $\lambda_2 = 0.7$ ,  $\phi_2 = \frac{1}{0.15\sqrt{2\pi}}$ , then  $\lambda_1 \phi_1 = 0.75 \frac{\sqrt{2}}{\sqrt{\pi}}$  and  $\lambda_2 \phi_2 = 2.3333 \frac{\sqrt{2}}{\sqrt{\pi}}$  and, accordingly,  $\lambda_1 \phi_1 \ll \lambda_2 \phi_2$ .

the compliance level rises in favor of the stronger group 2. In Figure 2B, in contrast, we assume that group 1 is substantially stronger.<sup>9</sup> As  $\delta$  increases, the compliance level decreases in favor of the stronger group 1.

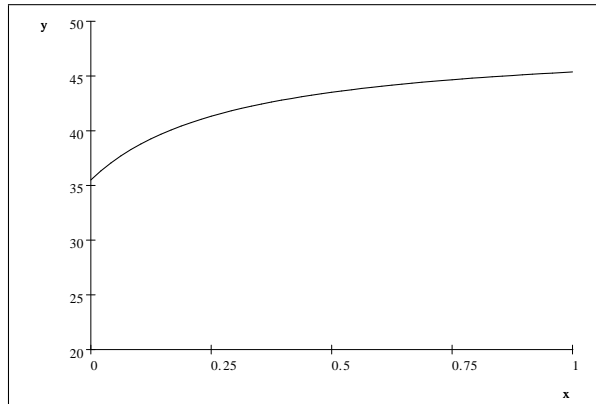


Figure 2A: Effect of  $\delta$ , when  $\lambda_1\phi_1 \ll \lambda_2\phi_2$ .

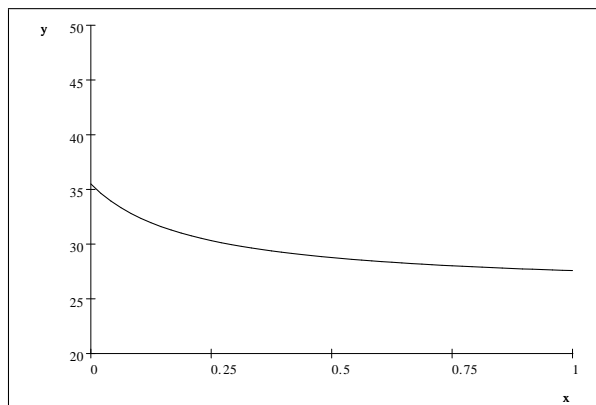


Figure 2B: Effect of  $\delta$ , when  $\lambda_1\phi_1 \gg \lambda_2\phi_2$ .

Figures 3A-B illustrate the effect of  $\rho$ , or how binding election results are for the policy-maker's fate of staying in power, while holding  $\delta = 0.8$ . These figures show that the effect of  $\rho$  on the compliance level depends on the relative strength of competing interest groups in their electoral leverage and informational endowment. In Figure 3A, we suppose that group 2 is substantially stronger, with the same numerical values for  $\lambda_1\phi_1$  and  $\lambda_2\phi_2$  as in Figure 2A. As  $\rho$  increases, the compliance level rises in favor of the stronger group 2. In Figure 3B, we assume that group 1 is substantially stronger, again with the same numerical values for

<sup>9</sup>Specifically, we let  $\lambda_1 = 0.6$ ,  $\phi_1 = \frac{1}{0.1\sqrt{2\pi}}$ ,  $\lambda_2 = 0.4$ ,  $\phi_2 = \frac{1}{0.15\sqrt{2\pi}}$ , then  $\lambda_1\phi_1 = 3\frac{\sqrt{2}}{\sqrt{\pi}}$  and  $\lambda_2\phi_2 = 1.3333\frac{\sqrt{2}}{\sqrt{\pi}}$  and, accordingly,  $\lambda_1\phi_1 \gg \lambda_2\phi_2$ .

$\lambda_1\phi_1$  and  $\lambda_2\phi_2$  as in Figure 2B. As  $\rho$  increases, the compliance level decreases in favor of the stronger group 1.

