

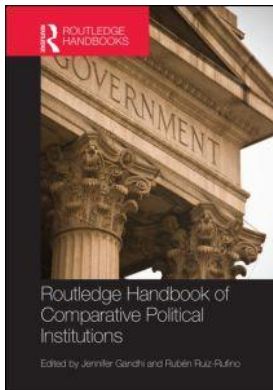
This article was downloaded by: 10.3.97.143

On: 23 Sep 2023

Access details: *subscription number*

Publisher: *Routledge*

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: 5 Howick Place, London SW1P 1WG, UK



Routledge Handbook of Comparative Political Institutions

Jennifer Gandhi, Rubén Ruiz-Rufino

Domestic politics and international institutions

Publication details

<https://www.routledgehandbooks.com/doi/10.4324/9781315731377.ch22>

James Raymond Vreeland

Published online on: 09 Apr 2015

How to cite :- James Raymond Vreeland. 09 Apr 2015, *Domestic politics and international institutions from:* Routledge Handbook of Comparative Political Institutions Routledge

Accessed on: 23 Sep 2023

<https://www.routledgehandbooks.com/doi/10.4324/9781315731377.ch22>

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: <https://www.routledgehandbooks.com/legal-notices/terms>

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for an loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

22

DOMESTIC POLITICS AND INTERNATIONAL INSTITUTIONS

Cooperation, sacrifice, and change

James Raymond Vreeland

Ostensibly, governments participate in international institutions to provide global public goods. But the real motivations behind their participation usually have roots in domestic politics. The most powerful members often use their political leverage over international institutions to pursue domestically-motivated foreign policy goals. Governments also use international institutions to impact domestic politics directly. So, while the subject of international cooperation has long been the purview of the field of International Relations, the field of Comparative Politics has much to contribute to and learn from the study of international institutions.

Scholars usually view international institutions as falling within the domain of International Relations because many of them are centralized organizations that enjoy some degree of independence (Abbot and Snidal 1998). The founding of international institutions usually entails some small sacrifice of sovereignty on the part of member-states, with the apparent objective of achieving an objective in global politics. Yet, governments may endow these organizations with some degree of independent authority precisely because doing so allows them to more effectively pursue *domestically-motivated* purposes. Focusing on major intergovernmental organizations, this chapter is thus organized around the related ideas of (1) sacrificing sovereignty and (2) using international institutions for domestic purposes.

The chapter begins with a discussion of how governments must be incentivized to join international institutions. The intuition is straightforward: In return for contributions to international organizations (IOs), powerful countries require substantial benefits (or “rents”), usually in the form of political influence over the institution. Less-powerful governments must also be incentivized to contribute in order to create institutions with global membership—so some voice may also be reserved for them. Designed to serve distinct purposes, various international institutions strike different balances across their great and small members to solicit their cooperation.

Comparativists should take two lessons from this section: (1) The design of an international institution parallels issues involved in writing a constitution. As Hardin (1999: 86) has observed, constitutions are not “contracts” because they lack an exogenous enforcement mechanism. Instead, they can stand only as self-enforcing equilibria.¹ Participation must be incentive-compatible and individually rational. (2) Control over IOs varies across countries. Precisely because participation must be incentive-compatible, countries with superior outside options

require more perks from membership. Note that incentive-compatibility refers to both inter-state relations and domestic conditions. The domestic side of the story may increase both constraints and opportunities.

With these lessons in mind, the chapter then turns to a specific incentive for international cooperation: domestically-motivated policy objectives. First, the chapter discusses how powerful countries can use IOs to pursue domestically-motivated foreign policy goals. The foreign policy examples include the ways in which the United States uses its power over the IMF to protect the financial interests of US banks, and Japan's broad interest in pursuing foreign policy through IOs. Then, the African Development Bank provides a crucial example of an organization observed both with and without Western political influence in its formal governance structure.

Next, the chapter turns to the ways in which governments can use IOs to pursue domestic policy (Gourevitch 1986). Examples abound. This chapter focuses on instances where governments employ IOs as credible-commitments.

The chapter ends with a discussion of changes on the horizon. Emerging market countries are currently vying for more powerful positions in existing organizations and also designing alternative international institutions. As they do so, domestic political goals and constraints across old and emerging powers are clashing in new ways. Within the context of these dynamics, the chapter concludes that the prospects for collaboration between scholars of International Relations and Comparativists are on the rise.

Sacrifice and benefits

Cooperation requires sacrifice. This is true for collaboration between individuals and amongst nations as well. *Institutionalized* cooperation across independent countries usually requires the sacrifice of at least some degree of national sovereignty.² People often only make sacrifices if they can expect some benefit in return.

