

## • Rational Choice and the Internationalization of Public Policy<sup>1</sup>

- Introduction:
- The *domestic* politics of globalization are essentially as old as globalization itself.
  - a. Trade and other international transactions affect a broad spectrum of individual economic interests.
  - b. For example, relatively less efficient domestic firms lose and importers and consumers desiring goods produced abroad benefit.
  - c. Domestic philosophers and religious doctrines may be challenged by ideas imported from abroad, while those interested in new ideas or dissatisfied with existing theories benefit.
  - d. As a consequence, such groups have long battled each other for and against more open borders with the result that nearly all governments have some restrictions on trade.
  - e. However, it is less clear whether politics itself is truly globalized.

• This lecture uses theories from rational choice politics to analyze international and global aspects of politics, that is, the extent to which international organizations directly or indirectly determine government policies. Here it bears noting politically active international organizations have also long existed, because their are economic and political advantages that can be realized by coordinating efforts. Such groups are evidently becoming increasingly important in the twenty-first century as a result of technological and ideological change, and also an increase in the breadth and depth of interests affected by international trade and international externalities.

- **Key Words:** Globalization, Politics, Rational Choice, International Interest Groups, International Governance, Regulatory Externalities

### I. Introduction: Globalization, Politics, and Public Policy

- Globalization is a complex and very long-term process that reflects changes in the technology of transport and communication that produce economies of scale and scope. As transportation costs fall with improvements in land, sea, and air transport, products, people and ideas move from places where they are more or less freely available to those where people are willing and able to pay for goods from afar. Thus, for several thousand years spices and silk moved from Asia to the Mediterranean via the Silk Road and gold and pottery moved to India, China, and the Spice Islands at the same time that ideas about farm animals and crops, religious and political theories, and art and technology moved in both directions (Burstein 2001, Diamond 1999, Abu-Lughod 1991).

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<sup>1</sup> This lecture has benefited from conversations with many colleagues in years past, but especially ones with Gordon Tullock, Karl Warneryd, Hiroyuki Kawanobe, Leonard Dudley, and Pamela Cubberly. They, of course, bear no responsibility for what came from those conversations.

- If long-distance exchange has a long history, so do the efforts to tax and restrict such activities. For example, more than 2,000 years ago, Rome adopted a tariff called the *portorium*, which was collected as people, goods, and service passed through particular tax collection gates (from 200 BCE). The Ming Dynasty is famous for its restrictions on the size of the ships in its international fleet in the late fifteenth century, and Tokugawa Japan is similarly well known for limiting its international trade and contacts to a single Dutch trading post on the island of Deshima near Nagasaki in the seventeenth century. Medieval Europe is equally famous for its internal and external trade restrictions and high taxes on imports and exports of goods and services.
- This lecture, analyzes international aspects of politics, using tools and theories from rational choice politics (public choice).
- It focuses for the most part on international organizations that attempt to influence public policies, especially policies that affect international transactions. As noted above, there are both governmental and nongovernmental groups that do so.  
Most international governmental organizations are “treaty organizations” in that they are products of formal agreements negotiated among national governments.  
Many nongovernmental organizations are also “treaty organizations,” in the sense that they are often formed through voluntary associations of domestic organizations. Such agreements benefit the parties involved because of various economies and externalities associated with public policies.
- Although both sorts of international organizations have long existed, both treaty organizations and international interest groups have evidently become more influential in the past few decades.  
This lecture argues that the increase in international politics reflects technological and ideological change and also an increase in the breadth and depth of interests affected by international trade and by other international externalities.  
Rational choice politics predicts that politics is likely to become increasingly global if the net benefits from international exchange and coordination increase through time.

## II. Rational Choice and the Internationalization of Government Decision Making

### A. Economies of Scale

- There are two processes through which globalized politics in the sense of international governance may emerge.
- The first and least likely at this time is through military conquest and hegemony. That is the case in which a single political entity gradually annexes or absorbs territories and rules them; that is, it extends the territory in which its governmental policies apply.  
Historical examples of such political amalgamations include the great empires of the past: Egypt, Chinese, Roman, Muslim, Ottoman, Russian, and the British Empire, upon which the sun never set.

