

# Domestic Institutions and the Political Economy of International Agreements

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## Abstract

Constitutional rules according to which political power is acquired and exercised have a systematic influence on the nature of the political game and thus on policy outcomes. The present paper explores whether systematic differences in *foreign* policy outcomes follow from the workings of democratic accountability and from alternative constitutional arrangements. The following hypotheses linking domestic institutions to foreign policy choices are proposed. First, the number of institutional and partisan veto players is likely to affect the incentives of governments to use international agreements as a signaling device to lend credibility to reforms and/or as a tool to lock in reforms. Second, electoral systems were found to influence the political decision to provide either public goods or benefits targeted to narrow groups. Politicians might find it useful to tie their hands through international agreements to thwart electoral pressures to please narrow groups. In brief, the focus lies on domestic political economy factors motivating governments to make use of international agreements.

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## 1. Introduction

Scholars have been debating about what explains differences in states' international cooperation efforts, taking into account that there is no enforcement authority at the international level. During the Cold War years most research followed the Realist tradition of international relations research, assuming that states behave at the international level like unitary actors. From the early 1990s on scholars increasingly looked at how domestic politics influence foreign policy.<sup>2</sup> Part of this more recent research looks at the internal political structures of states to understand differences in the willingness and ability of states to cooperate at the international level. According to this line of research politicians are offered different incentives under different political institutions. As a result, states' political institutions should be systematically linked to certain patterns of policy outcomes, including those related to cooperation with other countries. Arguments of this sort date back to Kant's "democratic peace" thesis, where it was proposed, crudely speaking, that countries that hold elections don't fight each other, because the majority of the electorate wouldn't support costly wars.<sup>3</sup>

But, democracy takes many forms, and research shows that all democracies are not the same when it comes to international cooperation. There is no clear-cut empirical evidence showing that democracies as such are more likely to fulfill their international obligations. Even regarding security matters<sup>4</sup>, where the "democratic peace" - the inference that democracies almost never fight each other - appears as one of the most famous claims in International Relations, no consensus exists. Gaubatz (1996), Morrow (2007) and Dafoe (2011) do find empirical evidence that democracies behave more cooperatively in the security realm, while Gartzke (2007) fails to find such evidence. In the case of environmental cooperation, quantitative evidence by Neumayer (2002) lets him conclude that "democracies exhibit stronger international environmental commitment than non-democracies".<sup>5</sup> But deeds do not always match words and it proves much harder to come up with evidence that democracies comply more with international environmental agreements as measured by environmental outcomes when compared with their non-democratic counterparts.<sup>6</sup> With regard to international economic cooperation, Mansfield et al.

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<sup>2</sup> Compare, for example, Moravcsik (1997) and Mansfield and Pevehouse (2008).

<sup>3</sup> Before Kant, a more traditional view, manifested in the writings of the Greek historian Thucydides (400 B.C./1951: 2.25.70), was skeptical of the idea that democracies, the "inconstant commons", cooperate more. The reverse should be true, based on the understanding that democratic governments must be more volatile and unreliable.

<sup>4</sup> After Kant several sophisticated explanations for the existence of a democratic peace were suggested. It could be the result of shared norms (Maoz and Russett (1993)), credible signals due to transparency (Schultz (1998)), greater probability of stable bargaining outcomes (Lipson (2003)), democratic audience costs (Tomz (2007), Fearon (1994)), restraint on government (Mesquita et al. (1999)), among other explanations.

<sup>5</sup> Neumayer (2002: 139).

<sup>6</sup> Compare Bättig and Bernauer (2009).

(2002) provide empirical evidence that democracies are more likely to establish Preferential Trade Agreements. Simmons (2000), on the other hand, offers evidence that democracies are less likely to comply with Article VIII of the International Monetary Fund.<sup>7</sup>

Faced with the inconclusiveness of the empirical research on the cooperative stance of democracies, scholars are trying to find an answer looking more closely to the institutional differences between states.<sup>8</sup> The challenge lies on making explicit the theoretical mechanisms that link regime features to foreign policy decisions.

