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Power, Interdependence, and Nonstate Actors in World Politics

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Power, Interdependence, and Nonstate Actors in World Politics

RESEARCH FRONTIERS

Helen V. Milner

IN THE MID-1970S a new paradigm emerged in international relations. While many of the ideas in this new paradigm had been discussed previously, Keohane and Nye put these pieces together in a new and fruitful way to erect a competitor to realism and its later formulation, neorealism. First elaborated in *Power and Interdependence*, this paradigm is now usually referred to as *neoliberal institutionalism*. In the thirty years since Power and Interdependence, this new paradigm has developed substantially and has become the main alternative to realism for understanding international relations. Keohane's seminal work, After Hegemony, which is a centerstone of the neoliberal paradigm, provided the most compelling theoretical justification for the existence and role of international institutions in world politics.² Since then the progress of the neoliberal paradigm can be plainly seen in a number of key works, such as Legalization and World Politics, The Rational Design of International Institutions, and Delegation and Agency in International Organizations.3 Each of these projects, and many others, takes the key ideas of the neoliberal institutionalist paradigm and pushes them forward into new areas of research. They attest to the continuing theoretical power of the paradigm.

Furthermore, the paradigm has proven highly robust empirically. Globalization, for instance, has made the world ever more tightly connected, as *Power and Interdependence* foresaw years ago. Among other trends in world politics, including the increasing prominence of nonstate actors such as multinational corporations, nongovernmental organizations (NGOs), and international institutions, globalization has made the prevailing competing paradigm, neorealism, a less powerful explanation of international relations, and has raised the importance of the neoliberal paradigm. The key ideas articulated by Keohane and Nye in the 1970s are increasingly

¹Keohane and Nye 1977.

²Keohane 1984.

³ Goldstein et al. 2000; Koremenos, Lipson, and Snidal 2001; Hawkins et al. 2006.

winning the theoretical and empirical battles in international relations to understand a globalized world.

The four key elements of the neoliberal institutionalist paradigm are emphases on nonstate actors, including international institutions, on forms of power besides military force and threats, on the role of interdependence in addition to anarchy in the international system, and on the importance of cooperation as well as conflict in international politics. These elements contrast starkly with the tenets of realism and neorealism. Keohane originally developed many of these themes in his works,⁴ but other scholars have taken many of his ideas and advanced them substantially.⁵ This volume is intended to extend our theoretical and empirical understanding of the neoliberal institutionalist paradigm.

This volume assesses the progress that has been made in developing the paradigm and discusses areas where it has encountered new problems. Some of the chapters apply ideas from the paradigm to understand issues that have become increasingly visible, such as women's rights, religion, intellectual property rights, and peacekeeping. Others address anomalies and puzzles that the paradigm has encountered, and suggests ways that it can deal with them. The volume shows the broad range of topics addressed by, and the increasing theoretical depth of, the paradigm. Neoliberal institutionalism is alive and well as a theoretical construct in international relations today.

Neoliberal institutionalism shares a number of features with the paradigm that it contests, neorealism. The approaches in this volume also tend to share these features. Importantly, both neorealism and neoliberal institutionalism argue for a systemic-level theory of international politics. Systemic theorists believe that the international system exercises an important influence upon states; this environment constrains and shapes them powerfully. Because of this, systemic theorists argue that these external forces must be taken into account first in any theoretical explanation of international relations. To fail to do so would lead to the confusing proliferation of domestic variables to explain a systemic outcome. Neorealists see anarchy and the balance of capabilities as the central systemic factors influencing states. Neoliberal institutionalists accept the importance of these factors, but they also think that the effects of anarchy are mitigated by both mutual interdependence and the institutionalized nature of modern world politics, especially with respect to certain issues and among certain countries. While agreeing that systemic theory is preferred,

⁴Keohane 1989.

⁵ For overviews, see Simmons and Martin 2002; Jacobsen 2000; Keohane and Martin 2003; and for examples, see Goldstein et al. 2000; and Koremenos, Lipson, and Snidal 2001.

neoliberal institutionalism does not focus solely on anarchy and the balance of power as the sole elements of the system.

Realists and neoliberal institutionalists also share the view that states are critical actors in world politics, and that they are by and large rational. Neoliberal institutionalism, however, again goes beyond neorealism in admitting that other important actors exist in world politics, such as international institutions and NGOs. Finally, the majority of neorealists and neoliberal institutionalists share a commitment to the same general epistemological orientation. They tend to be rationalists and positivists who are interested in empirical tests of the causal propositions their theories advance. Indeed, the increasing empirical sophistication of research in the neoliberal institutionalist paradigm is an important feature of the field and of this volume. The authors generally adopt these three assumptions, although some of them argue for more attention to domestic politics (see, e.g., DeSombre and McKeown) and one for a move beyond positivism (i.e., Tickner).

The Neoliberal Institutionalist Paradigm: Its Four Elements and Their Elaboration over Time

In what follows I discuss each of the four elements of the neoliberal institutionalist paradigm and their evolution over the last thirty years in the international relations literature. The four elements that differentiate this from other paradigms are an emphasis on nonstate actors including international institutions, on forms of power besides military force and threats, on the role of interdependence in addition to anarchy in the international system, and on the importance of cooperation as well as conflict in international politics. I argue that progress has been made in the paradigm and that the chapters here represent the research frontier now.

Nonstate Actors in World Politics

Starting from a systemic level theory of international politics, neoliberal institutionalism acknowledges the importance of states and their decentralized environment. But this paradigm also insists on the relevance of nonstate actors; and it acknowledges a wide variety of such actors, from multinational corporations to NGOs to international institutions. A central focus, however, is international institutions and regimes. Further, as opposed to the earlier focus on international organizations, neoliberal institutionalism takes a broader view of these actors and includes "sets of governing arrangements" that involve "implicit or explicit principles,

norms, rules and decision making procedures around which actors' expectations converge." This broader definition of institutions (i.e., regimes) was a step forward since it acknowledged that not all institutions had to have physical headquarters and staffs. International institutions are a broader category of actor than organizations, which they subsume. There exist many sets of state practices that are institutionalized in the sense that norms, rules, and principles exist that guide states' behavior in particular issue areas. For neoliberal institutionalism, world politics is institutionalized, although to differing extents in different issue areas and regions.