Of course, the ancient empires are long gone, although they continue to affect national boundaries, religion, law, and language today.

For the past half century or so, the newer empires have been unwinding as many former territories become independent nation states.

Evidently, the combination of technology and ideology that drove these large expansions of territorial control were replaced by others that were less favorable to globalization via conquest and colonization.

- The second mechanism through which globalized politics can emerge relies on voluntary relationships rather than coercive ones.

A good deal of diplomacy involves negotiations for the creation of new international organizations to advance policy interests of those involved in the negotiations.

For the most part, international organizations are loose often very specialized confederations — treaty organizations — of nations.

Here one may point to the examples of the great defense alliance and trading networks of the past and present: the Peloponnesian League, the Hanseatic League, NATO, OPEC, the European Union, and WTO.

To these prominent alliances and trading coalitions, one should also add the dozens of new treaty organizations formed to address narrow issues that transcend national boundaries.

- Both processes of globalization of politics attempt to realize the economic advantages of large-scale enterprises.

Large trading networks allow more specialization, which in turn tends to increase material prosperity (Stigler 1951, Buchanan and Yong 1994).

Large economic cartels attempt to control production within larger and larger territories to secure greater profits.

Military power tends to increase more than proportionately to scale partly as a consequence of large fixed capital investments, but also because of the winner-take-all nature of military conflict.

Large lobbying groups attempt to benefit by influencing all governments involved in making public policy and involved in international negotiations, rather than a small subset of such policies.

- Economies of scale can be realized by large nation states and empires or by large treaty organizations that organize many smaller political territories and armies effectively into much larger units.

And, clearly, the advantages of both sorts of alliances tend to reinforce each other (Sandler and Cauley 1975, Jones 1988). The economic advantages of scale allow both empire and alliance building to be successful, whether these are immediately evident to those doing the conquest and negotiation or not.

- Note that such economies of scale may change through time as technology changes, and thus both the optimally sized nation state and optimally sized alliance may change through time (Dudley 1991).

## **B. International Public Goods, and Regulatory Externalities**

- In addition to economies of scale, political gains from coordinating domestic policies may arise when externalities exist that extend beyond national borders.
  - a. The most obvious contemporary cases are environmental ones in which effluents are carried across national boundaries by air or water.
  - b. Other cases include trade barriers, piracy, and efforts to regulate criminal activities that affect international transactions.
- To the extent that the externalities are Pareto relevant, incentives exist for the affected nations to explore the possibility of substantive treaty agreements (Congleton 1995).
- In most cases, the externality of interest can be said to be a public regulatory externality, rather than the usual private externality addressed by economists (Congleton 2001a).
  - c. For example, effluents, drugs, product safety, and financial transactions are regulated for domestic purposes, but the regulations adopted do not take account of the effects that those policies have on other persons living in other countries.
  - d. This is not to say that such decisions are entirely focused on domestic consequences, but rather to claim that domestic politics tend to focus on benefits and costs that fall on relevant political actors: domestic voters within democracies and national political elites within dictatorships and intermediate forms of government.
  - e. Thus, policies that may be Pareto efficient for a single nation-state acting alone, may often be improved by coordinating the policies of several nation-states.
  - f. It is such potential *welfare gains by relevant political actors* that motivates voluntary efforts by national governments to form treaty organizations.

## **C. Globalization of Public Policy via Voluntary Means**

- It bears noting that realizing such “gains from regulatory exchange” may be quite difficult.
  - a. Within the domain of domestic politics, the coercive machinery of the state—the courts and police—can be used to impose new regulations, but such coercive machinery rarely exists at the international level.
  - b. Thus, many of the usual regulatory tools for addressing externalities cannot be applied to address international regulatory externalities.

For example, international effluent standards cannot be imposed by an international regulatory body, because they cannot be enforced by one. Nation-states have sovereignty, as well as police forces, courts, and armies.
  - c. Two other techniques developed by economists can be used and, in some cases, can be combined.
  - d. One, Coasian contracts, is rarely used to address domestic externality problems, but is widely used to address international externalities.
  - e. The other, Pigovian subsidies, is occasionally used to address both domestic and international externality problems. Coasian contracts between nation-states are known as treaties.