Consider the famous case of President Woodrow Wilson, who won the Nobel Prize for his role in founding the League of Nations in 1919, but proved unable to win the support of the US Senate to ratify his own country's membership. Article 10 of the League's Covenant called on members to assist in preserving the borders of all member-states. Some key senators considered this obligation too great a sacrifice of US sovereignty (Northedge 1986: 85–86). Of course, the League of Nations made clear its commitment to national sovereignty by requiring unanimity for most decisions—effectively giving veto power to all members (Northedge 1986: 53). Still, a loophole remained: on matters involving a dispute, decisions did not require the consent of the parties to the dispute.³ This eventually contributed to other powerful countries (such as Japan and Germany, which had joined the League) to abandon the organization (Northedge 1986: 256–57, 278).

The pursuit of international cooperation should thus begin with a crucial question: Is participation incentive-compatible? Governments demand side-benefits—even unofficial ones. Real-world organizations should therefore not be judged by utopian criteria, but rather should be compared to other realistic equilibria, including the option of zero participation.

What, then, do governments get in return for their sacrifices? Some get more than others—and with good reason. As the example of the League of Nations illustrates, the most powerful countries may demand the most in return. The global community may be willing to meet the demands of such powerful countries if their participation is deemed important for the effectiveness of the IO.

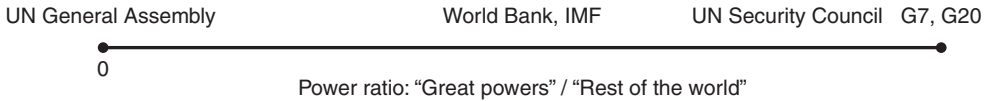


Figure 22.1 Ratio of power in international organizations—“Great powers” to the “Rest of the world”

Notes: Different international organizations offer different trade-offs to incentivize the “great powers” and the “rest of the world” to participate. At the left extreme are organizations where all countries are treated equally, so no one receives “great power” status. These organizations favor smaller countries. At the right extreme are clubs where only “great powers” have membership, leaving out the rest of the world.

Thus, one can conceive of IOs along a continuum of how much power is allocated to the “great” powers and how much voice is left for the “rest of the world” (see Figure 22.1). This conception takes its inspiration from one of the foremost scholars of International Relations, David Lake (1999, 1996: 7), who conceives of cooperation in international security along a continuum from anarchic alliances to hierarchical empires. Figure 22.1 places the UN General Assembly at the anarchic extreme, where each country gets one vote. There simply are no “great powers” with special privileges—all countries are treated as equals, from China to Palau. In the middle are international financial institutions, where the formula resembles a “one dollar, one vote” principle. The more money a government contributes, the more the IO allocates power to it. At the hierarchical extreme is the UN Security Council, where the vast majority of formal voting power is allocated to the “great powers,” which have permanent status and veto power over resolutions (O’Neill 1996). Beyond this point are “clubs,” such as the G20, where only members have voice, and there are no criteria for the rest of the world to join.⁴

Comparativists should seek to understand the power dynamics at IOs because the mechanism through which these organizations impact domestic politics depends on the influence of a given government. The United States, for example, can use the IMF to pursue foreign policy goals, perhaps by pressing the institution to provide a loan with favorable conditions to a strategically important country. The IMF, however, has little (no?) leverage over US fiscal policy. Conversely, Uruguay is not usually in a position to use its membership in the IMF to pursue Uruguayan foreign policy objectives, but the IMF can act as a credible commitment for a Uruguayan government seeking to restructure domestic public expenditures (Vreeland 2003a). Indeed, an IO can sometimes best serve the interests of a government when the organization acts independently. As such, the international institution may provide a credible-commitment, useful in domestic politics, as discussed in the following section.

Domestic motives behind international organizations

This section addresses side-benefits, those serving domestic interests, which may help entice governments to participate in IOs. The discussion is broken up into two sub-sections. The first part discusses the privileges of “great powers”—they can use their influence over international institutions to pursue domestically-motivated *foreign policy* goals. The second part focuses on the role that IOs can directly play in *domestic policymaking*, specifically by providing a credible-commitment.

Great power privilege and foreign policy

The countries with the most power over an international institution can use their privileged influence to pursue foreign policy goals, which often derive from their domestic politics.

Consider the example of the IMF, where the United States has, by far, the largest share of the votes (about 17 percent—the next largest shareholder is Japan with just 6 percent). Oatley and Yackee (2004) find that countries receive more loans from the IMF if they have a higher degree of US bank exposure.

Lipsy (2003) suggests a domestic politics explanation for this pattern. He points out that where economic integration with the United States is high (for example, Mexico), the US domestic economy has a lot at stake from avoiding a major economic catastrophe, and thus the US government pressures the IMF to supply ample liquidity to quench a financial fire. Yet where US economic interests are weaker (for example, Southeast Asia), US pressure may run the other way: smaller loans with more strings attached. Interestingly, Lipsy presents evidence showing that when the US and Japanese preferences diverge because of their varying economic ties to different countries, the IMF sides with the preferences of the United States over those of Japan.