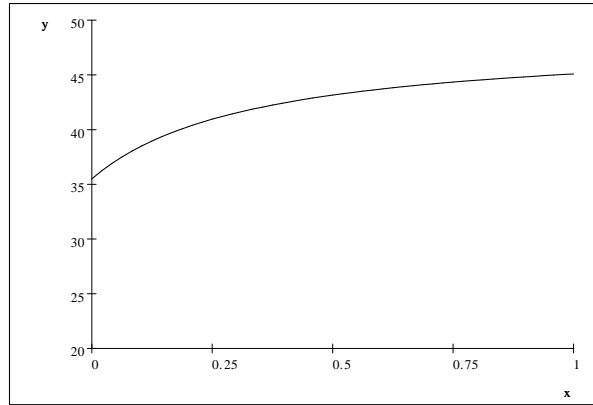


Figure 3A: Effect of  $\rho$ , when  $\lambda_1\phi_1 \ll \lambda_2\phi_2$ .

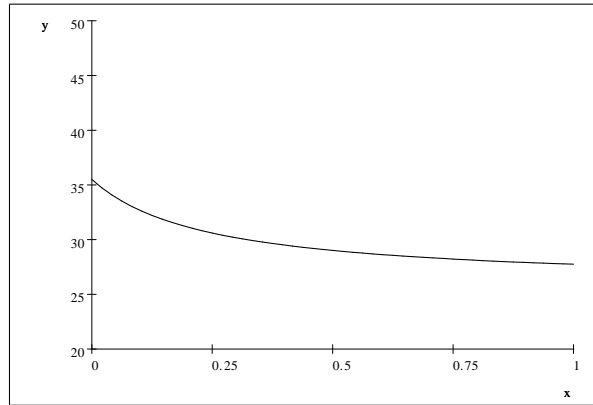


Figure 3B: Effect of  $\rho$ , when  $\lambda_1\phi_1 \gg \lambda_2\phi_2$ .

Figures 2A-B and 3A-B illustrate the effect of  $\delta$  and  $\rho$  on compliance, conditional on competing domestic interests. As elections are held more regularly or as the next election gets closer, the compliance level is more biased toward the stronger group in terms of electoral leverage and informational advantage. Similarly, as election results are more binding, the compliance level is again more biased toward the stronger group.

Therefore, although electoral institutions intensify the effect of voters' control of politicians, they do not necessarily induce a higher level of compliance in democracies. Whether or not democratic institutions induce a higher level of compliance depends on the political attributes of competing interests such as their electoral leverage and informational advantage.

Compared to a pure autocracy, compliance in a democracy thus requires an additional condition: the support of not only the numerous but also the well informed. Unlike electoral institutions, whose effect on compliance is conditional, the effect of domestic constituents on democratic compliance is direct.

**Proposition 4.**

*The compliance level in a democracy corresponds to the political attributes of competing interests. That is,  $\frac{\partial}{\partial \lambda_2} x^* > 0$ ,  $\frac{\partial}{\partial \phi_2} x^* > 0$ ,  $\frac{\partial}{\partial \lambda_1} x^* < 0$ , and  $\frac{\partial}{\partial \phi_1} x^* < 0$ .*

*Proof:* See Appendix.

All else equal, the more electorally significant the group that favors compliance, the higher the compliance level. Furthermore, the better informed the group that favors compliance, i.e. the better able it is to monitor the governmental action, the higher the compliance level. Concerned with winning elections, the incumbent policymaker considers not only which group controls more votes but also what it takes for each group to vote him back into office. Compared to the less informed group, the better informed group is more likely to base its voting decision on the policy, since their inference of the policymaker's compliance decision from their welfare is less disturbed by noise.

For example, suppose that the group that prefers a high level of compliance is electorally more significant than the group that prefers a low level of compliance but that both groups have the same quality of information. If the latter group's information improves, Proposition 4 states that compliance should decrease. To be more concrete, imagine compliance with trade liberalization policies. Compared to the more electorally significant group (consumers), the electorally less significant group (import competing industries) tends to have more incentive to be informed about policy details. Thus, independent of lobbying, campaign contributions, etc., such informational dynamics leads to a policy bias toward the electorally less significant and yet better informed group. The resulting level of compliance would be lower than what is predicted in a model where the policymaker cares only about social welfare aggregation or a model where the policymaker pays attention in addition to

the size of competing interest groups but not their informational endowment.