- f. They are voluntary agreements between member states designed to advance common interests, including economies of scale and regulatory externalities.
- Essential features of the cases of economies of scale and regulatory externality are similar, as illustrated below in figures 1a and 1b. These figures characterize two essentially identical games that each have two Nash equilibria, neither of which is Pareto efficient. An equilibrium exists in which the common service or regulation is underprovided and one in which they are overprovided. The Pareto-efficient outcome is the intermediate level. Whether the two nation states find themselves in the high or the low Nash equilibrium (e.g., over- or under-investment in defense or environmental or trade over- or under-regulation) incentives exist for them to attempt to coordinate policy,  $(3,3) > (2,2)$ .
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**•Figure 1a**

•Joint Economies of Scale for Potential Allies  
 •(Net Benefits Associated with a Particular Defense Level)

	•Country B's Investment in Defense		
•Country	•1	•2	•3
•A's	•1	•2,2	•4,1
•Investment	•2	•1,4	•3,3
•in	•3	•0,5	•1,4
•Defense			•2,2

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• **Figure 1 b**

• Regulatory Externalities

• (Net Benefits from Regulatory Stringency)

• Country B's Environmental Regulatory Stringency

• Country		• 1	• 2	• 3
• A's	• 1	• 2,2	• 4,1	• 5,0
• Environmental	• 2	• 1,4	• 3,3	• 4,1
• Regulatory	• 3	• 0,5	• 1,4	• 2,2
• Stringency				

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- In principle, the difference between what is potentially achievable with policy coordination (3+3) and what is realized without it (2+2) can be profitably used to design and implement institutions for addressing the problems of interest. That is, the potential gains to trade (1 + 1) may be sufficient to warrant considerable investment in treaty negotiation, institutional design, and maintenance. As also pointed out by Coase (1960), contractual solutions to externality (including joint economies) problems often have significant transactions costs that have to be overcome to succeed. And as pointed out by Olson (1965), undertaking the activities necessary to solve externality and public goods problems are themselves public goods that need to be overcome.
- Both Coase and Olson imply that the mere existence of unrealized potential gains to trade may not be sufficient to induce voluntary solutions. The transactions costs may be too high to make such gains truly feasible or free riding by potential beneficiaries of coordinated policy formation may be too difficult to overcome—particularly in large number cases. Consequently, even quite beneficial treaties and treaty organizations may be underprovided.
- Nonetheless, a very large number of Coasian treaties have been negotiated, many of which have been substantive agreements, which suggests that political entrepreneurs have been able to profit in some way from leadership on such issues (Wagner 1966, Munger and Denzau 1986, Ueda and Swenson 2002).
- There are also many questions about how effective treaties have been (Murdoch and Sandler 1997, Congleton 2006c), because very few treaties, even substantive treaties include provisions to punish signatory countries for nonperformance. However several multilateral treaty organizations (NATO, European Union, and WTO) have evidently been able to achieve very significant voluntary changes in domestic policies on matters of

common interest, although it bears noting that these are cases in which punishments may be imposed by the treaty organizations by threatening free-riding members with the loss of valued services.

- In addition to reciprocal “political exchange” strategies, some international externality and joint economies problems can be addressed through Pigovian subsidies. (Pigovian taxes are less applicable, because they require an international tax collector.) In such cases, one government may directly or indirectly subsidize the production of services by another through conditional grants and the like. Such solutions can be unilaterally adopted by a national government in cases in which there are asymmetric externalities (Pommerehne and Feld 1996). Production of internationally demanded goods may also be stimulated through such conditional grant programs. If the cost of a particular service falls for the relevant group of political decision makers, they will “buy” more of that service. Demand curves for both private and public goods are downward sloping.
- It is also clear that when a group of nations is affected by regulatory or other externalities from another group of nations or has a significantly higher demand for international public goods than another group of nations (perhaps because of income differences), the groups of “high-demand” countries may form a Pigovian treaty organization that subsidizes production of international public goods (or regulations) in “low-demand” countries. Many of the development policies of international agencies have this character, as do many international environmental treaties. Indeed, such conditional grant programs partly explain why the Kyoto and Rio treaties have so many signatories. Signing those treaties is a precondition for receiving technology and other transfers for annex 2 and 3 countries.
- *In all of these cases, domestic public policies are partly the result of international deliberations.* That is, in all such cases, domestic politics have become explicitly internationalized either through explicit coordination of policies through the recommendations of standing formal international organizations or, implicitly, through changes in relative prices affecting local political decisions.
- In this internationalized domain of “domestic policy,” public policy decisions have become increasingly determined, at least at the margin, by other nation-states with their own domestic international agendas. It bears noting, however, that membership in treaty organizations is voluntary and acceptance of conditional grants is also voluntary. Thus, this process of the internationalization of politics has to be advantageous for all concerned, at least at the level of national governments.<sup>2</sup>