Here the focus will lie on two institutional features. First, the present paper will look at the number of veto players, postulating that this variable is likely to affect the credibility of governments and the incentives to lock in policies through international agreements. The bottom line is that domestic political economy factors related to the degree of centralization of the state can be an important motivation for the establishment of and compliance with international agreements. Second, it will be elaborated how electoral institutions set incentives for politicians to make use of international agreements. The type of electoral institutions influences political incentives to provide public versus targeted goods. To escape electoral pressures to serve particular constituencies politicians might have incentives to tie their hands through international agreements.

How this approach relates to the general literature about what role international law plays and what motivate states to use it? First of all, the approach pursued here does not share the Realist assumption that international law is largely epiphenomenal since it merely reflects the international distribution of power and is nothing more than “cheap talk”.<sup>9</sup> If international law is without effect, why is it proliferating even if this entails significant costs? The present research also differs from neoliberal institutionalism, which focuses on the role international institutions play in supporting international cooperation. Neoliberal institutionalism takes on a macro-perspective and argues that international institutions decrease transaction costs for international cooperation, facilitate successful bargaining through the creation of forums for repeated interactions, and reduce information asymmetries that hinder successful cooperation.<sup>10</sup> Here, a political economy approach that looks more closely at the dynamics behind the

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<sup>7</sup> Of course, the contradictory results partly arise due to disagreements about the appropriate empirical strategies to be pursued. No consensus exists about which theoretical mechanisms bring cooperation about, which makes disagreement about appropriate research designs likely.

<sup>8</sup> See, for example, Rogowski (1999).

<sup>9</sup> See Goldsmith and Posner (2006).

<sup>10</sup> See Keohane (1982) and Abbott and Snidal (1998).

political decisions to make use of international agreements will be pursued.<sup>11</sup> The aim is to contribute in addressing the following puzzles: Why states enter into international agreements and when do international agreements affect states' behavior? Why should rational governments voluntarily give up some of their sovereignty by delegating powers to the international level?

## 2. Why States bind themselves through international agreements?

### 2.1. International agreements as signaling and policy entrenchment devices

“For my part, I have no hesitation in saying that in the control of society's foreign affairs democratic governments do appear decidedly inferior to others. (...) [A democracy has a tendency] to obey its feelings rather than its calculations and to abandon a long matured plan to satisfy a momentary passion (...).”<sup>12</sup>

It has been recognized for long that the ability to make credible promises is essential to sustain cooperation in an anarchic international environment that lacks an effective central enforcement authority. Alexis de Tocqueville seems skeptical about the ability of democracies to make credible promises to other countries. Another feature that could make promises by democracies less reliable is frequent leadership turnover. Even so, Leeds et al. (2009) argue that democracies are actually the more reliable partners. This is the case because leadership change in democracies is an orderly process mediated by political institutions and does not lead to radical policy shifts whereas in non-democratic countries leadership change, even if less frequent, is often accompanied by significant policy reorientation.<sup>13</sup>

Fearon (1994) advanced an influential argument for why democracies have the ability to send credible signals to other countries. This helps democratic countries maintain peaceful relations to other democracies and might be advantageous for democratic efforts to cooperate internationally in general. The argument goes as follows: democratic countries are able to make credible threats to other countries by making their threats through public announcements. The rival country understands that the electorate will punish the leader if he doesn't follow through with the announced threat, and that is

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<sup>11</sup> See Voigt and Salzberger (2002).

<sup>12</sup> Alexis de Tocqueville (1835/1969: 228–29).

<sup>13</sup> Leeds et al. (2009) find quantitative evidence for this claim in an empirical analysis of premature alliance termination: leadership change increases the probability of premature alliance termination only for non-democracies.

precisely what makes the threat credible. In fact, it is a strategy to tie hands by generating audience costs that will be suffered ex post if the leader does not stick to her announcement. Because democracies are then in a position to transmit information credibly to rivals, information asymmetries can be mitigated and coordination on peaceful resolutions becomes easier.<sup>14</sup>

These are two general arguments that compare democracies to autocracies in their propensity to cooperate internationally and live up to international commitments. Now the focus switches to specific factors affecting the decision of governments to bind themselves through international agreements. As will be discussed, states with diverse political institutions might differ in their inclination to enter into international agreements.