Broz (2011) provides political micro-foundations for the relationship, analyzing US Congressional votes on requests for increased contributions to the IMF. These votes appear to reflect campaign contributions from banks that specialize in international banking (such as Citibank). These banks have an interest in supporting the IMF, since IMF lending can go to countries indebted to them. The presence of a strong IMF mitigates the risks that these banks face when lending to developing countries. If the IMF can bail developing countries out of an economic crisis, it reduces the risk of default on loans that they owe US banks. Thus, US Congressmen who rely on campaign contributions from money-center banks face pressure to support increases in US contributions to the IMF.

The United States is not the only powerful country that uses its political influence over an IO to pursue domestically-motivated goals. When it comes to the Asian Development Bank (AsDB), most observers agree that Japan has the most political influence (Yasutomo 1993). Kilby (2006) and Lim and Vreeland (2013) show that countries important to Japan receive a larger share of AsDB lending.

Why does Japan go through an IO to favor strategically important countries rather than pursue goals unilaterally? Due to Japan's imperial legacy leading up to World War II, neighboring China and Korea continue to scrutinize Japanese foreign policy—as does the Japanese domestic audience. In particular, the Japanese political-left strongly opposes unilateralist foreign policies (Rosenbluth and Thies 2010: 159–60). Thus Prime Minister Shigeru Yoshida proposed the doctrine of maintaining a low profile in international politics, pursuing foreign policy through multilateral institutions (Green 2003). The AsDB, for example, provides political cover for Japan to favor strategically important countries in Asia, while skirting these domestic and international political constraints on its foreign policy (Wan 1995: 93). As Yasutomo puts it, the AsDB serves as a “nonpolitical cloak” to “legitimize controversial policies, helping Japan to share the risks and the blame” (Yasutomo 1993: 339).

As another example, consider the African Development Bank (AfDB). Founded while many African countries were winning independence, the members wished to create an institution free from Western political influence. From 1963 until 1982, the membership of the AfDB included only African countries. With votes allocated according to the size of financial contributions to the institution, however, this also meant that the AfDB had no access to Western finance. In order to gain access to more funding, the AfDB eventually admitted Western governments who then contributed finance and also gained political influence over the institution. So, we can observe the AfDB both with and without Western political influence over the institution's formal operations.

Testing for politically-motivated lending patterns at the AfDB, Vreeland and Dreher (2014) find no evidence for the period before 1982. But after 1982, countries strategically important to the West receive larger loans from the AfDB than other countries. Specifically, African countries serving on the Security Council suddenly started receiving larger loans.

Vreeland and Dreher (2014) show that the United States, Japan, and Germany—all countries with power at the AfDB since 1982—have used the Security Council to send signals to their domestic publics about the appropriateness of forceful foreign policies. As discussed in the next sub-section, all three of these countries have domestic audiences who have proven sensitive to the approval of the Security Council. So, when these powers gained influence over the AfDB, they apparently used their power to favor African governments serving on the Security Council in return for political support of their foreign policy priorities, which, in turn, sent signals to their domestic publics.

The AfDB example reveals complicated dynamics across IOs. Government may use their privileged position in one organization to gain leverage over another. In this example, the United States uses its power at the AfDB to increase its leverage over the Security Council. Meantime, African governments can use their temporary position on the Security Council to cash in favors at the AfDB. The example also suggests a dilemma facing governments when leveraging influence over an international institution. Here, side-deals can undermine the independence and credibility of the Security Council. Governments may thus seek to obfuscate side-payments by operating at arm's length through another international institution (here, the AfDB). We return to this issue when discussing “dirty politics.”

For Comparativists, the main conclusions from this sub-section is that powerful countries can employ IOs to pursue domestically-motivated foreign policy goals. As Comparative Politics focuses on understanding the ideas, institutions, and interests driving the domestic motivations of politics, the field has much to teach scholars of International Relations.

The uses of independent international institutions in domestic politics

Comparativists also have much to learn from scholars of International Relations because IOs directly impact domestic politics. Interestingly, and in contrast to the previous discussion, governments can make this use of an IO when they do *not* enjoy a great deal of power over it. Indeed, sometimes an *independent* international institution can prove more useful to governments than one that they can directly influence. Specifically, international institutions can serve as independent third parties signaling credible-commitments.

Along with several colleagues, Rosendorff has shown that (1) entering into preferential trade agreements can signal credible free trade policies; (2) reporting economic data to international institutions can signal credible transparency; and (3) ratifying human rights agreements can signal credible “resolve” to remain in office.⁵

Regarding preferential trade agreements, participation enables governments to credibly signal their commitment to free trade policies. The argument is usually applied to democracies, where the government faces a protectionist lobby but would like to resist this pressure and pursue efficient economic policies that benefit the economy as a whole. The problem is that the protectionist lobbies are well informed about trade policy while the broader public is not. Mansfield *et al.* (2002) argue that an international trade agreement helps the government choose free trade because it provides necessary information to an otherwise uninformed electorate. The fact that other parties to the agreement can litigate cases of protectionism provides a credible signal to the domestic audience. Thus, participation in free trade institutions may help

governments win reelection for pursuing policies of free trade. The argument applies to the WTO as well as regional trade organizations.