The analytical logic captured in Proposition 4 sheds light on many empirical cases such as the difficulty France had in complying with the gold standard during the inter-war period. As I discuss in detail later, the worsening recession arguably made the pain of economic adjustment extremely concrete to an increasingly broader public. As a result, the opposition to compliance with the gold standard became not only more numerous but also better informed over time.

Of course, some factors work similarly in different political regimes, although their practical implications vary.

**Corollary.**

*The higher the international benefit of compliance, the higher the compliance level. That is,  $\frac{\partial}{\partial \mu} x^* > 0$ .*

*Proof:* See Appendix.

Consistent with conventional wisdom, the international benefit of compliance – securing carrots or avoiding sticks – can induce a higher level of compliance. However, the relative effectiveness of such instruments may vary among countries. For example, the international instruments may be more effective in countries where domestic interests play a lesser role in influencing the government’s fate. First, policy instruments to influence autocratic leaders may be more limited to international carrots or sticks than policy instruments to influence democratic leaders, who are subject to the influence of domestic interests to a greater extent. Second, when both international instruments and domestic instruments are available to influence democratic leaders, the influence through domestic interests may in many cases prove less costly for international actors aiming to secure compliance. Furthermore, to the extent that domestic interests determine the policymaker’s fate of staying in power, such domestic instruments may also be more effective.

## 4 Empirical implications

The literature on democracy and compliance focuses primarily on the relative propensity of democracies, in comparison to autocracies, to comply with international commitments. In particular, theoretical works stressing electoral accountability tend to predict that democracies are better able to comply with international commitments. To a large extent, this has to do with the assumption that domestic interests uniformly benefit from complying with international commitments.

When we assume more realistically that international agreements have domestic distributional consequences, we obtain a more nuanced set of predictions. The arguments in this paper highlight the conditional nature of democratic compliance with international commitments. First, although compliance in a democracy differs systematically from that in a pure autocracy, whether electoral institutions induce a higher level of compliance in a democracy depends on the political attributes of competing interests. The more regularly competitive elections are held or the more election results bind the policymaker's fate of staying in power, the more compliance is biased toward the stronger group in terms of electoral leverage and informational advantage. Thus, democratic institutions tend to intensify the electoral bias toward the numerous and the better informed. In other words, the support of those domestic groups is a more important condition for democracies than for autocracies. Second, compliance also varies among democracies, responding to the political attributes of competing interests. To the extent that domestic interests exercise influence over their government, compliance in a democracy tends to reflect the balance of competing interests. In particular, a democratic government's compliance decision responds to the electoral leverage and informational advantage of competing interests.

These analyses have important empirical implications. First, they suggest an alternative interpretation of the contrasting empirical findings on democracy and compliance. As we recall from the introduction of this paper, while many studies find democracies better able to comply with international commitments, other studies find the opposite. The analytical

logic in this paper suggests a way to reconcile the seemingly contradictory empirical results. As the model predicts, whether electoral institutions induce a higher level of compliance in democracies depends on the political attributes of competing domestic interests. Thus, the dynamics of competing interests may explain the empirical variation in compliance by democracies.

Second, this alternative view further suggests a new research agenda. The current literature focuses primarily on the direct effects of democratic institutions on compliance. Yet, if the analytical logic in this paper is correct, democratic compliance should be highly contingent on domestic interest competition. Future studies should thus consider both the effect of political regimes and that of competing interests. Incorporating variations of competing domestic interests in addition to variations of political institutions helps resolve a number of important questions. Among others, how is the effect of democratic institutions on compliance conditioned by competing domestic interests, which electoral institutions are designed to channel into policymaking?

In the remainder of this section, we draw on existing empirical work to illustrate the validity of our general arguments. Of course, these empirical studies were not designed to evaluate our model's predictions. Specifically, to the extent that they examine the domestic balance of competing interests, these studies typically do not distinguish between electoral leverage and informational advantage. As such, a detailed examination of these effects separately is often not possible. In those cases, we use public opinion as a proxy of the electoral leverage and informational advantage of competing interests. Public opinion is a useful proxy for three reasons. First, public opinion often indicates the fraction of the population in favor of compliance and the fraction opposing compliance. Second, public opinion also indicates the level of issue awareness among competing interests. Thus, although often undifferentiated, public opinion involves both elements of electoral leverage and informational endowment to some extent. Third, many cases we examine are cases where the compliance issue is highly salient. In such cases, all competing interests tend to perceive a substantial stake in the



issue and thus have sufficient incentive to get informed. With no particular informational advantage for either side, electoral institutions tend to induce the compliance decision in a democracy to favor those groups that can deliver more votes to the policymaker.<sup>10</sup> A limitation of using public opinion as a proxy of the political attributes of competing interests is that it tends to lead us to cases where one side is unambiguously stronger in both electoral leverage and informational advantage. Nevertheless, as a first cut to illustrate the empirical validity of our theoretical predictions, the following cases are useful.