### 2.1.1. Government credibility

It is a well known fact that governments have a hard time at credibly announcing reforms. Governments are frequently subject to the problem of time-inconsistent incentives. In such situations, once agents react to certain reform measures, it would become attractive for the government to reverse reform and extract benefits.<sup>15</sup> Domestic and international (economic) agents anticipate that governments are caught in this trap and don't adjust their behavior to the reform measures taken by the government in the first place. As a result the reform measures don't have the intended effects, they lack credibility. Politicians would be better off if they could somehow commit credibly to the new policies.<sup>16</sup> Entering into international agreements can be seen in this context as a commitment device for reform-oriented governments. If violating the international agreement is associated with costs, governments that are tempted to reverse reforms in the second period must consider these costs in their calculations. Given that the costs are high enough, the tying-hands effect of international law fulfills its purpose. Furthermore, entering into international agreements is costly in itself. Thus, joining such agreements is a costly signal underpinning the commitment by the government to reform.<sup>17</sup> In this case, entry costs to

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<sup>14</sup> Weeks (2008) questions the hypothesis that audience costs are generally more pervasive in democracies as compared to non-democracies.

<sup>15</sup> A prominent example is the conduct of monetary policy where a low inflation policy is generally preferable, but the government has a political incentive to switch to expansionary monetary policy in the second period to spur employment creation. See, for example, Calvo (1978).

<sup>16</sup> This argument is closely related to the literature emphasizing the old credibility problem states have with regard to the respect of private property rights. States that are strong enough to enforce a regime of property rights are also in a position to arbitrarily confiscate private wealth. According to North and Weingast (1989) states may ameliorate this dilemma through proper constitutional design.

<sup>17</sup> In a recent contribution Simmons and Danner (2010) employ credible commitment theory to explain the decision of states to join the International Criminal Court.

the international agreement or international organization can play the role of a screening mechanism allowing observers to differentiate between committed governments that are willing to bear the costs and non-committed governments that refrain from joining the international agreement.

Dreher and Voigt (2008) present evidence that membership in international organizations indeed has positive effects on governments' credibility as measured by country risk ratings and it is shown that this effect is stronger for countries with weak institutions. According to these authors international delegation can be more attractive as a hands-tying device compared to delegation to independent domestic agencies because the costs of reversing the former are higher.

While Dreher and Voigt's (2008) empirical analysis focuses on the consequences of international organization membership, Pevehouse (2003) goes a step back and looks for the reasons behind the decision to join international organizations. But both papers refer to the underlying argument that international commitments have credibility-enhancing effects. Pevehouse (2003) and Mansfield and Pevehouse (2006, 2008) find supportive quantitative evidence for the claim that new democracies are more likely to join international organizations. They hypothesize that governments in new democracies have particularly strong commitment problems, for several reasons. First, when empowered, new leaders of the reformist coalition might have incentives use their new authority to reverse political liberalization and reinstall dictatorial rule. Second, partial economic reforms might generate rents for some groups, who will have incentives to block the completion of these reforms. The last argument is that the political landscape is underdeveloped leading to mutual distrust between competing political factions. Potential political leaderships lack a track record, typically there was no opportunity to build up a reputation of sticking to commitments. The authors reason that democratizing countries join international organizations to cope with these problems and enhance the credibility of the political and economic reforms.

Adding to this research, I propose a new testable hypothesis for why countries find it useful to enter into international agreements. The credibility of policy reforms enacted by governments should be associated with the ease of policy change associated with the political structure at hand.

The ease of policy change should decrease in the number of veto points in the political system, where veto points are defined as independent institutional or partisan actors whose consent is necessary to make policy.<sup>18</sup> Countries with a more centralized state structure (equivalent to a low number of veto points) are subject to more policy volatility and for this reason are more likely to recur to international agreements to add credibility to their announced policies.<sup>19</sup>

### 2.1.2. Locking in

When assessing the reasons for why states engage multilaterally, scholars often refer to the motivation of the government coalition to entrench specific policies so that they can't be easily reversed by future governments. One way of doing this is through the use international agreements, but this argument only works if it is costly to violate or exit these agreements. There is a difference between this locking in or entrenchment rationale and the motivation for signing international agreements to enhance credibility spelled out above. The credibility related motivation is associated with coping with one's own time inconsistent preferences. In this case, the purpose to sign international agreements is to tie one's own hands to avoid the temptation to defect when circumstances change. The locking in motivation is associated with tying the hands and thereby constraining the choices of *future* governments in case the actual government eventually loses power. Following this logic, Moravcsik (2000) argues that the formation of the European human rights regime (in form of the European Convention for the Protection of Human Rights and Fundamental Freedoms) in the aftermath of the Second World War was pushed forward mainly by recently democratized states that were aiming at locking in liberal political reforms.