Turning to transparency, the use of international institutions applies to a key issue in Comparative Politics: good governance. Adserà *et al.* (2003: 445), for example, argue that “the degree of citizen information curbs the opportunities politicians may have to engage in political corruption and management.” Hollyer *et al.* (2011) argue that democracies have stronger incentives to provide credible information to citizens than do non-democracies. The goal of such democrats is to avoid unfair eviction from office. The dilemma follows the standard principal-agent logic: The voter observes outcomes, not policies—and the outcome is a function of the effort supplied by the government and exogenous forces. How then can the government credibly signal to voters that it has provided high-level effort?

Once again, independent IOs provide a credible third-party signal. Democracies choose to provide ample data to IOs—for example, the World Bank—which, in turn, omits data considered “questionable” (Hollyer *et al.* forthcoming: 2). Thus, when individuals observe data provided by an independent IO, they can better assess whether their government has pursued sound economic policy or has shirked.

In a different policy-setting, the Security Council can play a similar role in convincing a skeptical domestic audience. As Chapman (2011) explains, voters may question an aggressive foreign policy as overzealously “hawkish,” but these citizens do not have access to top secret information. US presidents may be ready to use force, while the US public is more risk-averse, preferring to use force only for defensive purposes (Jentleson 1992; Perla 2011). This generates another standard principal-agent problem, where the agent (the US president) has better information than—but divergent preferences from—its principal (the voters).

A favorable vote from a Security Council member, who has security-clearance for privileged information and is known to be “dovish” on matters of international security, can convey a credible signal that the forceful policy is appropriate. To the extent that the US public perceives the Security Council as an independent third party, a resolution can thus act as a credible signal of the prudence of a specific military action.

The argument also holds for other countries, such as Japan.⁶ Japan’s so-called Peace Constitution renounces “war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes” (Ueki 1993: 358; Dore 1997: 106). The Japanese political-right has argued, however, that Japan can use its military abroad if authorized by a Security Council resolution, while the political-left seeks Security Council approval because of its preference for multilateralism (Ueki 1993: 359–60; Green 2003: 197; Thompson 2006: 24; Chapman 2011: 78–79). Lim and Vreeland (2013: 42) thus highlight the multivocality of Security Council approval, which conveys “different signals to different constituencies.” Again, the use of an IO can send credible signals to domestic publics about the appropriateness of using its military abroad.

The argument that international institutions send “credible signals” to domestic audiences also applies to the protection of human rights—although in a more insidious way. Hollyer and Rosendorff (2011) argue that when dictatorships ratify the United Nations Convention Against Torture (CAT), they—ironically—send a credible signal of their ruthlessness.

Here, the uncertainty surrounds the type of dictatorship ruling a country: strong- or weak-resolve. All dictators may claim that their resolve is strong, but the public may rebel nonetheless in the hope that the dictatorship is actually the weak-resolve type. Weak-resolve dictatorships can indeed be overthrown through public unrest, but strong-resolve types cannot. An inefficiency results: strong-resolve dictatorships can signal their type only by brutally crushing the rebellion.

Hollyer and Rosendorff (2011) argue that strong-resolve dictatorships can take advantage of a specific sacrifice of sovereignty included in the CAT: “universal jurisdiction.” Universal jurisdiction implies that if a government commits torture, public officials may face prosecution for the crime by courts in other countries—this is what eventually happened to Pinochet of Chile, when a bench warrant by a Spanish judge placed him under house-arrest while visiting a hospital in London (he died before the case went to trial—Hawkins 2003).

The key to this story is that ratification of the CAT essentially commits the dictator to going to prison if he should ever fall from power because almost all dictatorships engage in some practice of torture during their tenure. As long as the dictator holds on to power, he is safe from prosecution. But if he ever falls from power, he may very well find himself in the same situation as did Pinochet. Weak-resolve dictators should thus not ratify the CAT. They know their type and recognize that their time in power is limited. So, they will practice torture as necessary to stay in office, but will likely flee the country someday.

Strong-resolve dictators have different incentives. Because of their confidence in their ability to maintain power, they can ratify the CAT. They expect to stay in power and thus have no fear of prosecution by foreign judges. The CAT thus allows a strong-resolve dictator to send a credible signal to the domestic audience of his confidence to survive in power and his willingness to do so by any means necessary. Interestingly, Hollyer and Rosendorff argue that human rights violations should decrease when a dictator ratifies the CAT—not because the government now respects human rights, but, ironically, because it clearly does *not*. The public now understands this fact unambiguously and fears the government so much that no one steps out of line.