International institutions have proliferated recently, as Stone points out. Almost every area of global cooperation has been formalized into an international institution, if not an actual organization. The number of formal international organizations has risen from three hundred in 1977 to well over six thousand today. Many of these have expanded their membership; for example, the World Bank and International Monetary Fund are now global, including almost all countries in the world in their membership, and the World Trade Organization is not far behind. The European Union has also expanded greatly since its foundation. The purviews of these institutions have grown to reach many issue areas that were once considered purely domestic. The growing place of international institutions in world politics cannot be denied. Furthermore, the growing reach of international institutions brings into question the power of neorealist theory; such institutions should not be durable and salient features of international politics according to neorealism.

Early debates centered on whether these institutions mattered. The neorealist reaction was to claim that the distribution of capabilities determined this institutional framework and that the strongest powers were the ones that imposed their norms, practices, and rules on the rest of the world. Hegemonic stability theory was one version of this response, which located the genesis of international institutions for a given time period in the hands of the hegemonic power. Much like Gilpin's work on cycles of war and change, hegemonic stability theory saw institutional change as a function of changes in underlying power relations. Other scholars claimed that states would not cooperate on anything that was not already in their national interest, and hence that cooperation would be very thin. Concerns about relative gains in cooperating were one explanation for the limits to cooperation. Others noted that institutions may make cooperation more appealing but only in the sense that they

⁶ Krasner 1983a, 186.

⁷Krasner 1976; Keohane 1980; Lake 1983.

⁸ Gilpin 1981.

⁹E.g., Downs, Rocke, and Barsoom 1996.

¹⁰ Grieco 1988.

make noncooperation much more costly for small states. 11 This debate over the power of international institutions has carried on for many years as neorealists have cast doubt on the evidence that nonstate actors matter. 12

Neoliberal institutionalists have responded in a variety of ways. Keohane has argued that the post-World War II institutions were in part a product of American power but that since their establishment they have evolved into more autonomous entities. 13 He and others, for instance, have noted the continuing relevance of international institutions set up during the Cold War, such as NATO, the EU, and the United Nations, despite the end of the bipolar superpower rivalry nearly two decades ago.¹⁴ This shows that changes in regimes are not simple functions of changes in underlying power relations, as realists assume. Rather, regime change may occur when changes in the structure of the issue area and the resources relevant to it take place. It is the interaction of power and complex interdependence that combine to create institutional change, as discussed by Stone and others in this volume.

Neoliberal institutionalists, however, have turned increasingly to explore the conditions under which and ways in which world politics is institutionalized. Keohane proposed an early theory about why countries would want to create and join international institutions. 15 His theory argues that a country, being rational, will only demand and join international institutions if those institutions can provide net benefits for them relative to the reversion point, which is the outcome if no agreement to join is reached. He sees these benefits as being reduced transaction costs, increased information flows, and reduced uncertainty. In providing these functions, international institutions help states negotiate mutually beneficial agreements that they otherwise would not be able to arrange. In part, this cooperation results from the strategies of reciprocity that can take hold more easily in such institutionalized environments. Game theorists have emphasized slightly different functions; they have focused on how regimes can reduce players' discount rates, increase information flows by signaling players' types, enhance the credibility of domestic commitments, and alter payoff structures through repeated interactions and reciprocity. 16 Others have emphasized that regimes can change actors' preferences and, more deeply, their identities.¹⁷ The constructivist research program has grown out of this approach. It constitutes a large and vibrant

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<sup>11</sup> Gruber 2000.
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¹² Mearsheimer 1994-95.

¹³ Keohane 1984.

¹⁴E.g., Keohane, Nye, and Hoffmann 1993; Keohane and Martin 1995.

¹⁵ Keohane 1984.

¹⁶ E.g., Axelrod 1984; Ove 1986; Mansfield, Milner, and Rosendorff 2002.

¹⁷E.g., Kratochwil and Ruggie 1986; Onuf 1989.

literature, which we do not touch on here except briefly in the contribution by Tickner. ¹⁸ The chapters here focus on the first two types of rationalist explanations of international institutions and their functions.

Recent work on a variety of international institutions has shown that they can perform these functions and enhance the attainment of mutually beneficial agreements. Martin shows that economic sanctions can work better if they can be multilateralized in a regime; in such a setting greater information flows make countries less likely to cheat on their obligations. 19 Burley and Mattli point out how unexpectedly powerful the European Court of Justice has become, and how autonomously from national courts it has developed.²⁰ Ikenberry concludes that if powerful states can bind their hands by joining international institutions, they can strike more mutually beneficial agreements with the other countries in the world.²¹ Stone points out that the IMF can ensure greater compliance and hence better outcomes when powerful states do not intervene in its operations with economically troubled states.²² Davis in her study of the WTO concludes that it can help countries overcome domestic opposition and conclude mutually valuable trade agreements.²³ Meunier shows how the EU can make a difference for European countries in their ability to strike trade bargains with other countries.²⁴ Some have argued that this institutionalization of world politics is becoming increasingly legalized, and that this legalization is having important effects on international cooperation.²⁵ Others have tried to explain the many different forms that international institutions take to perform some of the same functions but in different environments.²⁶ All of this research shows that international institutions of various sorts exist, function in ways neoliberal institutionalist theories predict, and have positive effects on interstate cooperation. They represent empirical progress in the neoliberal institutionalist paradigm.

The essays in this volume take a further step forward, as I discuss below. A key point of debate between neoliberal institutionalism and neorealism is the explanation of institutional change. For neorealists, institutions change when the underlying balance of power among states changes. This causal path shows the dependence of institutions on state power and

¹⁸ E.g., Finnemore 1996; Legro 1997; Finnemore and Sikkink 1998; Barnett and Finnemore 2004.

¹⁹ Martin 1992.

²⁰ Burley and Mattli 1993.

²¹ Ikenberry 2001.

²² Stone 2002.

²³ Davis 2003.

²⁴ Meunier 2005.

²⁵ Goldstein 2001.

²⁶ Koremenos, Lipson, and Snidal 2001.

ultimately their epiphenomenality. For neoliberal institutionalism, institutions change in part because of their success or failure in accomplishing the tasks they are delegated. In his chapter, for instance, Randall Stone takes up the question of what accounts for change in international institutions. He notes that most of the key extant institutions are under pressure to reform; the UN, IMF, World Bank, WTO, and NATO, among others, have been seriously criticized lately for failing to perform adequately. Why have these institutions seemingly failed to achieve their optimal outcomes? In Keohane's later work, he addressed three broad categories of explanations: power, international processes, and the structure of international institutions.²⁷ In his view, explanations based on the distribution of power in the international system fared poorly; indeed, in terms of its theoretical and empirical aspects the theory of hegemonic stability fared the worst.