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<sup>2</sup> This is not to say that the procedures and organizational designs adopted so far are the best possible ones, nor that some implications are unappreciated by those participating in them, but, at the level of national governments, the results of political globalization have to be thought beneficial for it to take place. Whether the globalization of politics is beneficial for the citizens of nation-states is a different question and depends on the extent to which the interests of those who govern are well aligned with those who are governed. That issue is taken up later in the lecture.

### III. Ideas, Interest Groups, and the Internationalization of Domestic Debate

- The above globalization of politics through treaty organizations and international transfers — what might be called “globalization by design” — is not the only process through which national politics can become more interdependent. Two others are discussed below: yardstick competition and international interest groups.

#### A. Yardstick Competition and Universal Theories as Political Globalization

- Another significant method through which reduced transport and communication costs affects domestic politics is yardstick competition. Both ordinary citizens and political elites tend to judge the performance of their own national governments in part by looking at what other governments have achieved. For example, in Europe, newspapers and think tanks often provide statistics that show whether their home country is growing the fastest; is the richest, the most egalitarian, the most environmentally responsible, or the best educated; or has the largest or smallest government, the lowest unemployment, the smallest deficit, the least ethnic discrimination, least corruption, or whatever. This allows voters and national elites to judge whether their public policies are as good as those of their neighbors.
- In this manner, domestic politics also becomes increasingly international as information costs fall, because benchmarks for judging performance can be more economically collected from international data sets. The promises of one political party or potential leader are not simply judged against other national alternatives, but also relative to others round the world. And insofar as politically relevant benchmarks are increasingly taken from the world as a whole, rather than from particular regions or continents, even policies that have no direct international consequences can become globalized through yardstick competition.
- For example, it was common a decade ago for international newspapers to judge rising politicians relative to such international leaders as Clinton, Blair, and Koizumi. Similarly, national macroeconomic policies are nearly always assessed by comparing domestic indices with those of other “peer group” countries.
- Such yardstick globalization often causes public policies to become more homogeneous in policy areas in which particular measures of performance are widely accepted. For example, Western economists often use unemployment rates and per capita income to assess the quality of life in nations around the world, rather than, for example, church attendance or family size, which might be used by many religious societies, or trust and the extent of civic life, which might be used by sociologists. Agreement need not exist about norms for international yardsticks to be used.
- However, with broad consensus on appropriate yardsticks, public policies tend to converge to “objective best practices,” as in highway design, mass transit, and social insurance programs. In such cases, “best practices” are easy to recognize and encourage, because so many people agree about what “best” means. Here it bears noting the very

similar policies on a very wide range of public policies that have been adopted throughout Europe, North America, and East Asia. City streets, parks, and mass transit look increasingly similar. Government-financed pensions, health care, and schools are also remarkably similar.