Brewster (2004) argues that interest groups supporting the government coalition have reasons to press the government to entrench specific policies through international agreements, so that they endure even after a new government comes to power. The locking in of policies through international agreements is believed to make them more durable and hence more valuable for interest groups benefiting from them. Lands and Posner (1975) make a similar political economy argument to explain the existence of an independent judiciary in many countries. According to them, an independent judiciary serves the purpose of extending the duration of legislation. If legislation is considered a commodity, more durable legislation can be sold at a higher price by the legislature to interest groups demanding it.

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<sup>18</sup> See Tsebelis (2002).

<sup>19</sup> Snidal and Thompson (2003) and Fang and Owen (2011) make a similar point.

Locking in through international agreements might play a similar role for the durability and, thus, for the value of the respective policies.

This idea can be connected to differences in domestic separation of powers arrangements. Countries characterized by a low degree of separation of powers have few impediments for policy change when a new government comes to power and for this reason the expected policy durability should be low. For these countries interest group demand for entrenchment via international agreements should be higher. Putting it differently, where state centralization is high, the entrenchment of policies via international agreements is more valuable for interest groups demanding a set of policies and for the ruling coalition selling the policies. The reason is that the risk of policy reversal in case of government change is higher for centralized states.

The following hypothesis is linked to these ideas:

**Hypothesis H1:** As the number of veto points decreases (and political centralization is higher), countries are more likely to enter into international agreements as a means to enhance the credibility of their policy announcements or/and to lock-in specific policies, *ceteris paribus*.

Note that this hypothesis stands in contrast to Ginsburg's (2009) expectation that countries with a fragmented state structure (more veto points) delegate more to national and international independent agencies in order to solve a possible impasse between the veto points. Hypothesis H1 also stands in contrast to the "scapegoat" argument proposed by Vreeland (2002), according to which a reform-oriented executive "colludes" with an international organization to overcome reform-resistant veto players and tip the balance in favor of reform. International organizations make certain reforms feasible that wouldn't pass if they were dealt with only at the domestic level. Vreeland argues that as the number of veto players increases it gets more likely that there will be some of them opposing reform. The argument then proceeds stating that signing an international agreement to support reform efforts becomes more likely as the number of veto players increases. This expectation is contrary to Hypothesis H1 above.

## 2.2. Particularistic electoral pressures and international hands-tying

At least since Olson (1965), scholars are concerned with the fact that interest groups with a lot at stake find it easier to organize than dispersed interests. These interest groups are likely to use this advantage to lobby their governments for policies that promote their interests. This can take illegal forms, but there are also legal ways to accomplish this, for example through campaign contributions. For utility-maximizing politicians it is often rational to sell policies to these interests, even when this is not in the best interest of the disorganized, median voter. “Protection for Sale”, the classical article by Grossman and Helpman (1994) applies this logic to trade policy and shows that establishing trade barriers to garner interest group support may be a rational tactic for politicians, even if this goes against general welfare and imposes costs on trade partners. The creation of international trade agreements can act as a device for politicians of participating countries to fend off protectionist demands. Ideally, multilateral trade agreements serve the purpose of tying politicians’ hands so that they can escape the prisoners’ dilemma Nash equilibrium of protectionism and implement mutually beneficial open commerce. But does the pressure to reward protectionist interest groups in violation of international trade obligations vary with the type of political institutions in place? An accumulating body of research shows that political institutions have an influence on whether the general public or interests groups weight more in the electoral calculus of politicians.<sup>20</sup>

### 2.2.1. Electoral institutions and fiscal policy

One conjecture emerging out of recent political economy models links the type of the electoral system to the tendency of governments to provide narrow and targetable benefits versus broad public goods. Electoral systems can vary along at least three dimensions: first, the average number of representatives per electoral district (*district magnitude*), second, the *electoral formula*, according to which vote shares are translated into seat shares in the legislature, and third, the *ballot structure*, that is, whether, for example, the names of the candidates appear on the ballot or votes are rather cast for pre-established candidate lists from the different parties. In practice, specific combinations are common, for example, a relatively high number of representatives per district, proportional representation as electoral formula, and party lists frequently come together.<sup>21</sup>

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<sup>20</sup> See Helpman and Persson (1998).