According to Stone, two other factors are primarily responsible for the poor results of many international institutions. As Keohane has previously noted, the costs associated with bargaining over issues and institutional procedures are high and pose problems for states. The curse of bargaining is that the necessary condition for successful cooperation—low discount rates—is precisely the condition that makes bargaining most costly; this makes outcomes most inefficient when bargainers most value the future.²⁸ In addition, Stone notes that the internal dynamics of institutions can plague cooperation. International institutions change through a political process that privileges insiders, who can impose their preferences on countries that join subsequently because voting rules privilege the status quo. In general, those who create the institution can become significant impediments to new agreements that would deepen international cooperation. Thus international institutions are slow to expand and adapt to new areas of potential cooperation because of the costs of bargaining and the entrenched interests of founding members. Stone's pessimistic view, however, lays blame for the shortcomings of international institutions on features other than power politics.

Gilligan in his chapter addresses a fundamental issue about the demand for international institutions raised by Keohane in After Hegemony. He revisits the question of whether the transaction costs approach can explain the creation of international institutions. He notes that rationalist theories of cooperation prior to Keohane's theory, so-called decentralized cooperation theory, could explain why countries choose to cooperate, how they came to their cooperative agreements, and how they enforced

²⁷ Keohane and Nye 1977; Keohane 1984.

²⁸ Fearon 1998. Unless states can design escape clauses or renegotiation provisions, they are stuck with the distribution of costs and benefits that flows from the institution's initial structure (Rosendorff and Milner 2001; Koremenos 2001).

them in the anarchical international system, but they could *not* address why countries created international institutions. But the transaction costs approach to international cooperation explicitly answers this question. These institutions must be negotiated, and so one will only observe such institutions if the relative transaction costs of creating them, amortized over the expected lifetime of the regime, are also sufficiently small. He challenges recent empirical work that suggests transaction costs do not matter. Gilligan points out that we need more empirical work on the transaction costs approach, and offers several ideas about how to proceed. For instance, he suggests testing if the variables that the transaction costs approach claims should induce states to create institutions—such as asset specificity and the number and complexity of the transactions—are correlated with more institutionalization. These ideas for future research show the way theory and sophisticated empirical testing can lead to progress.

Ronald Mitchell asks fundamental questions about the impact of international institutions, returning to the question of their effects on state behavior. Neoliberal institutionalism, he notes, needs to take the realist challenge to the power and autonomy of international institutions seriously. Realists claim that differences in the international problem structure or distribution of power within an issue area that predate the institution may explain differences in institutional design and hence differences in state behavior. His chapter shows that if one can demonstrate that this problem structure does not dictate institutional design, then institutions can play some independent role. Theories suggest that this problem structure does not perfectly explain institutional design because of factors like uncertainty, bounded rationality, the time states take to negotiate agreements, and the unintended or unanticipated consequences of institutions. Mitchell clarifies why, and illuminates the conditions under which, socalled institution-independent interests, which states seek to enshrine in the provisions of international institutions, may diverge from the interests that subsequently drive those states' behavior. Thus factors that neoliberal institutionalism focuses on, such as information problems, normative pressures, and institutional inertia, may allow institutions to develop their own autonomous space for action.

As neoliberalism predicts, issue areas that feature much incomplete information are ripe for international institutions. Fortna and Martin focus on the demand for international institutions in peacekeeping operations in civil wars, and ask about the conditions under which governments and oppositions agree to involve nonstate actors such as peacekeeping forces. Peacekeeping, which they define as the deployment of international troops and monitors to war-torn areas, is an international institution intended to help recent belligerents maintain peace. They model peacekeeping as an

institution that is able to provide information to both sides in a conflict through a signaling mechanism. Allowing peacekeeping provides a costly signal of each side's intent to abide by a peace agreement. While both sides in a civil war prefer to avoid the interference of outsiders, the costs of peacekeepers to an unreliable government—that is, one that will renege on its agreement to quit fighting—are higher than the costs to a reliable government. To test their ideas empirically, they identify several factors that should make peacekeeping more likely relative to continued fighting and to peace without peacekeepers. Following Keohane's work, their chapter shows that focusing on the interaction of nonstate and state actors and their strategic demands for institutions can produce powerful insights about the role of institutions. It also echoes his work by pointing to the critical importance of information provision as a function of international institutions.

International institutions are not the only nonstate actors of importance to neoliberal institutionalism. NGOs and private sector actors may also play key roles in world politics, especially in certain issue areas. Mosley's chapter brings attention to bear on the role of nongovernmental actors in global financial regulation, in particular financial institutions, corporations (national or multinational), industry and professional associations, and professional investors. Efforts to govern contemporary global finance take a variety of forms, including intergovernmental institutions (e.g., IMF and World Bank), transnational regulatory groups (e.g., International Organization of Securities Commissions), and private sector entities (e.g., credit ratings agencies and the London Club). A good deal of financial regulation now occurs outside traditional intergovernmental institutions and involves public-private interactions. Beginning from Keohane and Nye's assertion about the importance of private sector actors in world politics, Mosley explores the precise ways in which private sector participation affects outcomes in global financial governance. Mosley shows how these private actors create institutions that foster cooperation, but then asks whether this behavior is in the best interests of all parties to the international system.

Private sector actors also play sizable roles in the regulation of international property rights. Aronson's chapter treats international intellectual property rights as a strategic game between existing firms trying to defend and extend their power and profits in the face of technological change and global interdependence against the efforts of newcomers who desire access to existing technologies and ideas. In the intellectual property arena companies and countries seek advantage by undermining their foes' efforts. The state and nonstate players are interdependent, and power is asymmetrically distributed, currently in favor of the developed countries and existing producers. Aronson shows that nonstate actors from the

private sector play a critical role in the evolution of governance in this issue area. The richness of neoliberal institutionalism is underlined by its capacity to incorporate nonstate actors into its theoretical framework.