- Moreover, as particular yardsticks become increasingly accepted as norms, as democracy and education have become in the last century or so, domestic political debates have also tended to become increasingly homogeneous as a consequence of globalization of “universal” norms. The more common the yardsticks, the more common domestic public debates and policies will be, both under a given set of institutions and across institutions.
- Indeed, it is not simply policies and rhetoric that tend to converge as yardsticks become more universally applied. The institutions of governance also tend to become more and more similar through time as agreement about “best practices” increases, partly as a result of experience, but also of increased agreement on which yardsticks should be applied to measure the “good society” and the “good life.” The details of democracy matter (Congleton and Swedenborg 2006a), but broad acceptance of the success of elections at identifying good policies and effective leaders, as well as democratic norms themselves, have created a great increase in the number of democratic regimes worldwide. In this, yardstick competition differs from the previously discussed efforts of governments to coordinate public policies. Coordinating public policy does not necessarily encourage institutional convergence, although it does encourage policy coordination.
- It also bears noting that this process of international yardstick competition is not entirely new. In the seventeenth and eighteenth centuries, the colonial governments in what became the United States initially had quite different governments and peoples, but, after 150 years of political competition for residents, the colonies had converged to very similar political institutions, in part because they came to accept similar secular and religious yardsticks. Similarly, European and Japanese political developments at the end of the nineteenth and in the early twentieth centuries witnessed considerable convergence in the new political architectures that had replaced king-dominated systems with parliamentary ones elected on the basis of broad suffrage, because similar liberal economic, military, and ideological yardsticks were used to assess the quality of political and economic institutions.
- Fortunately for those of us who like to travel or do comparative work, complete convergence has not occurred. Common international (universal) yardsticks are not the only measures of performance used, in part because local conditions and demands vary and in part because not all measures of performance or needs are broadly accepted.

## **B. International Interest Groups: Pushing Ideas**

- Another factor in the globalization of politics is the existence of international politically active interest groups. Public interest and ideological groups press for the provision of international public goods, policies for reducing international externalities, and the

adoption of particular yardsticks. Economic interest groups press for market reforms that advance their member interests. Most such activities are domestic, and much of this is done by independent groups with interests in international policies. For example, most trade barriers, subsidies, and government-provided services at the borders have resulted from domestic economic interest groups who profit from higher prices, direct transfers, and special services. The median or average voter rarely benefits from these policies in any obvious way, and their price is often sufficiently low or difficult to calculate that few voters invest the time and energy to understand them (Congleton 2001b).