One expectation of the model is that electoral institutions bias the compliance decision in a democracy systematically toward the group with more electoral leverage and informational advantage. Such policy bias may or may not lead to a higher level of compliance. When this group favors compliance, we can expect a higher level of compliance from a democracy than from an autocracy, all else equal. However, if this group opposes compliance, the public pressure from which democratic policymakers are less insulated will then lead to a lower level of compliance in a democracy than in an autocracy, all else equal. More generally, compared to a pure autocracy, the compliance decision in a democracy is more influenced by competing domestic interests.

One difficulty with comparing democratic versus autocratic responses to domestic interests is that empirical work seems to have focused much more on domestic interests in democratic countries than that in autocratic countries. For instance, compared to the substantial amount of research on public opinion in industrial democracies (e.g. Scheve 2004), we know nothing comparable about nondemocratic countries. This makes it challenging to demonstrate systematically how different political regimes respond to domestic demands

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<sup>10</sup>This of course does not need to be the case. In fact, the model predictions are more nuanced: The policymaker can favor a smaller group disproportionately, if that group is sufficiently better informed. For instance, although mainstream economic theory maintains that countries benefit from free trade, auto makers in the US or farmers in France exercise substantial influence in swaying governments' decisions in the opposite direction. This is not because US auto makers or French farmers are disproportionately large groups, but rather because the high stake they have in trade policy leads them to invest a disproportional amount of time to the issue. Thus, they are much better informed than the consumers hurt by higher prices. In general, when a particular issue is not salient, public policy in democracies often accords with the better informed rather than the merely populous.

differently.

Despite such difficulties, comparative case studies on economic adjustment speak rather effectively to this question.<sup>11</sup> Stallings (1990) explains why, facing similar societal pressure, Chile and Peru adopted and implemented drastically different economic policies after the international debt crisis of the 1980s. Chile's was an orthodox policy that stressed a tight fiscal program and timely debt payment, a policy strongly endorsed by the IMF. In Peru, by contrast, the government's initial attempt at an orthodox policy was effectively defeated by the voters. As a result, Peru clashed more with the IMF with a policy that featured a limit on debt service. While economic crisis was similarly bad and domestic opposition to orthodox policies was similarly strong in both countries, key differences between these two countries include the characteristics of the state and the mobilization of the opposition. What Peru had that Chile did not was elections (Stallings 1990). In the authoritarian Chile, General Pinochet survived the political crisis despite public opposition to the orthodox policy. In contrast, the multiparty democratic system in Peru forced the government to heed public opinion. This is consistent with the expectation from the model presented in Section 3. In crisis, which makes the issue at hand highly salient and thus levels the informational status of competing interests, democratic institutions intensify the policy bias toward the prevailing societal force.

The point here is not that democracies are less inclined to comply with international financial arrangements. Rather, democratic decision-making is more constrained by domestic interests. In particular, electoral institutions intensify the policy bias toward prevailing domestic interests. When such interests favor complying with international commitments, the policy bias toward them may lead democracies to better comply with international commitments. Thus, we should pay particularly close attention to the necessary condition

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<sup>11</sup>Studies that examine variations among democracies along specific dimensions of electoral institutions can also throw partial light on this question. For instance, approaching elections often generate uncertainty or short sighted policies (Ames 1987, Bernhard & Leblang 2002, Schamis & Way 2003, Huth & Allee 2002). Furthermore, how much elections affect politicians' fate also impacts policy choices (Bernhard & Leblang 1999).

for democratic compliance.

Another expectation of the model is that compliance varies among democracies according to the balance of competing domestic interests. Although the literature on democracy and compliance pays little attention explicitly to domestic interests, this hypothesis seems to correspond well with the extensive literature on domestic explanations of compliance.