Varieties of Power in World Politics

A second element of neoliberal institutionalism is attention to forms of power besides military force and threats. Neorealists have focused on military force as the key element of national power. As Waltz says, "In international politics force serves not only as the ultima ratio, but indeed as the first and constant one." For realists, this hierarchy of power resources implies that there exists a single ranking of world powers for all issue areas, with the most powerful ones possessing the greatest military capabilities. Neoliberal institutionalism does not share this view of world politics. Beginning with Keohane and Nye's recognition of the independent logic that operates within different issues, much work in this paradigm has emphasized the importance of, and variation across, issue areas. Power resources for exercising influence in international trade negotiations differ from those in nuclear nonproliferation, which in turn differ from those in climate change negotiations.

There is no single hierarchy of power resources, and states vary in their capacities to influence outcomes by issue area. Japan may be very powerful in the area of whaling or international trade, but much less so in oil and nuclear proliferation. The conception of what resources count as power is much broader for neoliberal institutionalism than for realism. One reason why scholars in this tradition have emphasized the analysis of particular issue areas is to be able to deal with the important differences in capabilities across issues. As Keohane notes, such "disaggregation is progressive rather than degenerative." Interesting works in this issue area approach to power in world politics include economic sanctions, 32 monetary relations, 33 and international trade. World politics in this view looks much more variegated than it does in the realist one, where military force is the only coin of the realm.

Many of the chapters in this volume examine particular issue areas and demonstrate that differences among the issue areas matter for institutionalization and for power relations. Simmons in her chapter, for example, focuses on the compliance of states with international institutions pro-

²⁹ Waltz 1979, 113.

³⁰ Keohane and Nye 1977; Baldwin 1979, 1989.

³¹ Keohane 1986b, 189.

³² E.g., Martin 1992; Shambaugh 1999.

³³ E.g., Kirschner 1995; Cohen 1998; Andrews 2006.

³⁴ E.g., Hirschman 1980; Reinhardt 2001; Zeng 2004.

moting human rights, in particular women's rights. She shows that it is not state power that leads to compliance but rather a complex mechanism that forces states to take into account their obligations under these agreements. Enforcement of most human rights agreements has to be highly decentralized, relying on nonstate actors and the information they can provide. Intergovernmental organizations designed to monitor governments' practices, transnational women's advocacy groups, and most especially domestic interests who demand that their government take their treaty commitments seriously are the primary enforcement mechanisms. Her data thus show that treaties can have meaningful effects, even in the absence of formal international mechanisms for their enforcement. Power over states is exercised by a variety of nonstate actors through power resources available to actors in complex interdependence situations.

DeSombre turns her attention to the role of international institutions and power within the environmental issue area. She claims that the idea of complex interdependence helps one understand the power dynamics that underpin cooperation in this issue area. She shows how the structure of the issue area itself affects the power resources that countries can employ and the types of agreements that they can make; it is not state power and military resources that matter. Complex interdependence suggests that even in situations where everyone gains from cooperation, some actors will have a greater ability than others to influence the shape and content of the cooperative arrangements. Most environmental issues contain some aspect of prisoner's dilemma incentives combined with a common pool resource problem, thus requiring cooperation from all relevant actors to successfully address a problem. Influential actors may not be those who possess traditional power resources like military or economic might, but instead ones who can threaten credibly to stay outside the process of cooperation and thereby reduce its value to others. In this issue structure the prisoner's dilemma is stark, because any major actor that remains outside of the cooperative system does not just decrease cooperation, but may be able to prevent it altogether.

The structure of this issue area enables one to understand the seemingly disproportionate level of influence that developing countries have had in international environmental cooperation. Because of this issue structure, developing states can offer to exchange their participation in global environmental agreements for economic and technical aid. DeSombre points out that the first serious instance of this "greenmail" was in the negotiation of the international agreements to protect the ozone layer. Because of this characteristic, environmental issues call forth different types of power resources. States with traditional power resources may find that these are not effective for enticing cooperation or removing incentives to free ride, but that other ways in which states can use their global linkages may prove more conducive to changing incentives to cooperate. The nature of the issue area and the complex interdependence it engenders mean that traditional power resources are not the key to understanding this issue area.

Aggarwal shows that traditional power resources are less important for the trade system than realism would lead one to expect. His institutional bargaining game approach begins by identifying an initial impetus for new trade accords, which generally comes about through some external shock. For instance, problems with extant international institutions or a financial crisis can create pressure for change, as many argue is happening with the proliferation of PTAs (preferential trade agreements) in the wake of the stalled WTO negotiations. Countries respond to external shocks in various ways based on three factors: the "goods" involved in the negotiations; their individual political-economic situation, which consists of their international position, domestic political structure, and beliefs; and the context of the existing institutional environment. Outcomes in trade depend, by his account, on the nature of the issue area and the preexisting institutional environment more than on the global distribution of power.

As Aronson makes clear, international intellectual property rights involve forms of power different from traditional power resources in international relations. His approach shows that the structure of the issue shapes both the relative power capabilities of the state and nonstate actors involved and the character of the international regimes developed to regulate intellectual property rights (IPR). Since the mid-1980s, as international treaties broadened and strengthened the scope of IPR protection and extended its range into new information arenas, the balance of power has shifted in favor of firms and countries with intellectual property. The strong protection of intellectual property runs counter to the interests of consumers, innovators, and developing countries. Developing countries and firms seeking to innovate have growing power resources because of the issue area's structure, however. While these groups may lack traditional power resources, they have been able to find new sources of influence to challenge the current IPR regime. For instance, piracy and parallel imports are costly to copyright holders. An even more serious problem comes when developing countries re-export cheap or pirated products to industrial countries, lowering sales from those who could otherwise afford to pay. The current IPR regime may help define property rights, lower transaction costs, and reduce uncertainty. But it is not optimal from Aronson's perspective and is in the midst of change, as developing countries and firms exert their new-found power.

Following on Keohane and Nye's *Power and Interdependence*, McKeown focuses on transnational relations and power resources in such relationships. Transnational ties, he notes, can be a source of influence for either party in a relationship. The existence of numerous low-level or

mid-level contacts between governments is a necessary but not sufficient condition for transgovernmentalism, which occurs when governments confront an "agency problem" in the sense that their efforts to control the behavior of subordinates fail. Transgovernmental contacts become interesting when on at least one side control from the top is ineffective. As a corrective to earlier ideas, which implied that weaker states could best exploit transnational ties, McKeown argues that transgovernmental relations can be exploited by any government that desires to do so and has the capabilities.³⁵ Such tactics are not just the tool of small and weak countries. But, McKeown asks, what makes us believe that government officials are ignorant of the effects of transgovernmentalism or simply tolerate its unwanted outcomes? If government officials realize the power of transgovernmental and transnational ties, they may be able to resist such influences or use them to their advantage without seeming to do so. These ideas about transgovernmental relations as power resources deepen our understanding of its causal mechanisms. They take us a step further in understanding the nature of power in a world of complex interdependence.