As a final illustration of how international institutions can impact domestic politics, consider the role of international financial institutions in shaping the payoffs of alternative policies. IMF conditionality, for example, might provide credible leverage to push through unpopular policy changes in the face of an economic crisis (Putnam 1988; Vreeland 2003b). Bringing in the IMF changes the perceptions and payoffs of domestic actors. The loan itself provides an enticement for change, and failing to enact policy changes now stands as a rejection of the IMF, which can send negative signals to creditors and investors. Governments may thus use the leverage of an IO to coerce reticent interest groups so that they agree to raise taxes or cut expenditures.

Of course, often governments turn to the IMF because they need a loan, and the policy conditions appear forced on them. Usually, however, at least some domestic interest groups stand to gain from IMF reforms—while other groups lose. In order to make debt payments, protect the banking sector, and preserve the value of the national currency—which help society’s wealthy—the government may cut the size of the public sector and social expenditures on health and education (see Nooruddin and Simmons 2006; Nooruddin and Vreeland 2010). Accordingly, several studies have found that IMF programs exacerbate income inequality (Pastor 1987; Garuda 2000; Vreeland 2002a). Note that the IMF does not intend for this outcome, which often results from partial implementation of programs. Governments can prioritize which policy conditions to implement. As Stiglitz (2000: 551) has argued, governments can take advantage of informational asymmetries “both between themselves and the citizenry and between the international aid community and themselves.” As such, a government with no ostensible leverage over an IO can still use it to achieve domestic policy goals. In some cases, the government may even shift the blame for economic hardships to the IMF (Smith and Vreeland 2006).

This brings up the “dirty work” that IOs can perform for governments (Vaubel 1986: 48–51). IOs can benefit member-governments by obfuscating or laundering activities that look bad to the public (Abbott and Snidal 1998: 18–19; Yasutomo 1993: 339). This use of IOs applies to

both domestic and foreign policy. Domestically, a government may blame some policy outcomes on the conditionality of the IMF and the World Bank, or on the regulations governing trade through the World Trade Organization (WTO). Indeed, members of a pro-trade government may seek out the leverage of the WTO, hoping to lose a case so that it can report back to protectionist interest groups that their hands are tied (Allee and Huth 2006). In foreign policy, governments may use IOs to hide distasteful deals, like bribing a government. Pakistan, for example, received a generous loan package from the IMF with light conditionality in December 2001, when the United States needed military bases from which to stage its war efforts in neighboring Afghanistan (Vreeland 2002b). The perceived independence of IOs thus provides the additional benefit of political cover for distasteful policies.

The lesson for Comparativists is that myriad international institutions can impact domestic politics by sending credible signals about the appropriateness of policy options or by altering the payoffs from pursuing different courses of policy. The micro-foundations of the power dynamics of IOs can help reveal the mechanisms by which these institutions impact domestic politics.

Emerging markets, regionalism, and change

The rise of emerging market countries is changing power dynamics in IOs and leading to proposals for new institutions. The benefits of collaboration between scholars of International Relations and Comparative Politics thus continue to grow.

At present, the power-structure at most IOs reflects the order that emerged during the Cold War. The permanent members of the Security Council, for example, include only the allied powers from World War II, leaving out other important countries. The IMF and World Bank purport to assign votes according to economic importance but (at this writing) rank China in sixth place, behind the United States, Japan, Germany, France, and the United Kingdom. Many emerging market countries—from Brazil to South Korea—have supported reform of the voting system to allow for a greater voice. The old powers (notably the smaller Western European countries) are reluctant to give up the power that they currently have.

Lurking behind these international negotiations are domestic politics. Consider the United States: if it gives up too much power at the IMF and World Bank, isolationist forces in the US Congress will have a good excuse to say “no” the next time the president asks for an increase in contributions. Small Western European countries, too, have domestic politics to consider. Consider Switzerland, which holds a seat on the Executive Boards of the IMF and the World Bank. Joining the World Bank and the IMF in 1992 represented a major step for the historically-neutral Swiss, and the government justified the foreign entanglement to the skeptical electorate with an Executive Board position. This position also allows the government to advocate global policies favoring its important banking sector. Switzerland thus has a continued interest in retaining its seat (Vreeland 2011).

Yet emerging market countries also have domestic interest groups calling for a stronger voice in global institutions. The export sectors in Japan and China, for example, opposed the austerity imposed by the IMF on their trading partners during the East Asian financial crisis in the late 1990s (Lipsy 2003). This opposition eventually led to the founding of the Chang Mai Initiative. Turning to South American, the politicians on the left—long-opposed to the Washington Consensus policies promoted by the World Bank—have supported an alternative Banco del Sur (Desai and Vreeland 2011).

Power is thus on a tightrope. It used to make sense for the United States and the West to provide the lion’s share of resources at IOs and receive commensurate political control.

As emerging markets continue to grow, however, they will demand more voting power. Eventually, we may reach an impasse where Western governments will not have the domestic political capital to assent to the changes demanded by the developing world. Regional organizations represent a possible alternative. Asian countries have taken steps towards setting up a regional version of the IMF called the Chiang Mai Initiative Multilateralisation (see Lipsky 2003 on the background), and the BRICS (Brazil, Russia, India, China, and South Africa) have recently founded their New Development Bank.⁷ These efforts remain in their infancy, but stronger organizations could eventually emerge.