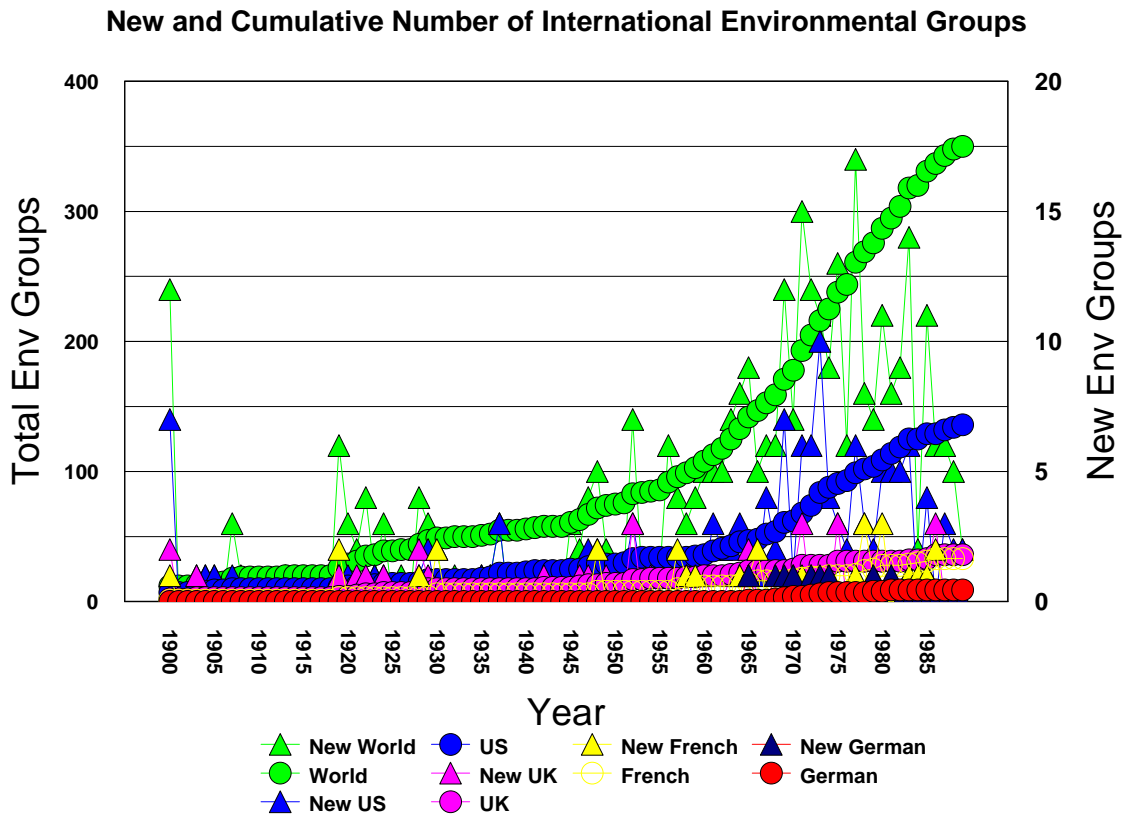
- However, many politically active interest groups are international, such as the International Red Cross, International Chamber of Commerce, International Labour Organization (ILO), Greenpeace, Amnesty International, and Al Qaida.
  - a. Many of these groups are highly decentralized confederations of private groups analogous to treaty organizations in which participation is voluntary. Others, such as the ILO, are sponsored by states and others, such as the International Red Cross, are encouraged by states.
  - b. Some international groups are analogous to firms and domestic interest groups in that they have a small group of founders and more or less hierarchical structure.
  - c. Others are simply networks of people with similar occupational or ideological interests who meet a few times a year, as tend to be true of international academic societies, bicycle clubs, ideological clubs, and interdenominational religious groups.
- In all cases, these groups can and often do attempt to influence internationally relevant domestic legislation and international treaties. Indeed, in some cases, these nongovernmental organizations are *formally invited* by national governments and international organizations to participate in the forums in which international policies are developed.
- International politically active groups clearly contribute to the internationalization of politics insofar as they coordinate lobbying efforts and pool resources, or insofar as domestic lobbying techniques are influenced by the success and failures of similar groups in other countries. Not all such groups promote international transactions — for example, are pro-globalization, as anti-globalization demonstrations around the world clearly indicate — although many do press for closer ties, more open borders, and the formation of new international agencies and organizations.
- Data on the number of international groups and networks and the extent of their memberships are difficult to find and largely incomplete. But the data suggest that politics is becoming increasingly globalized. For example, the *World Directory of Environmental Organizations* is a single source that catalogues a variety of data on environmental groups. It lists the scope and main focus of 350 existing international and domestic environmental organizations. It lists the location of each organization's headquarters and its founding date.<sup>3</sup> At the time of the last survey to which I had access,

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<sup>3</sup> Unfortunately, data on membership levels and financial resources are not reported systematically. Thus a more complete examination of the dynamics of special interest groups is ruled out at this point.

the majority of environmental groups (205 of 350 catalogued) are headquartered in the United States, United Kingdom, and France.

- Many of the existing organizations have a long history. Seven of the U. S. environmental groups were founded before 1900, as were two of the U. K. groups and one of the French groups. All 41 countries are, on the whole, countries with relatively high degree of political liberties.<sup>4</sup>
- The majority of the existing environmental groups catalogued were founded in the 1960-80 period. If we assume that surviving groups have advanced the interests of their members sufficiently to be self-sustaining, the number of groups that survive to the present can be used to approximate the equilibrium number environmental interest groups that exist at a given point in time. Given this, it is clear that the number of politically active environmental groups has increased dramatically during the past 30 years, although entry into this market has slowed somewhat in the past few years.



<sup>4</sup> Thirty-seven of the countries were assigned to the three highest categories (of seven) in Gastil's study of political liberties (see Gastil 1987, p. 40, table 3).

- The cumulative time path of these interest groups across countries are remarkably similar, and, in fact, highly correlated with each other.<sup>5</sup> This too suggests that politics are being internationalized.
- An increase in the number of interest groups occurs within the rational choice framework whenever organizational costs fall, income increases, or information changes in a manner that increases the perceived benefits from participating in interest groups. Clearly all three factors have been favorable for formation of interest groups for the past century.
- Whether their member interests are aligned with the common interests of their broader societies or the world as a whole will determine whether we benefit or lose from the aggregate efforts of international politically active interest groups.