Interdependence as a Defining Feature of the International System

A third characteristic of neoliberal institutionalism is its description of the international system as one embodying both anarchy and interdependence. Neoliberal institutionalists agree that the system is decentralized and often relies on self-enforcing behavior, but they do not think that anarchy dominates the system. As noted before, particular issue areas and relations among certain countries may be highly institutionalized. But even in the absence of this pattern, relations among countries tend, in the view of neoliberal institutionalists, to be highly interdependent. Extensive flows of goods, raw materials, people, and capital across borders benefit all countries involved, and often are critical to each country's economy. Severing these flows would cause economic damage, and political repercussions as well. Interdependence means mutual dependence, not necessarily symmetric, which brings benefits for all parties involved. These benefits and potential loss of them through international conflict make countries vulnerable, and thus are a potential power resource for the side that is less dependent.³⁶ The potentially pacifying effects of such economic interdependence have been noted for years.³⁷

Complex interdependence involves more than just economic interdependence; it implies a world characterized by at least three features. First,

³⁵ See, for instance, Keohane 1971.

³⁶ Hirschman 1980.

³⁷ E.g., Angell 1912; Morse 1976; Keohane and Nye 1972.

transnational relations are important; these relations involve multiple channels connecting societies, from formal and informal ties among government officials to informal ties among nongovernmental elites in different countries. Second, the agenda of relationships among countries includes multiple issues without a clear hierarchy; security relations are not the be-all and end-all of the relationship. Third, military force is not the primary means of resolving disagreements among the countries on the key issues; rather, other power resources are central to solving problems. One such power resource comes from participation in international institutions themselves. As Keohane and Nye note, "in a world of multiple issues imperfectly linked, in which coalitions are formed transnationally and transgovernmentally, the potential role of international institutions in political bargaining is greatly increased[;] they help set the international agenda and act as catalysts for coalition formation and as arenas for political initiatives and linkage by weak states."38 Recent literature on the impact of globalization has painted a similarly complex picture of the relations among domestic and international politics and the effects on state behavior.

Many of the chapters in this volume assume that the world is one of complex interdependence, and their descriptions of different issues show the importance of distinct power resources for different transnational and nonstate actors. DeSombre's chapter on environmental issues is exemplary. She shows that most international environmental issues involve complex interdependence, containing aspects of prisoner's dilemma combined with common pool resource problems. Given the structure of the issue area, cooperation from all relevant actors is required to successfully address problems, and so actors who can threaten credibly to stay outside the process are empowered. Furthermore, complex interdependence can illuminate the particular character of cooperative agreements in environmental policy. Many international environmental agreements are shaped by the issue's incentive structure. For instance, in most recent environmental treaties concerns with free riding have led to the adoption of the standard clause requiring a certain number of ratifications before the treaty enters into force, but also a mandate that those ratifiers account for a certain degree of the activity responsible for the environmental problem. Most international environmental agreements also make information gathering their first priority in the process of addressing an environmental problem, as neoliberal institutionalism would suggest. Environmental cooperation fosters the development of certain types of international regimes to regulate the global environment because of its particular issue

³⁸ Keohane and Nye 1977, 35.

area structure. Its heavy reliance on information and the resolution of uncertainty, its tendency to involve repeated interactions, and the extent to which successful cooperation requires the maximal participation mean that certain forms of institutionalized cooperation are more likely than others. Neoliberal institutionalism and complex interdependence, rather than realism, help one better understand the dynamics of international environmental issues.

For Aggarwal, trade relations are an area of complex interdependence. He explores the particular structure of international trade institutions as a function of the characteristics of the issue area. Using the transaction costs approach of Keohane, he asks what types of cooperative arrangements are institutionalized when countries seek trade liberalization. First, he systematically categorizes the different types of arrangements that are increasingly populating the global trade landscape by focusing on several dimensions of such institutions: their number of participants, product coverage, geographical scope, the extent of market opening or closing, and the degree of institutionalization. This categorization also enables us to understand the origins and evolution of different types of arrangements by better specifying the dependent variable. Aggarwal employs a bargaining game approach to examine the evolution of trade arrangements. This institutional bargaining game is used to understand emerging developments in the trading system with a specific focus on northeast Asia. Aggarwal's chapter demonstrates that, as neoliberal institutionalism predicts, trade institutions depend less on the global distribution of power than on the preexisting institutional environment and the nature of the issue area.

As Aronson makes clear, international intellectual property rights are a new area for neoliberal institutionalist analysis. Since the 1980s international intellectual property protection has become a critical issue on the international economic agenda. Today IPR rules are stronger and more global, but not harmonized. The structure of the issue area is key to the outcomes as it shapes both the relative power capabilities of the state and nonstate actors involved and the character of the international regimes developed to regulate these property rights. According to Aronson, international intellectual property issues involve a strategic game between older, established firms and their home countries, which are trying to defend and extend their power and profits in the face of technological change, and developing countries and new, innovating firms, which desire access to old technologies and ideas. States and firms are thus interdependent, and global governance in this issue area requires that developed countries and their firms cooperate with developing ones and their rising firms.

Tickner's essay on religion as a new source of power in world politics

concludes the volume. It challenges the conception of complex interdependence as depicted by Keohane and Nye. The 9/11 attacks and their aftermath reveal a world that is more complicated than the one Keohane and Nye described in 1977. The acts of informal violence since 9/11 require that institutionalism's association of nonstate actors with forms of nonmilitary power be rethought. Such informal but potent violence raises questions about international relations (IR) theory's assumption that the state is both the primary perpetrator of large-scale international violence and the primary protector against it. Neoliberal institutionalism and other theories must expand their notions of nonstate actors and the power resources open to them. Perhaps ironically, globalization has increased the scope and magnitude of informal violence because of the decline in the cost and increase in speed of communications and transportation. The power of ideas, in this case religious ideas, in a networked global society allows nonstate actors with little military capability to mobilize supporters and execute acts of informal violence with large-scale consequences. Tickner's challenge to neoliberal institutionalism is a powerful one; it forces IR theory to rethink who the key nonstate actors in world politics are and what power resources they possess.