A number of authors note that compliance by democracies with international environmental agreements varies according to the level of domestic support displayed at least partially through public opinion. Weiss & Jacobson (1998) examine compliance by eight countries with five international environmental agreements. Although they do not quantify either compliance nor domestic support, Weiss & Jacobson (1998) document considerable variation among democratic states in complying with each of the five agreements and further argue that public opinion is an important determinant of how much these states comply with each agreement. Victor, Raustiala & Skolnikoff (1998) highlight domestic determinants of a country's implementation of and compliance with international environmental agreements. Although Raustiala & Victor (1998) conclude with an emphasis on the better compliance of democracies than non-democracies, the case studies in their project demonstrate that compliance varies among democracies and correlates with domestic support for the international agreement in question. Thus, the seemingly higher – but more importantly, varying – level of compliance by democracies is better explained by the varying level of domestic support than by regime type.

While the above studies demonstrate that compliance varies across countries as a result of varying public support, Tomz (2002) shows that compliance can also vary across time within a single country as a result of shifting public support. As foreign debt grows and economic conditions deteriorate, should governments honor international commitments to repay debt? Democratic Argentina answered “yes” in 1999 but “no” in 2001. By analyzing public opinion polls conducted between 1999 and 2002, Tomz (2002) demonstrates that Argentine decision on debt payment responded to public opinion on compliance. Although public opinion tilted

against default in 1999, domestic support for debt payment weakened with a worsening recession in 2001. Along with pro-default strikes, public opinion shifted against repayment. Consequently, a newly elected president declared a moratorium on debt payment as soon as he entered office. Tomz (2002) thus convincingly demonstrates the conditional nature of democratic compliance as the theoretical model in this paper predicts.

By comparing both across countries as well as within a single country, Simmons (1994) finds that domestic political variables – particularly in the form of public support – have a significant impact on the willingness of pluralist democracies to comply with international financial arrangements. To maintain the gold standard, governments must make their balance of payment a higher priority than their domestic economic condition. In the inter-war era, however, countries displayed varied willingness and ability to comply with this basic requirement across space and over time.

In mid-1920s, France experienced an imbalance of payments and depreciation of the franc. When a center-right coalition came to power in 1926, the government took serious measures including budget cuts and tax increases. While these measures induced the franc to appreciate, as Simmons (1994) documents, wide spread complaints from industrial and labor groups led to protests against the new fiscal program. As the number of unemployed seeking assistance increased and the number of unfilled jobs decreased, public opposition to the tight fiscal policy intensified, which far outweighed public support for revaluation. The changing balance of competing interests eventually forced the government to abandon revaluation.

Just as French ability to abide by the gold standard changed in response to the changing balance of competing interests, different countries complied with the gold standard requirement to different extents in the 1930s as the result of different levels of public support. As Simmons (1994) documents, in contrast to Britain, which had a budget surplus throughout the crisis and Belgium whose deterioration of payments was not as steep, France experienced the most serious domestic opposition to complying with the gold standard requirement. In

particular, France experienced the most severe labor and social unrest. It was thus least able to internalize the cost of economic adjustment. As a result, France depreciated dramatically in the mid 1930s, in spite of an explicit international commitment to stabilize.

Although Simmons (1994) does not explicitly discuss the element of informational advantage of competing interests, it is likely that the worsening recession in the inter-war era made the pain of economic adjustment extremely concrete to an increasingly broader public. In other words, the rising salience of fiscal policy probably improved the informational condition of the broad public vis-a-vis that of special interests. In the case of France, it could be argued that the opposition to compliance with the gold standard requirement became not only more numerous but also better informed over time.

Of course, a country's compliance policy is a product of a complex process, of which domestic constituents are only a part. However, as the above discussions show, competing domestic interests are indispensable in that they significantly condition the effect of democratic institutions.

## 5 Conclusion

In spite of divergent empirical findings regarding the effect of democratic institutions on compliance, theoretical work has paid surprisingly little attention to the conditions under which democracies comply with international commitments. Our model provides one important and logically consistent set of such conditions. Although democratic institutions intensify electoral accountability, whether or not they induce a higher level of compliance depends on the political attributes of competing interests. Compared to a pure autocracy, compliance in a democracy corresponds more to the preferences of the numerous and the better informed. By highlighting the conditional nature of democratic compliance with international commitments, the model offers a way to reconcile seemingly contradictory empirical findings.