Indeed, the world's most sovereign IO is a regional one: the European Union. As Anderson (1999: 5) notes, "the contingent nature of sovereignty...is nowhere more apparent than in contemporary Europe." Even while battered by the 2008 Global Financial Crisis, its membership and powers have emerged unscathed, and in some policy areas, the union has taken on the status of a pseudo-state (McNamara 2008).

The relative success of cooperation among a narrow set of countries, even while global institutions falter, should not be surprising. The domestic gains from cooperation are highest when a set of countries already enjoy a high level of economic integration and economic integration is generally highest at the regional level. Busch (2007) shows that while a government may not wish to set a new precedent favoring free trade at the global level because it fears worldwide competition, it may prove willing to set the precedent among a smaller set of countries at the regional level. In general, the export sector should win from increasing levels of free trade, while the import-competing sector stands to lose. These competing interest groups will thus pressure their governments in opposite directions when it comes to participation in trade organizations. The losers from trade may fight hardest, however, against exposure to global trade, while regional trade may appear less threatening (Richardson 1993; Bohara *et al.* 2004). After all, countries tend to trade more with their neighbors to begin with, and domestic industries may have already anticipated greater integration.

Still, regional integration does generate losers, so regional organizations face opposition. Consider the loss of autonomous monetary policy for the members of the euro area. Whereas once, countries such as Germany and Greece could pursue their domestic agendas independently, now monetary policy is set by the European Central Bank. So, Greece must face the inflationary concerns of Germany, while Germany must contend with the unemployment concerns of Greece. The power asymmetry is obvious: Germany dwarfs Greece in economic and political power, and tends to get its way, but even Germany does not achieve all of its preferred policies. The ongoing financial crisis has given new impetus to the losers from regional integration to question the European project. Nevertheless, the euro area and, more broadly, the European Union continue to weather the storm. This was predictable. Back when the political-left took power in France in 1981, President Mitterand and the German Bundesbank similarly disagreed about whether monetary policy should be used to stimulate the economy (Oatley 2012: 263). At that point in history, it would have been relatively easy for countries to walk away because each had an independent currency. But the winners from regional integration prevailed. Currently, it would be very costly for euro-area countries to leave, and despite major setbacks, European integration has survived.

The reason that regional organizations stand to make more progress than global ones follows directly from the veto player theory of Comparative Politics: as the number of actors increases, the "winset" of possible agreements can only decrease (Tsebelis 2002). The broad membership of global organizations thus often leads to relatively shallow agreements, while the narrower set of countries at a regional level may reach deeper commitments.

Prospects for collaboration

With rising powers promising to change the dynamics of international cooperation at the global and regional levels, the opportunities for collaboration between scholars of international institutions and regional specialists may increase. As the power relations at IOs shift and the number of regional organizations grows, their interaction with domestic politics will change as well. China, for example, may eventually use international institutions to pursue domestic goals, generating new effects for less-powerful countries in Asia and around the world.

Future research should focus on the micro-foundations of politics both within IOs and at the domestic level. Research on IOs often addresses domestic politics at a superficial level, without careful attention to the preferences of actors who inhabit domestic institutions. Meantime, research in Comparative Politics addressing the impact of International Relations on a country may provide only a cursory treatment of power dynamics within IOs. When addressing the interaction of international and domestic institutions, future work would benefit from deeper collaboration between experts who can provide a more thorough understanding of politics at the international and domestic micro-levels.

This chapter has thus focused on what the field of Comparative Politics—with its emphasis on the ideas, interests, and institutions shaping domestic politics—has to contribute to and learn from the study of international institutions. On the one hand, when powerful countries seek to pursue foreign policy objectives through IOs, scholars of International Relations have much to learn from Comparativists about the domestic politics driving these objectives. On the other hand, when a government interacts with a relatively independent IO, the organization itself may play a major role in shaping domestic policies, and thus be worthy of the scholarly attention of the field of Comparative Politics.

Notes

- 1 This view recalls Przeworski's conception of democracy as an equilibrium (1991: 23) and Gandhi's cooperation and co-optation equilibria under dictatorship (2008: 87–90).
- 2 See Lake (1996, 1999) and Arend and Beck (1993).
- 3 See Article 12 and Northedge (1986: 53).
- 4 As the World Trade Organization requires unanimity, it might be considered at the left extreme. Yet, countries with the most at stake take the lead in negotiations about specific commodities (McGillivray 2000). So this organization does not readily fit into this scheme.
- 5 The seminal work—on trade—was co-authored by two of the leading scholars of International Relations, Edward D. Mansfield and Helen V. Milner (Mansfield *et al.* 2002). On transparency, see Rosendorff and Doces (2006) and Hollyer *et al.* (2011). On human rights and leader-resolve, see Hollyer and Rosendorff (2011).
- 6 For Germany, see Dreher *et al.* (2013).
- 7 See Desai and Vreeland (2014).