Cooperation in World Politics

The fourth area where neoliberal institutionalism has differed from neorealism is in its focus on cooperation in world politics. Realism, and especially neorealism, has generally focused on conflict among states, and especially on the use of military force and war. In *Power and Interdepen*dence, Keohane and Nye first sought to redress the imbalance between the scholarly attention paid to conflict and that paid to cooperation. Neoliberal institutionalism has since looked at the world through different lenses and identified substantial and enduring patterns of cooperation, much of it institutionalized since 1945. A "security community" in which war is unthinkable and states do not use the threat of military force to resolve issues seems to exist in the North Atlantic region.³⁹ The expansion of the EU to more than twenty-five countries in Europe has added greatly to the number of countries that have relinquished a great deal of their sovereignty and autonomy for the sake of peace and prosperity. International trade and investment relations have been deeply institutionalized in the GATT (General Agreement on Tariffs and Trade), and now the WTO, as well as in hundreds of bilateral agreements, called PTAs and BITs (bilateral investment treaties) (see Aggarwal's chapter). The chapters point

³⁹ Deutsch et al. 1957.

to other areas, such as peacekeeping (Fortna and Martin), human rights (Simmons), international financial regulations (Mosley), the environment (DeSombre), and intellectual property rights (Aronson), where complex interdependence seems to prevail and institutionalized cooperation is becoming the norm.

A distinctive point about the evolution of neoliberal institutionalism has been the move from cooperation to institutionalized cooperation—or global governance. Realists do not doubt that countries can at times cooperate; indeed, alliances and balancing are important forms of cooperation central to realist theory. But neoliberal institutionalism has gone further and tried to explain institutionalized cooperation, that is, sustained policy coordination among states often guided by norms, rules, and practices codified in treaties, agreements, or international organizations (as noted by Gilligan in this volume). In such arrangements countries often relinquish substantial degrees of sovereignty and autonomy over important policy areas. For such institutionalized cooperation to exist countries must comply with the norms and rules embodied in the institutions. And they must generally comply in good times and bad, that is, both when they benefit and when they are adversely affected. Realists would, of course, not expect this; they would predict that countries would defect whenever such policy coordination negatively affected their interests, and thus that cooperation would be fleeting.

To what extent and under what conditions countries comply with the rules, norms, and practices of the international institutions to which they belong is an area of important, ongoing research. Some scholars have argued that compliance with international institutions is very high.⁴⁰ Others have pointed out that this may not indicate high levels of cooperation since countries may only join institutions that prescribe the policies they would otherwise adopt. 41 To show the effect of international institutions, one must demonstrate that the policies adopted would have been different without the institution, and this task is difficult. Establishing this counterfactual often relies on comparisons of the country's policies with other similar countries or with the same country when it was not a member of the institution. But countries that join an institution may differ systematically from those that do not join, and these differences may also affect their likelihood of complying. Countries that join may already have policies close to those promoted by the institution, or they may have to pay the fewest costs to change their polices in the direction of those promoted by the institution. Simple comparisons to establish the counterfactual may

⁴⁰ Chayes and Chayes 1995.

⁴¹ Downs, Rocke, and Barsoom 1996.

not alleviate these problems.⁴² Joining an institution and complying with it are related decisions.⁴³

The problem of untangling the effects of institutions may be even deeper. The particular design of the institution itself, that is, its norms, rules, and practices, may also be endogenous. The states that end up joining a regime may design it such that its procedures and rules require the least change for them or advantage them the most. Indeed, the rational design of such institutions implies this type of behavior. Hence, neither membership in nor the character of the institution itself can be considered exogenous to the institution's creation or its levels of compliance. Neoliberal institutionalism has recently come face to face with these difficult issues involved in addressing the causal claims of the theory.

A number of the chapters in this volume (e.g., Simmons, Mosley, De-Sombre, Aggarwal, and Aronson) focus on institutionalized cooperation and compliance. They try to deepen our understanding of the conditions under which institutionalized cooperation, or global governance, emerges and high levels of compliance arise. Simmons, for instance, focuses on the compliance of states with international institutions promoting human rights. From virtually nothing before the Universal Declaration on Human Rights (1948), governments have constructed a dense web of human rights treaties by which they have committed themselves to observe basic standards of rights protection. She asks whether these institutions make a difference: do governments that join human rights institutions protect their citizens better than those that do not? In particular, she focuses on the effect of the Convention on the Elimination of Discrimination against Women (CEDAW), begun in 1979, on various measures of the educational gender gap around the world. The CEDAW is an example of an international institution that has few enforcement mechanisms; hence there is a real question whether it should have any effect on states' behavior. Simmons's argument is that governments that join human rights institutions find it increasingly costly to ignore these institutions' basic principles, largely because of domestic audience costs. Enforcement of the agreement has to be highly decentralized, relying heavily on nonstate actors. The primary enforcement mechanisms she identifies rely not on powerful states, but rather on intergovernmental organizations designed to monitor governments' practices, international nongovernmental women's advocacy groups, and most especially domestic interests who demand that their government take their treaty commitment seriously. The information effects of these international institutions and nonstate actors on domestic politics and their ability to help form transnational coalitions

⁴² E.g., Simmons and Hopkins 2005; von Stein 2005.

⁴³ Keohane and Martin 2003; von Stein 2005; see Mitchell in this volume.

⁴⁴ Koremenos, Lipson, and Snidal 2001.

provide strong evidence for the neoliberal institutionalist theory about the role of institutions in fostering cooperation.

In her chapter Mosley hypothesizes about the possible causal mechanisms by which private actors may enforce financial regulations and achieve greater cooperation. She demonstrates that three broad types of private actor involvement in governance exist, which allow such actors to play a central role in this issue area. Private financial actors can serve as autonomous authorities developing and enforcing rules; they can be joint sources of rules, developing them in concert with governmental authorities; and they can serve as enforcers of standards, applying rules developed by other authorities. Private sector involvement in global governance could lead to more successful global cooperation as a result of higher compliance rates because such actors have a variety of ways to induce compliance. They can act as enforcers of agreements, against third parties (e.g., private markets pressuring national governments to comply), or as self-regulators, implementing rules that govern their own behavior (e.g., accountants following international standards).