What implications does our analysis have for the study of democracy and foreign policy in general? First of all, although political institutions are extremely important, they alone do not seem sufficient to account for empirical variations in how well and how much democracies comply with international commitments. We must, in addition, take seriously the preferences channeled by these institutions (Moravcsik 1997, Lake & Powell 1999, Milner 2002).<sup>12</sup> Furthermore, it is important to disaggregate domestic interests because international agreements have domestic distributional consequences. By allowing competing interests of varying strength to influence their government's policy, our model helps account for the variability of democratic behavior in international relations. Specifically, as our model shows, the frequently claimed unconditional effect of democracy on a country's inclination to cooperate internationally is neither uniform nor irreversible. In fact, compliance with international commitments requires more stringent conditions in democracies than in non-democracies. A crucial determinant of a country's foreign policy is not only whether it is democratic but also what its electorally more significant and well informed constituents want.

By clarifying the conditional effect of democratic institutions on foreign policy, our study has important policy implications. If democratic institutions encourage international cooperation only when the electorally significant and the better informed favor it, simply encouraging representative democracy will be inadequate to promote either compliance with international agreements or peaceful resolution of international conflict. This study invites caution regarding policy initiatives based solely on political institutions.

Our analysis also suggests a number of avenues for future research. First, our general model highlights the conditional nature of democratic compliance with international commitments. Future work must further refine the domestic conditions put forward in this paper. In particular, what are other important attributes of domestic interests? How do they help gain favorable policy bias? Which other elements also contribute to the direction

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<sup>12</sup>In the larger democratic peace literature, scholars have examined the impact of preferences and interests. See, for example, Farber & Gowa (1997), Gartzke (1998), Gartzke (2000), Oneal & Russett (1999), Russett & Oneal (2001). Most of these studies are more interested in a unitary state's static interests than how the dynamics of competing interests shape the varying preferences of the government.

and magnitude of policy bias? Answering these questions may require bringing additional contextual variables in specific cases. Our model provides a general foundation for this task.

Second, future research should also examine other dimensions of democracy. For example, to maintain analytical focus and comparability with past models, our analysis addresses only one aspect of democracy, namely electoral institutions. However, these institutions may work differently from legislative institutions (Martin 2000) and the liberal norms that are often associated with democracies (Maoz & Russett 1993, Dixon 1994).<sup>13</sup> Furthermore, different dimensions of democracy may impact foreign policy differently and some may mutually condition each other.

Finally, our model extends naturally to other foreign policy decisions beyond compliance. As recent studies suggest, existing theoretical arguments about the effects of democratic institutions on various aspects of foreign policy are often under-specified.<sup>14</sup> For instance, a central question in the recent debate on democratic peace is how the uncertainty that the more pacific interest groups prevail over the more hawkish ones may condition liberal peace (Rosato 2003, Kinsella 2005). Our model provides a way to incorporate domestic publics and interest groups into the analysis of foreign policy.

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<sup>13</sup>Some interesting works address how democratic institutions enhance transparency in the context of international crisis bargaining (Schultz 1998, Schultz 1999, Smith 1998, Ramsay 2004). The enhanced transparency in democracies is consequential in our context, if it strengthens competing interests unevenly. Even in that case, however, its effect on compliance still depends on the resulting dynamics of interest competition.

<sup>14</sup>See, for example, Gartzke (1998).

# Appendix

## Proof of Proposition 1.

As explained in the text, in equilibrium, the incumbent policymaker chooses a compliance level to maximize the following utility function:

$$U_G(x) = \sum_{i=1}^2 U_i(x) + \delta(\rho \Pr(\omega) + (1 - \rho))V, \quad \forall i \in \{1, 2\}.$$

Substituting the interest groups' utility function  $U_i(x) = \mu x - (x - x_i)^2 + \theta_i$ , the policymaker's utility function becomes

$$U_G(x) = \sum_{i=1}^2 (\mu x - (x - x_i)^2 + \theta_i) + \delta(\rho \Pr(\omega) + (1 - \rho))V, \quad \forall i \in \{1, 2\}.$$

The first order condition is

$$\sum_{i=1}^2 (\mu - 2(x - x_i)) + \delta \rho V \frac{\partial \Pr(\omega)}{\partial x} = 0.$$

To solve for  $x$ , we need to know  $\frac{\partial \Pr(\omega)}{\partial x}$ , i.e., how the incumbent's choice of the compliance level changes his chance of reelection, given voters' voting strategies.