### **C. The Politics of International Organizations**

- The increase in the number of politically active international interest groups during the past century provides one explanation for the increase in the number of small specialized international treaty organizations. Electoral pressure at national levels are unlikely to have been sufficient to induce the international negotiations leading to the treaties. Negotiations are rarely well publicized, nor are ratification proceedings. Indeed, many international treaties address issues that are “below the radar” of even relatively well-informed citizens. For example, dozens of bilateral and multilateral treaty organizations monitor and make recommendations on boundary water effluents, traffic, and even water flow. There are also a variety of agreements to limit voluntarily exports and imports of ordinary goods and services, such as automobiles. Many relatively small and narrow treaties will never attract significant press or voter attention.
- However, in many cases, fairly broad interests are advanced and treaty organizations are fairly well known, for example, broad treaties that promote free trade, such as the European Union, North American Free Trade Agreement, or World Trade Organization, and global environmental treaties regulating emissions of chlorofluorocarbons (CFCs). Not all interest group activities make the average or median world citizen worse off.
- This may partly be because their respective government officials realize that “broad” agreements will eventually come to the attention of voters. Elected officials (and treaty negotiators appointed by them) will have reason to take this into account whether or not negotiation treaties takes place behind closed doors. Moreover, the possibility of getting credit for a favorable outcome encourages political entrepreneurship by elected representatives, which provides another domestic politics explanation for the existence of such treaties. However, such political entrepreneurs also need support, information, and advice, and international interest groups can and evidently do often provide support, information, and advice.
- Once a new treaty organization is established, it largely these same international groups that have sufficient interest in their policy decisions to monitor negotiations and

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<sup>5</sup> The correlation between U. S. environmental groups, U. K. groups, French groups, and world groups are 0.957, 0.984, and 0.996 respectively for 1947-89.

lobby for particular policies. Thus, international “watchdog” groups (who are themselves largely unmonitored) often provide much of the information that “outsiders” receive about the performance of international agencies, and watchdog groups are also the ones who are most likely to be the main external influence on international agency activities (partly for this reason). This potentially allows international interest groups to “capture” international agencies, as Stigler (1972) argued about relationships between regulatory agencies and regulated firms.

- Beyond the external feedback of international interest groups are the normal feedback and incentive schemes of government bureaucracies. Here, the usual models of bureaucratic behavior and agency problems are relevant (Niskanen 1971, Breton and Wintrobe 1982). These too may take on an international dimension to the extent that persons appointed to and hired by international agencies tend to have their own unique policy agendas or ability to negotiate for budget increases. Here it bears noting that monitoring within international treaty organizations and their various agencies tends to be more diffuse than the case for national bureaucracies, because responsibilities for monitoring and funding are shared by all the member states (Congleton 2006c). This, in turn, suggests that agency problems will tend to be larger, which potentially allows international interest groups to exercise greater influence on international agencies than otherwise similar domestic agencies. If true, the recommendations and policies of international organizations will reflect the balance of international interest groups and, thus, be true instances of global politics.

#### **IV. Conclusion: On the Nature and Consequences of Globalized Politics**

- Overall, it seems clear that improvements in political institutions and communication and transport technologies in the past century have greatly increased the internationalization of politics. The number of international interest groups has increased, as has the number of international issues that domestic politics address. The consequent increase in the number international agencies has provided new international forums for policy decisions and recommendations to be made. In all three senses, politics has become increasingly globalized during the past century, and this trend seems likely to continue into the future as long as current trends in institutional liberalization and communication technology continues.
- There are, however, no directly elected representative international bodies apart from the European parliament, and that body has relatively little (although increasing) power within the European Union, which is the world’s most extensive treaty organization. Thus, to the extent that the internationalization of politics is taking place, it is largely the politics of nation-states and the politics of interest groups, rather than the politics of elections. The politics of nation-states varies with political institutions, because institutions determine who the pivotal decision makers are and thus what interests are advanced through government. The politics of interest groups are also affected by domestic political institutions insofar as these affect costs of assembly and communication.