But Simmons asks, pushing neoliberal institutionalist ideas forward, whether private sector enforcement efforts are superior to those of governments. Data show that global standards that are entirely in the private sphere do not have higher compliance rates than those in the public sphere. Thus private sector involvement in global financial regulation may not be very effective. Private sector participation in governance also has distributional consequences, as privately developed regimes are likely to reflect and benefit financial sector interests. If their participation does not lead to higher levels of compliance, she notes, engaging private sector actors in global governance may reduce both accountability and compliance. Neoliberal institutionalism points out the growing role of private sector actors in world politics, but it has not carefully assessed the costs and benefits of such cooperation.⁴⁵ Who benefits from international cooperation and global governance is an important issue that early work on neoliberal institutionalism did not address.

Empirical Puzzles and Progress in Neoliberal Institutionalism

A final element of the neoliberal institutionalist paradigm has been its increasing methodological sophistication. One element of this development has been the use of game theory to better specify the causal arguments in the theory. As shown in the chapter here by Fortna and Martin, formal models of strategic interaction among countries can often show how

⁴⁵ Keohane and Nye 1977; Slaughter 2004.

international institutions help overcome coordination problems, provide information, and lower transaction costs. 46 Similar to the *Rational Design of International Institutions* volume and the *Delegation and Agency in International Organizations* volume, a number of the chapters here (Stone, Gilligan, Fortna and Martin, Simmons, DeSombre) turn to concepts in rational choice theory—and especially game theory—to develop the causal logic of neoliberal institutionalism. Ideas about transaction costs and uncertainty, delegation and principal-agent problems, signaling models and information provision, and prisoner's dilemma and common pool resources problems all help illuminate the causal logic of the interaction between state and nonstate actors in a world of complex interdependence.

Another important element has been the increasing sophistication of the empirical methods used to evaluate the causal claims in neoliberal institutionalist theory. Especially since King, Keohane, and Verba, research on international institutions has been increasingly aware of the extensive problems involved in assessing the causal claim that these institutions matter.⁴⁷ As noted above, this claim involves a counterfactual, which is difficult to assess. The selection of the cases that one uses to evaluate this claim are very important since selecting on the dependent variable is likely to give biased results. Downs, Rocke, and Barsoom years ago pointed out key problems with assessing international institutions, namely selection bias and endogeneity. 48 Gilligan in his chapter about whether the transaction costs approach can explain the creation of international institutions touches on critical issues related to case selection and empirical evidence necessary for evaluating this claim. These institutions must be negotiated, and so one will only observe such institutions if the relative transaction costs of creating them, amortized over the expected lifetime of the regime, are also sufficiently small. Selection bias arises since the transaction costs approach expects transaction costs to be low in cases where states are bargaining unaided by institutions, which are in his opinion precisely the types of cases covered by most empirical analysis of transaction costs in international relations. Careful design of research to address issues of selection bias, Gilligan notes, is important for making progress in the neoliberal institutionalist paradigm.

Furthermore, the exogeneity of the membership of the institution or its own internal design and procedures cannot be guaranteed; they are likely to be endogenous, given that they are created by rational actors interacting strategically. Ronald Mitchell in his chapter asks fundamental questions about states' compliance with international institutions and the methodological issues associated with testing such claims. He notes that

⁴⁶ E.g., Stone 2002; Mansfield, Milner, and Rosendorff 2002.

⁴⁷King, Keohane, and Verba 1994.

⁴⁸ Downs, Rocke, and Barsoom 1996, 1998; Keohane and Martin 2003.

neoliberal institutionalism needs to take the realist challenge to the power of international institutions seriously, which raises two charges of endogeneity. Membership endogeneity means that countries that join are systematically different from those that do not. These differences, and not membership per se, may explain their behavior in the institution. Comparisons with countries that did not join or with the country before it joined are biased unless they take into account these differences. The second problem he labels design endogeneity. This problem is caused by the fact that differences in institutional design, which are often used to explain differences in state behavior, themselves result from differences in the problem structure or power distribution that predate the institution. Mitchell, like Keohane and Martin, agrees that neoliberal institutionalism must address these endogeneity issues.⁴⁹

Fortna and Martin in their chapter on the demand for peacekeeping operations in civil wars attend to issues of both case selection and endogeneity. Although a substantial literature on peacekeeping exists, analyses of it as an institution promoting cooperation have not come to terms with several methodological handicaps. One is the problem of case selection; a majority of studies examines only cases where peacekeepers are involved, with no comparison to cases of nonpeacekeeping. Such selection on the dependent variable can pose problems for causal analysis. Endogeneity is also a problem since peacekeepers are not deployed to conflicts at random, so any analysis of their effects must begin with an analysis of which conflicts peacekeepers enter. The chapter by Fortna and Martin asks why belligerents sometimes agree to have peacekeepers and sometimes do not by focusing on peacekeeping as a mechanism that enables warring sides to signal their intentions to one another. By addressing concerns about selection bias and endogeneity, Fortna and Martin can better explain the adoption of institutional solutions to informational problems.

Simmons also has to be concerned with endogeneity. She wants to understand compliance with human rights regimes, in particular CEDAW. But compliance may depend on who joins an institution; those who join may be those who already or most easily can comply with the regime. Hence to see if the institution really affects behavior, one has to control for who joins in the first place. Simmons does this in a two-stage regression design and shows that even when controlling for who joins, ratification of the CEDAW has improved women's educational opportunities globally. Most importantly, because her empirical tests endogenize the making of the treaty commitment itself, it is difficult to claim that these improvements "would have happened anyway." Her seminal research demonstrates that the world's women have, on average, been made better off when their

⁴⁹ Keohane and Martin 2003.

governments make an international legal commitment to work toward their educational equality.

All of these methodological problems deepen the complexity of establishing an independent causal effect for international institutions in world politics. These problems, which are general to social science, also affect case study investigations, as McKeown notes, since governmental and nongovernmental actors have incentives to misrepresent their causal roles. He points out the serious methodological issues associated with determining the influence of transnational linkages. If the success of transnational and transgovernmental contacts is related to their appearance of being unconnected to the influencing government's central decisionmakers, then those decision-makers have strong incentives to conceal any impetus that they provided to these private or unauthorized interactions. Government officials who are colluding with foreign governments are also likely to have strong incentives to conceal their behavior. The public record should therefore understate the degree to which significant transgovernmental interaction occurs, as well as the degree of high-level government knowledge and control of its occurrence. Some apparently transgovernmental or transnational interactions may really be instances where one or even both central governments play a controlling, but concealed, role. Assessing causality and showing the power of transnational relations, then, may be fraught with difficult empirical problems that McKeown brings to light. The increasing awareness of these methodological problems has helped the field advance and has contributed to the progressive nature of the neoliberal institutionalist paradigm.