Let  $v_i$  be the voting strategy of group  $i$ . Since the interest groups do not directly observe the actual compliance level, in deciding how to vote, they assess how much the incumbent has attended their interests according to the first period welfare they observe. Thus, for  $i \in \{1, 2\}$ ,

$$v_i = \begin{cases} 1 & \text{if } U_i \geq k_i \\ 0 & \text{otherwise.} \end{cases}$$

How does interest group  $i$  decide on the optimal threshold  $k_i^*$ ? If we let  $F_i(\cdot)$  be the



cumulative density function of  $\theta_i$ , the probability that group  $i$  votes for the incumbent policymaker is

$$\begin{aligned}
\Pr(v_i = 1) &= \Pr(U_i \geq k_i) \\
&= \Pr(\mu x - (x - x_i)^2 + \theta_i \geq k_i) \\
&= 1 - F_i(k_i - \mu x + (x - x_i)^2)
\end{aligned} \tag{1}$$

How precisely do the voting strategies of interest groups affect the government's choice of the compliance level? Applying the generalized chain rule,

$$\frac{\partial \Pr(\omega)}{\partial x} = \sum_{i=1}^2 \frac{\partial \Pr(\omega)}{\partial \Pr(v_i = 1)} \frac{\partial \Pr(v_i = 1)}{\partial x}.$$

Thus, the impact of the compliance level on the probability that the incumbent policymaker wins reelection is expressed in terms of 1) the effect of the compliance level on the probability that each interest group votes for the incumbent policymaker and 2) the effect of the probability that each group votes for the incumbent policymaker on the probability that the incumbent wins reelection.

Letting  $\frac{\partial \Pr(\omega)}{\partial \Pr(v_i = 1)} = \lambda_i$ , which represents the electoral leverage of group  $i$ , and applying Equation 1,

$$\frac{\partial \Pr(\omega)}{\partial x} = \sum_{i=1}^2 -(2(x - x_i) - \mu) \lambda_i f_i(k_i + \alpha_i(x - x_i)^2). \tag{2}$$

Applying Equation 2, the first order condition becomes

$$\sum_{i=1}^2 (\mu - 2(x - x_i)) + \delta \rho V \sum_{i=1}^2 -(2(x - x_i) - \mu) \lambda_i f_i(k_i + \alpha_i(x - x_i)^2) = 0.$$

As each group  $i$  chooses the optimal strategy  $k^*$  such that  $k_i^* + \alpha_i(x(k_i^*) - x_i)^2 = 0$  in

order to induce the most desirable policy,<sup>15</sup> the first order condition further becomes

$$\sum_{i=1}^2 (\mu - 2(x - x_i)) + \delta\rho V \sum_{i=1}^2 -(2(x - x_i) - \mu)\lambda_i f_i(0) = 0.$$

Since  $f_i$  is strictly unimodal and symmetric with mean zero, the value of  $f_i(0)$  decreases with the variance of the density function  $f_i$ . That is, the better informed group  $i$  is, the higher the value of  $f_i(0)$ . This term expresses how well informed group  $i$  is. Letting  $f_i(0) = \phi_i$ , we solve directly for the incumbent policymaker's best response,

$$x^* = \frac{\sum_{i=1}^2 (1 + \lambda_i \phi_i \delta\rho V)(\mu + 2x_i)}{2 \sum_{i=1}^2 (1 + \lambda_i \phi_i \delta\rho V)}, \quad i \in \{1, 2\}.$$

It is straightforward to show that the second order condition is satisfied.