References

- Abbott, Kenneth W. and Duncan Snidal. 1998. "Why States Act Through Formal International Organizations." *Journal of Conflict Resolution* 42 (1): 3–32.
- Adserà, Alicia, Carles Boix, and Mark Payne. 2003. "Are You Being Served? Political Accountability and Quality of Government." *Journal of Law, Economics, & Organization* 19 (2): 445–90.
- Allee, Todd and Paul Huth. 2006. "Legitimizing Dispute Settlement: International Legal Rulings as Domestic Political Cover." *American Political Science Review* 100 (2): 219–34.
- Anderson, Jeffrey. 1999. *German Unification and the Union of Europe*. New York: Cambridge University Press.

- Arend, Anthony Clark and Robert J. Beck. 1993. *International Law and the Use of Force: Beyond the UN Charter Paradigm*. New York: Routledge.
- Bohara, Alok K., Kishore Gawande, and Pablo Sanguinetti. 2004. "Trade Diversion and Declining Tariffs: Evidence from Mercosur." *Journal of International Economics* 64 (1): 65–88.
- Broz, J. Lawrence. 2011. "The United States Congress and IMF Financing, 1944–2009." *Review of International Organizations* 6 (3): 341–68.
- Busch, Marc. 2007. "Overlapping Institutions, Forum Shopping, and Dispute Settlement in International Trade." *International Organization* 61(4): 735–61.
- Chapman, Terrence. 2011. *Securing Approval: Domestic Politics and Multilateral Authorization for War*. Chicago, IL: University of Chicago Press.
- Desai, Raj M. and James Raymond Vreeland. 2011. "Global Governance in a Multipolar World: The Case for Regional Monetary Funds." *International Studies Review* 13 (1):109–21.
- . 2014. "What the New Bank of BRICS is all About." *Washington Post*: www.washingtonpost.com/blogs/monkey-cage/wp/2014/07/17/what-the-new-bank-of-brics-is-all-about
- Dreher, Axel, Jan-Egbert Sturm, and James Raymond Vreeland. "Politics and IMF Conditionality." *Journal of Conflict Resolution* (2014).
- Dore, Ronald. 1997. *Japan, Internationalism, and the UN*. London, UK: Routledge.
- Gandhi, Jennifer. 2008. *Political Institutions under Dictatorship*. New York: Cambridge University Press.
- Garuda, Gopal. 2000. "The Distributional Effects of IMF Programs: A Cross-Country Analysis." *World Development* 28: 1031–51.
- Gourevitch, Peter. 1986. *Politics in Hard Times*. Ithaca: Cornell University Press.
- Green, Michael. 2003. *Japan's Reluctant Realism: Foreign Policy Challenged in an Era of Uncertain Power*. New York: Palgrave.
- Hardin, Russell. 1999. *Liberalism, Constitutionalism, and Democracy*. New York: Oxford University Press.
- Hawkins, Darren. 2003. "Universal Jurisdiction for Human Rights: From Legal Principle to Limited Reality." *Global Governance* 9 (3): 347–65.
- Hollyer, James R. and B. Peter Rosendorff. 2011. "Why Do Authoritarian Regimes Sign the Convention Against Torture? Signaling, Domestic Politics, and Non-Compliance." *Quarterly Journal of Political Science* 6 (3–4): 275–327.
- Hollyer, James R., B. Peter Rosendorff, and James Raymond Vreeland. 2011. "Democracy and Transparency." *Journal of Politics* 73 (4):1191–1205.
- . Forthcoming. "Measuring Transparency." *Political Analysis*.
- Jentleson, Bruce W. 1992. "The Pretty Prudent Public: Post Post-Vietnam American Opinion and the Use of Military Force." *International Studies Quarterly* 36:49–74.
- Kilby, Christopher. 2006. "Donor Influence in Multilateral Development Banks: The Case of the Asian Development Bank." *Review of International Organizations* 1(2): 173–95.
- Lake, David A. 1996. "Anarchy, Hierarchy, and the Variety of International Relations." *International Organization* 50 (1): 1–33.
- . 1999. *Entangling Relations: American Foreign Policy in its Century*. Princeton, NJ: Princeton University Press.
- Lim, Daniel Yew Mao and James Raymond Vreeland. 2013. "Regional Organizations and International Politics: Japanese Influence over the Asian Development Bank and the UN Security Council." *World Politics* 65 (1): 34–72.
- Lipsy, Phillip. 2003. "Japan's Asian Monetary Fund Proposal." *Stanford Journal of East Asian Affairs* 3 (1): 93–104.
- McGillivray, Fiona. 2000. "Democratizing the World Trade Organization." Hoover Institution Policy Paper No 105.
- McNamara, Kathleen R. 2008. "A Rivalry in the Making? The Euro and International Monetary Power." *International Political Economy* 15 (3):439–59.
- Mansfield, Edward, Helen V. Milner, and B. Peter Rosendorff. 2002. "Why Democracies Cooperate More: Electoral Control and International Trade Agreements." *International Organization* 56 (3): 477–514.
- Nooruddin, Irfan and Joel W. Simmons. 2006. "The Politics of Hard Choices: IMF Programs and Government Spending." *International Organization* 60 (4): 1001–1033.
- Nooruddin, Irfan and James Raymond Vreeland. 2010. "The Effect of IMF Programs on Public Wages and Salaries." In *Global Governance, Poverty and Inequality*, ed. Jennifer Clapp and Rorden Wilkinson. London, UK: Routledge, pp. 90–111.
- Northedge, F. S. 1986. *The League of Nations: Its Life and Times 1920–1946*. Leicester, UK: Leicester University Press.