<sup>21</sup> Nevertheless it makes sense to distinguish all three aspects, because there are also several examples of mixed systems and the different aspects are associated with different hypotheses and could have different effects.

An early model by Weingast, Shepsle, and Johnsen (1981) offers a rationale for the inefficient political provision of targeted goods, defined as goods “that concentrate the benefits in geographically specific constituencies, while spreading their costs across all constituencies through generalized taxation.”<sup>22</sup> It is precisely the fact that these expenditures generate diffuse costs while providing concentrated benefits that makes them attractive for politicians seeking reelection. Numerous such policies get adopted simultaneously, as a package, despite their inefficiency. “Log-rolling” or exchange of support by politicians is fundamental in this context, because each policy wouldn’t pass individually. The authors built the model having the U.S. political system in mind, with its single-member electoral districts, where representatives are directly accountable to their constituencies and, consequently, the incentive to pork-barrel is relatively large. The incentives for providing targeted goods are expected to decrease with the number of representatives per district, because individual accountability to constituents should also diminish.

“Larger districts diffuse electoral competition, inducing parties to seek support from broad coalitions in the population and from the whole population in the extreme case when the whole legislature is elected in a single district. Smaller districts instead steer electoral competition towards narrower, geographical constituencies, which are thus the primary beneficiaries of the electoral promises of both candidates.”<sup>23</sup>

This is an argument related to the district magnitude. Considering the ballot structure, reliance on party lists instead of individual candidates also implies no direct accountability to geographically delimited electoral districts, reducing incentives for politicians to make use of targeted benefits.

Subsequent work adopted more explicitly a comparative perspective and provided further theoretical arguments linking electoral systems to public good provision. Persson and Tabellini (1999) compare the ideal type proportional system (proportional representation combined with one nationwide electoral district) to the ideal type plurality system (plurality combined with single member electoral districts). Public good provision under the proportional representation (PR) system is larger in equilibrium compared to a plurality system because the governing fraction needs the support of at least 50 per cent of the voters under PR. The equivalent “minimum winning coalition” for the plurality systems consists of only slightly more than 25 per cent of voters (at least half of the votes in half of the electoral districts) and, hence, politicians are under higher incentives to target benefits under plurality rule compared to PR. The fact that competing parties usually are relatively certain winners in a number of districts leads to

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<sup>22</sup> Weingast et al. (1981: 643).

<sup>23</sup> Persson and Tabellini (2003: 17).

the strategic targeting of benefits to pivotal districts.<sup>24</sup> This reinforces the claim of public good under-provision in plurality systems. Statistical findings are supportive of the theoretical expectation that a higher average number of representatives per district and reliance on PR as electoral formula both push fiscal policy towards greater public goods provision. Persson and Tabellini (2003, 2004) perform a statistical analysis with a global sample of democratic countries and come to the result that social security and welfare spending, which is their indicator for public goods provision, is 2-3 per cent of GDP higher in countries with PR systems compared to plurality systems. The result holds if the non-random nature of electoral systems is accounted for. Milesi-Ferreti et al. (2002) arrive at similar results with a sample of Latin American and OECD countries. Funk and Gathmann (2010) constrain their empirical analysis to one cultural environment by looking at the variation in the implementation of proportional representation across Swiss cantons. Their findings are also in line with theoretical expectations. According to their evidence proportional systems spend more on goods benefiting broad constituencies, like education.

#### 2.2.2. Domestic politics rationale for entering into international agreements

Given the political incentives related to specific types of electoral institutions, joining international agreements may be an instrument employed by domestic institutional actors to realize specific political goals. As discussed in the previous section, a legislature elected through majoritarian electoral institutions faces incentives to reward concentrated interests. The corresponding executive branch, elected through a national vote, is more dependent upon the average voter. In this case, it is a rational strategy for the executive to tie its hands signing an international agreement as an attempt to fend off particularistic pressures coming from the legislature. The ideal point representing the policy preferences of the executive is different from the legislature's ideal point. Committing to an international agreement shifts the policy space closer to the executive's ideal point and away from the legislature's ideal point.<sup>25</sup> For the hands-tying strategy of the executive to be viable, violating the international agreement has to be costly also for the legislature. The costs can be viewed as reputational costs, costs stemming from reciprocal punishment, or as costs due to cross-retaliation.