Finally, Tickner's chapter challenges the rationalist, positivist approach in neoliberal institutionalism and opens up the methodological toolbox of international relations theory to explore religion's role in world politics. Tickner argues that since 9/11, international relations must develop a better understanding of worldviews, including religious ones, that could motivate nonstate actors to acts of informal violence. Extremist religious groups all over the globe decry international institutions and what they describe as the "new world order" led by a secular United States. They do not see a neoliberal institutionalist world as preferable to a realist one. She suggests that the rationalist tools of neoliberal institutionalism and realism are not capable of helping us understand such views. Incorporating religious motivations into international relations theory is difficult because these theories were constructed upon the epistemological foundations of secular rationalism and therefore are not useful for understanding worldviews of those with deep hostility toward secular thinking. She suggests that religious worldviews may be better understood using hermeneutic, reflexive, and dialogical methodologies traditionally associated with religious studies. Beliefs about gender and race are constitutive features of most religious worldviews, and hence linguistic constructivism, she opines, can be helpful in understanding worldviews based around views of race and gender. To understand these religious trends and their influence on foreign policies, Tickner claims, requires international relations scholars to pursue new methodological and theoretical avenues—beyond neoliberal institutionalism.

Another Generation of Neoliberal Institutionalism: This Volume

The chapters in this volume seek to extend our thinking about each of these four elements of the neoliberal institutionalist paradigm. The first three chapters, by Stone, Gilligan, and Mitchell, deal with some of the most important theoretical problems in the neoliberal institutionalist paradigm. They address the causes of international institutions, the sources of problems in the operation of such institutions, and the degree of compliance with them. The next set of six chapters turns from purely theoretical and methodological questions about neoliberal institutionalism to analyses of issue areas where institutionalization is occurring. The five chapters by Fortna and Martin, Simmons, Mosley, DeSombre, Aggarwal, and Aronson explore particular issues to see how international institutions have operated in each of them. They deal with questions about the creation, evolution, and influence of specific instances of institutionalized cooperation. They show the importance of focusing on issue areas to understand the key players and their power resources in a world of complex interdependence. The structure of the issue area, rather than the global balance of traditional military or economic power, shapes who the main actors are and what kinds of resources they can use to realize their goals as well as what kinds of cooperative institutions can be realized in the area. The possibilities for cooperation in each issue area vary according to this structure, much as Keohane and Nye predicted thirty years ago. The last two essays by McKeown and Tickner return to the central questions raised by neoliberal institutionalism about the role of nonstate actors in world politics and the methods for understanding their role. Both raise serious concerns about the use of standard empirical and rationalist methods in international relations.

The research inspired by neoliberal institutionalism has been broad ranging. The studies in this volume push forward on the research frontiers of this paradigm. They address the four central claims of neoliberal institutionalist theory and ask hard questions about the validity and power of those claims. Neoliberal institutionalism placed great faith in international institutions. It saw them as voluntary means for states to work together to devise cooperative solutions to important global problems. The chapters here ask why these institutions seem to be operating so poorly and why many people today do not support them. Why are major post–World War II institutions like the UN, World Bank, IMF, and the WTO under attack today? Is the new intellectual property rights regime in the WTO (the TRIPs agreement) efficient, effective, or equitable? The studies inquire about the strength of the evidence in favor of a transaction costs approach to international institutions. They question whether the design of most institutions is indeed optimal or whether different designs could make them operate more effectively. They specify much more clearly the value of issue area approaches and the elements of the structure of issue areas that matter to the creation and design of international institutions. They inquire about the role of nonstate actors and how important and beneficial these actors are. Do they play an important role in transgovernmental relations? Do they lead to better outcomes in the global financial and IPR regimes?

The authors of these studies point out that many previous attempts to assess neoliberal institutionalism have been deeply flawed by methodological problems. Two of the most severe are selection bias in choosing cases and endogeneity in both membership and design of institutions. The impact of international institutions and nonstate actors cannot be understood unless these problems are addressed in the research design. They also force us to reflect upon whether the rationalist, secular approach embedded in neoliberal institutionalism and most other international relations theories is appropriate for understanding a new world order where religion and religious motivations are ascendant.

At the end, however, the studies in this book do seem to affirm the progressive nature of neoliberal institutionalism. Each of them shows how viewing the world through neoliberal institutionalism changes and probably improves our understanding of major elements of international politics. Relations among some countries and in some issue areas are heavily institutionalized. And more areas are becoming subject to attempts at institutionalized cooperation. Nonstate actors are important in numerous areas of world politics, and increasingly so as they deal more and more with governance in a globalized world. Traditional sources of power in world politics remain important, but in many issue areas, such as human rights, the environment, and trade and financial market regulation, other forms of influence may be more effective. Moreover, the issues faced today do not fall neatly into some hierarchy of concerns; rather, countries face many issues and place different valuations on them. Issue areas have particular structures of interaction, which shape who the important actors are and what the key power resources are in the area.

Even the rise of terrorism as a major security concern in world politics underlines some important elements of the neoliberal institutionalist par-

adigm. Terrorists tend to be nonstate actors, even if some are supported by governments, and part of their ability to wreak havoc comes from their nonstate status. Terrorists also exert influence through untraditional channels. They rarely have the military ability to defeat a state, but they use various technologies to undermine people's sense of security and of their government's ability to protect them. And in many ways they utilize and depend upon high levels of interdependence among countries to be effective. Many of the central tenets of neoliberal institutionalism help us to understand terrorism and the threat it poses, and they may provide us with a better understanding of it than realist assumptions. Hence even in the area of security studies, the neoliberal institutionalist paradigm may give us useful analytical tools to understand world politics.

In sum, complex interdependence is a good descriptor for the world around us in many regions and on many issues. Asymmetric interdependence is a powerful force for influencing cooperation and conflict. Neoliberal institutionalism remains a vibrant research paradigm. Indeed, in this increasingly globalized world it may be the most useful international relations paradigm we have.