- Oatley, Thomas. 2012. *International Political Economy*. New York: Longman.
- Oatley, Thomas and Jason Yackee. 2004. "American Interests and IMF Lending." *International Politics* 41 (3): 415–29.
- O'Neill, Barry. 1996. "Power and Satisfaction in the United Nations Security Council." *Journal of Conflict Resolution* 40 (2): 219–37.
- Pastor, Manuel Jr. 1987. "The Effects of IMF Programs in the Third World: Debate and Evidence from Latin America." *World Development* 15: 365–91.
- Perla, Héctor Jr. 2011. "Explaining Public Support for the Use of Military Force: The Impact of Reference Point Framing and Prospective Decision Making." *International Organization* 65 (1): 139–167.
- Przeworski, Adam. 1991. *Democracy and the Market*. New York: Cambridge University Press.
- Putnam, Robert D. 1988. "Diplomacy and Domestic Politics: the Logic of Two-Level Games." *International Organization* 42: 427–60.
- Richardson, Martin. 1993. "Endogenous Protection and Trade Diversion." *Journal of International Economics* 34 (3–4): 309–324.
- Rosenbluth, Frances McCall and Michael F. Thies. 2010. *Japan Transformed*. Princeton, NJ: Princeton University Press.
- Rosendorff, B. Peter and John Doces. 2006. "Transparency and Unfair Eviction in Democracies and Autocracies." *Swiss Political Science Review* 12 (3): 99–112.
- Smith, Alastair and James Raymond Vreeland. 2006. "The Survival of Political Leaders and IMF Programs." In *Globalization and the Nation State: The Impact of the IMF and the World Bank*, ed. Gustav Ranis, James Raymond Vreeland, and Stephen Kosack. New York: Routledge, pp. 263–89.
- Stiglitz, Joseph. 2000. "Reflections on the Theory and Practice of Reform." In *Economic Policy Reform: The Second Stage*, ed. Anne O. Krueger. Chicago, IL: University of Chicago Press, pp. 551–84.
- Thompson, Alexander. 2006. "Coercion Through IOs: The Security Council and the Logic of Information Transmission." *International Organization* 60 (1): 1–34.
- Tsebelis, George. 2002. *Veto Players: How Political Institutions Work*. Princeton, NJ: Princeton University Press.
- Ueki, Yasuhiro. 1993. "Japan's UN Diplomacy: Sources of Passivism and Activism." In *Japan's Foreign Policy after the Cold War*, ed. Gerald L. Curtis. New York: M. E. Sharpe, pp. 347–70.
- Vaubel, Roland. 1986. "A Public Choice Approach to International Organization." *Public Choice* 51: 39–57.
- Vreeland, James Raymond. 2002a. "The Effect of IMF Programs on Labor." *World Development* 30: 121–39.
- . 2002b. "Pakistan's Debt of Gratitude." *Foreign Policy Magazine* (March–April): 72–73.
- . 2003a. "Buscando Condiciones, No Dinero: El Acuerdo de Uruguay con el FMI en 1990." In *Economía Política en Uruguay: Instituciones y Actores Políticos en el Proceso Económico*, ed. and trans. Diego Aboal and Juan Andrés Moraes. Montevideo: Ediciones Trilce, pp. 73–92.
- . 2003b. *The IMF and Economic Development*. New York: Cambridge University Press.
- . 2011. "Foreign Aid and Global Governance: Buying Bretton Woods—The Swiss-bloc Case." *Review of International Organizations* 6 (3–4): 369–391.
- Vreeland, James Raymond and Axel Dreher. 2014. *The Political Economy of the United Nations Security Council*. New York: Cambridge University Press.
- Wan, Ming. 1995. "Spending Strategies in World Politics: How Japan has Used Its Economic Power in the Past Decade." *International Studies Quarterly* 39(1): 85–108.
- Yasutomo, Dennis T. 1993. "The Politicization of Japan's 'Post-Cold War' Multilateral Diplomacy." In *Japan's Foreign Policy after the Cold War*, ed. Gerald L. Curtis. New York: M. E. Sharpe, pp. 323–46.

This page intentionally left blank