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<sup>24</sup> See also Strömberg (2008) for a model of the U.S. Electoral College system that predicts strategic candidate attention to decisive districts, a prediction corroborated by data on the U.S. presidential campaigns in 2000 and 2004.

<sup>25</sup> Compare, for example, Goldstein (1996).

An additional argument is that legislators themselves might be interested in delegation to become less constrained by the pressure of their own constituency. Voigt and Salzberger argue in this line:

“If legislators are also interested in a more national minded decision-making, or if they are enforced by party discipline to vote for decisions which do not benefit their constituency, then they might have an interest in constraining their power by transferring it to an independent agency that does not depend on the support of individual districts.”<sup>26</sup>

In short, the domestic politics explanation for entering into international treaties offered here is based on the idea that politicians use these treaties as a hands-tying instrument to get more independent from particularistic electoral pressures. The following hypothesis follows from these arguments:

**Hypothesis H2:** Countries with majoritarian electoral institutions are more likely to enter into international agreements benefiting dispersed interests, than countries with proportional representation electoral institutions, *ceteris paribus*.

### 3. Domestic politics and compliance with international agreements

#### 3.1. Veto points and compliance with international agreements

What actors have a voice and veto power in foreign policy making is crucial for compliance with international agreements. The legislature sometimes has incentives to delegate foreign policy authority to the executive.<sup>27</sup> Nevertheless, when this delegation occurs, it does not mean that the legislature ends up with no influence over foreign policy decisions. Executive-legislative interaction plays a role here, because the legislature remains an important actor for the implementation of international agreements. As a result the executive has to anticipate the probability of implementation by the legislature in the negotiation phase of international agreements. Through this anticipation, the preference of the legislature (or of other veto points needed for implementation) is accounted for by executives during international negotiations. Hence, as the number of veto players that have to be accounted for by the executive increases, resistance in the implementation of international agreements is less likely, leading to less violation. Furthermore, systems with a higher number of veto points are associated with less

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<sup>26</sup> Voigt and Salzberger (2002: 304).

<sup>27</sup> See Martin (2000).

policy volatility (status quo bias)<sup>28</sup>, making the policy reversal in violation of international agreements less likely.

**Hypothesis H3:** As the number of veto points increases (and political decentralization is higher), countries are more likely to comply with international agreements, *ceteris paribus*.

### 3.2. Electoral institutions, political clientelism, and compliance with international agreements

As discussed above (chapter 2.2.), the type of electoral institutions was shown to be systematically linked to the provision of benefits targeted to specific groups. The main argument here is that international cooperation that results in the mutual/international provision of public goods runs counter to the incentives of politicians that maximize their probability to stay in office by providing targeted benefits to well defined groups. From this follows that countries with electoral institutions that are biased towards the provision of targeted benefits are less likely to comply with international agreements favoring dispersed interests (political clientelism argument).

**Hypothesis H4:** Countries with majoritarian electoral institutions are more likely to violate international agreements benefiting dispersed interests, than countries with proportional representation electoral institutions, *ceteris paribus*.

A recent contribution by Rickard (2010) offers a first empirical test of the argument contained in hypothesis H4. She is interested in the differences in the compliance of democracies with international trade law. Her study emphasizes differences in how electoral competition gets itself manifested, depending on the type of electoral institutions in place. In a second argumentative step, she links the differing incentives provided by alternative sets of institutions to compliance with GATT/WTO restrictions on subsidies targeted to individual industries or firms.

“The argument made here suggests that governments choose to provide illegal narrow transfers in violation of international agreements when the domestic electoral benefits of doing so outweigh the costs. This is more likely to occur in plurality rule democracies where narrow transfers provide unique and important electoral benefits to politicians facing competitive democratic elections.”<sup>29</sup>

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<sup>28</sup> See Henisz (2004).

<sup>29</sup> Rickard (2010: 716).