### Proof of Proposition 2.

When elections do not occur ( $\delta = 0$ ) or election results are not binding ( $\rho = 0$ ) as in a pure autocracy, the compliance policy becomes  $x_{Auto} = \frac{\mu + \sum_{i=1}^2 x_i}{2}$ , for  $i \in \{1, 2\}$ .

$$\begin{aligned} x^* - x_{Auto} &= \frac{\sum_{i=1}^2 (1 + \lambda_i \phi_i \delta\rho V)(\mu + 2x_i)}{2 \sum_{i=1}^2 (1 + \lambda_i \phi_i \delta\rho V)} - \frac{\mu + \sum_{i=1}^2 x_i}{2} \\ &= \frac{(1 + \lambda_1 \phi_1 \delta\rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta\rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta\rho V + \lambda_2 \phi_2 \delta\rho V)} - \frac{\mu + x_1 + x_2}{2} \\ &= \frac{1}{2} \delta\rho V (\lambda_1 \phi_1 - \lambda_2 \phi_2) \frac{x_1 - x_2}{2 + \delta\rho V \lambda_1 \phi_1 + \delta\rho V \lambda_2 \phi_2} \end{aligned} \quad (3)$$

Thus,  $x^* \neq x_{Auto}$  if  $\lambda_1 \phi_1 \neq \lambda_2 \phi_2$ , because  $\delta > 0, \rho > 0, V > 0$ , and  $x_2 > x_1$ .

□

### Proof of Proposition 3.

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<sup>15</sup>For a discussion of a voter's optimal voting strategy in such a context, see for example Fearon (1999).

$$\begin{aligned}
\frac{\partial}{\partial \delta} x^* &= \frac{\partial}{\partial \delta} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= \rho V (\lambda_1 \phi_1 - \lambda_2 \phi_2) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2}
\end{aligned}$$

Thus,  $\frac{\partial}{\partial \delta} x^* > 0$ , if  $\lambda_2 \phi_2 > \lambda_1 \phi_1$ , because  $\rho > 0$ ,  $V > 0$ , and  $x_2 > x_1$ .

$$\begin{aligned}
\frac{\partial}{\partial \rho} x^* &= \frac{\partial}{\partial \rho} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= \delta V (\lambda_1 \phi_1 - \lambda_2 \phi_2) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2}
\end{aligned}$$

Thus,  $\frac{\partial}{\partial \rho} x^* > 0$ , iff  $\lambda_2 \phi_2 > \lambda_1 \phi_1$ , because  $\delta > 0$ ,  $V > 0$ , and  $x_2 > x_1$ .

□

#### Proof of Proposition 4.

$$\begin{aligned}
\frac{\partial}{\partial \lambda_2} x^* &= \frac{\partial}{\partial \lambda_2} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= -\delta \rho V \phi_2 (1 + \delta \rho V \lambda_1 \phi_1) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2} \\
&> 0, \text{ because } x_1 < x_2.
\end{aligned}$$

$$\begin{aligned}
\frac{\partial}{\partial \phi_2} x^* &= \frac{\partial}{\partial \phi_2} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= -\delta \rho V \lambda_2 (1 + \delta \rho V \lambda_1 \phi_1) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2} \\
&> 0, \text{ because } x_1 < x_2.
\end{aligned}$$

$$\begin{aligned}
\frac{\partial}{\partial \lambda_1} x^* &= \frac{\partial}{\partial \lambda_1} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= \delta \rho V \phi_1 (1 + \delta \rho V \lambda_2 \phi_2) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2} \\
&< 0, \text{ because } x_1 < x_2.
\end{aligned}$$

$$\begin{aligned}
\frac{\partial}{\partial \phi_1} x^* &= \frac{\partial}{\partial \phi_1} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= \delta \rho V \lambda_1 (1 + \delta \rho V \lambda_2 \phi_2) \frac{x_1 - x_2}{(2 + \delta \rho V \lambda_1 \phi_1 + \delta \rho V \lambda_2 \phi_2)^2} \\
&< 0, \text{ because } x_1 < x_2.
\end{aligned}$$

□

**Proof of Corollary.**

$$\begin{aligned}
\frac{\partial}{\partial \mu} x^* &= \frac{\partial}{\partial \mu} \frac{(1 + \lambda_1 \phi_1 \delta \rho V)(\mu + 2x_1) + (1 + \lambda_2 \phi_2 \delta \rho V)(\mu + 2x_2)}{2(2 + \lambda_1 \phi_1 \delta \rho V + \lambda_2 \phi_2 \delta \rho V)} \\
&= \frac{1}{2}
\end{aligned}$$

□

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