- Once established, the day-to-day operation of an international agency with the power to allocate its budget and to make policy decisions tends to operate as a more or less ordinary bureaucracy, except insofar as its international character affects internal incentives. Insofar as agents are more influenced by interest groups and more free to advance private policy agendas than national bureaucrats are—because monitoring and budgets are jointly provided by the member states—the results will tend to be less than the member states had hoped for. At the margin, the interest group models of Becker (1983) and the rent-reeking literature (Tollison and Congleton 1995) may better describe international agency behavior than the properly incentivized models of bureaucratic decision making by Weingast (1983) and Laffont and Tirole (1993).
- The effects of interest groups and bureaucratic discretion, together with variation in domestic political institutions, tend to make international agencies less responsive to the wishes of the world's citizens than are the world's well-function democracies to their citizens. However, this increase in agency costs and losses from rent seeking is reduced by the decision-making procedures of treaty organizations, which tend to rely on unanimous agreements and supermajorities among the member states to make major decisions. This tends to make most treaty organizations relatively “weak” advisory organizations that must advance the common interests of their member states to affect public policy (Congleton 2004). Thus, although interest groups and the international bureaucracy tend to have greater control of agency budgets than their domestic equivalents, international agencies tend to have less authority to impose rules and regulations that go against the common interest than their domestic counterparts.
- Policies are, thus, for the most part made by member states under very inclusive decision-making rules, albeit often with the encouragement of politically active international interest groups. Consequently, international agency problems may be limited to office amenities, the locations chosen for meetings, and to some extent agency recommendations, which may be refined by deliberations among the member states. If systematic policy problems emerge from globalization, it is likely to be the result of differences in the interests of national governments and their citizens regarding international policies and between national governments and international common interests.
- To the extent that international governmental organizations are designed to promote common interests, it is possible that imperfections in domestic institutions will matter little. Common interests are by definition common, and so a third world dictator's interest in free trade and environmental quality may well be essentially the same as a Western median voter. On the other hand, to the extent that “nearly common” interests are advanced, it is clear that domestic institutions will affect global policies, because the interests of pivotal national decision makers may differ significantly. For example, most dictators tend to be less interested in advancing civil liberties, human rights, and the rule of law than most median voters.
- Overall whether the globalization of politics improves or worsens the public weal will depend on the extent to which common interests can be identified and promoted

through collective action at all levels of government and the extent to which national government interests are well aligned with those of their citizens. As in domestic politics, there are likely to be a significant number of “minor” international policy areas in which rents can be handed out to influential groups without fear of electoral retribution at home—whether because of rational ignorance or political institutions. In those cases, it is possible that globalization may increase the number of opportunities for such policies and the diffuse nature of responsibilities for international agency decisions may increase their ability to take advantage of them.

- This is the risk of globalized politics. If new common interests are being identified and advanced, we all benefit, but if new narrow special interests are being identified, it is possible that we are nearly all being made worse off by the globalization of politics. The balance between these areas of international public policy is an empirical issue that is likely to attract significant research interest in the future, as with recent evaluations of the productivity of the International Monetary Fund and World Bank, and the conclusions drawn from this relatively new ongoing area of research will be one of many new areas in which politics will be increasingly globalized.
- Complete globalization of politics, partly for this reason, seems unlikely to occur. Complete globalization would require that economies of scale and scope continue across a broad range of public policies, so that international organizations and interest groups are politically what economists call natural monopolies. Such cases cannot be ruled out, although they are unlikely to be the most common case. Here one may note the persistence of subnational governments and interest groups within all stable democracies. There are risks as well as benefits associated with globalized politics, and it seems likely that these risks as well as the existence of relatively few dimensions of truly common interest will limit the globalization of politics in the near future, as it has in the distant past.
- It bears noting that the number of treaty organizations and international groups has been increasing rather than shrinking, which suggests that economies of scope are limited. This suggests that international political debates and political organizations will become more inclusive and fine grained in the future, rather than increasingly homogeneous and centralized.
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