Efforts to test empirically compliance with international law are complicated by the problem of how to measure compliance. Rickard's approach is to measure instances of non-compliance with GATT-WTO restrictions on subsidies. These are indicated by the cumulative number of complaints over illegal subsidies that a democratic GATT/WTO member is faced with per year. The sample of the study consists of an unbalanced panel of democratic GATT/WTO members covering the period from 1980 to 2003. In a pooled times-series cross-section analysis the author finds robust evidence that countries with majoritarian electoral rules are more likely to violate GATT/WTO rules prohibiting targeted subsidies, as measured by the number of complaints filed against these countries. Rickard employs two measures of electoral institutions, a dummy variable indicating if the lower (or only) legislative chamber is elected via plurality rule and the mean district magnitude. Each indicator has a statistically significant effect on the compliance measure as expected, after controlling for other factors. Rickard interprets this result as evidence in favor of the hypothesis that politicians in countries with majoritarian electoral rules are more likely to cater to special interests, even when this violates international commitments.

A weakness of the study lies in the operationalization of the dependent variable, the number complaints for breaking GATT/WTO rules on subsidies. Countries with majoritarian electoral rules usually have larger markets. If this happens to be the true reason why they receive more complaints, the association between electoral rules and complaints might be spurious. The author recognizes this problem and includes the defendant's market size as control variable. But there might be other strategic factors not accounted for that influence the decision to file a complaint, which means that the problem of a spurious correlation cannot be ruled out. A further point that lends itself to discussion is the threshold used to define countries as democratic. Rickard includes in her sample countries that score 8 or higher in the Polity IV "democraticness" scale ranging from 0 to 10, and checks if the results still hold if the sample is expanded by lowering the threshold to 6. Interestingly, augmenting the sample to include countries with lower democratic standards weakens the effects and leads to a lower statistical significance. Thus, the theoretical reasoning linking electoral institutions to (foreign) policy outcomes seems to be at work within a group of more established democracies. This sounds plausible, given that formal political institutions are more likely to have a binding effect on politicians in these countries.

#### 4. Conclusion

Evidence is accumulating that domestic politics matters for foreign affairs and that it pays off for international relations scholarship to open the black box of the state.<sup>30</sup> Furthermore, institutional

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<sup>30</sup> Compare Trachtman (2010).

variation across countries appears to have a systematic effect on foreign policy decisions. Relying on credible commitment theory and political economy, four hypotheses were put forward which are summarized in the table below.

### Hypotheses

<b>Constitutional structure and international delegation</b>	
<b>H1</b>	As the number of veto points decreases (and political centralization is higher), countries are more likely to enter into international agreements as a means to enhance the credibility of their policy announcements or to lock-in specific policies, <i>ceteris paribus</i> .
<b>H2</b>	Countries with majoritarian electoral institutions are more likely to enter into international agreements benefiting dispersed interests, compared to countries with proportional representation electoral institutions, <i>ceteris paribus</i> .
<b>Constitutional structure and compliance with international obligations</b>	
<b>H3</b>	As the number of veto points increases (and political decision-making is more decentralized), countries are more likely to comply with international agreements, <i>ceteris paribus</i> .
<b>H4</b>	Countries with majoritarian electoral institutions are more likely to violate international agreements benefiting dispersed interests, compared to countries with proportional representation electoral institutions, <i>ceteris paribus</i> .

First, the degree of centralization of a polity influences policy-making patterns. A polity characterized by a high degree of centralization is less constrained by a system of checks and balances opening up the risk of high policy volatility. In this context it might prove helpful for politicians to rely on international agreements to signal commitment to policies by making reversal costlier. Second, certain political institutions put politicians under pressure to please specific interests in order to get reelected. Furthermore, special interest groups have more influence in some polities relative to others. Under these circumstances, it may be optimal for politicians to resort to international agreements as a hand-tying device that gives them the opportunity to fend off particularistic demands.

Other hypotheses were proposed for the compliance stage. A low degree of centralization makes it harder to achieve a consensus among all relevant veto points in favor of joining international treaties. But once international agreements are ratified, low centralization countries will be more likely to uphold their commitments because interests of actors that could block implementation had to be accounted for in the delegation stage. Furthermore, politicians in countries with majoritarian institutions are inclined to violate international obligations that regulate the provision of targeted subsidies more frequently. This is the case because tailored subsidies are an important instrument to win close elections that are typical for majoritarian systems, which usually have only two parties.<sup>31</sup>

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<sup>31</sup> Duverger (1954).

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