International Institutions: Two Approaches

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To understand international cooperation and discord, it is necessary to develop a knowledge of how international institutions work, and how they change. The assumption of substantive rationality has proved a valuable tool in pursuing such knowledge. Recently, the intellectual predominance of the rationalistic approach has been challenged by a "reflective" approach, which stresses the impact of human subjectivity and the embeddedness of contemporary international institutions in pre-existing practices. Confronting these approaches with one another helps to clarify the strengths and weaknesses of each. Advocates of the reflective approach make telling points about rationalistic theory, but have so far failed to develop a coherent research program of their own. A critical comparison of rationalistic and reflective views suggests hypotheses and directions for the development of better-formulated rationalist and reflective research programs, which could form the basis for historically and theoretically grounded empirical research, and perhaps even for an eventual synthesis of the two perspectives.

Contemporary world politics is a matter of wealth and poverty, life and death. The members of this Association have chosen to study it because it is so important to our lives and those of other people—not because it is either aesthetically attractive or amenable to successful theory-formulation and testing. Indeed, we would be foolish if we studied world politics in search of beauty or lasting truth. Beauty is absent because much that we observe is horrible, and many of the issues that we study involve dilemmas whose contemplation no sane person would find pleasing. Deterministic laws elude us, since we are studying the purposive behavior of relatively small numbers of actors engaged in strategic bargaining. In situations involving strategic bargaining, even formal theories, with highly restrictive assumptions, fail to specify which of many possible equilibrium outcomes will emerge (Kreps, 1984: 16). This suggests that no general theory of international politics may be feasible. It makes sense to seek to develop cumulative verifiable knowledge, but we must understand that we can aspire only to formulate conditional, context-specific

generalizations rather than to discover universal laws, and that our understanding of world politics will always be incomplete.

The ways in which members of this Association study international relations are profoundly affected by their values. Most of us are children of the Enlightenment, insofar as we believe that human life can be improved through human action guided by knowledge. We therefore seek knowledge in order to improve the quality of human action. Many of us, myself included, begin with a commitment to promote human progress, defined in terms of the welfare, liberty, and security of individuals, with special attention to principles of justice (Rawls, 1971; Haas, 1986). With this commitment in mind, we seek to analyze how the legal concept of state sovereignty and the practical fact of substantial state autonomy coexist with the realities of strategic and economic interdependence.

These value commitments help to account for the topic of this essay: the study of international institutions. I focus on institutions because I share K. J. Holsti's desire to "open intellectual doors to peer in on international collaboration, cooperation, and welfare" (Holsti, 1986:356). To understand the conditions under which international cooperation can take place, it is necessary to understand how international institutions operate and the conditions under which they come into being. This is not to say that international institutions always facilitate cooperation on a global basis: on the contrary, a variety of international institutions, including most obviously military alliances, are designed as means for prevailing in military and political conflict. Conversely, instances of cooperation can take place with only minimal institutional structures to support them. But all efforts at international cooperation take place within an institutional context of some kind, which may or may not facilitate cooperative endeavors. To understand cooperation and discord better, we need to investigate the sources and nature of international institutions, and how institutional change takes place.

"Cooperation" is a contested term. As I use it, it is sharply distinguished from both harmony and discord. When harmony prevails, actors' policies *automatically* facilitate the attainment of others' goals. When there is discord, actors' policies hinder the realization of others' goals, and are not adjusted to make them more compatible. In both harmony and discord, neither actor has an incentive to change his or her behavior. Cooperation, however, "requires that the actions of separate individuals or organizations—which are not in pre-existent harmony—be brought into conformity with one another through a process of policy coordination" (Keohane, 1984:51). This means that when cooperation takes place, each party changes his or her behavior *contingent on* changes in the other's behavior. We can evaluate the impact of cooperation by measuring the difference between the actual outcome and the situation that would have obtained in the absence of coordination: that is, the myopic self-enforcing equilibrium of the game. Genuine cooperation improves the rewards of both players.

International cooperation does not necessarily depend on altruism, idealism, personal honor, common purposes, internalized norms, or a shared belief in a set of values embedded in a culture. At various times and places any of these features of human motivation may indeed play an important role in processes of international cooperation; but cooperation can be understood without reference to any of them. This is not surprising, since international cooperation is not necessarily benign from an ethical standpoint. Rich countries can devise joint actions to extract resources from poor ones, predatory governments can form aggressive alliances, and privileged industries can induce their governments to protect them against competition from more efficient producers abroad. The analysis of international cooperation should not be confused with its celebration. As Hedley Bull said about order, "while order in world politics is something valuable, ... it should not be taken to be a

commanding value, and to show that a particular institution or course of action is conducive of order is not to have established a presumption that that institution is desirable or that that course of action should be carried out" (Bull, 1977: 98).

Cooperation is in a dialectical relationship with discord, and they must be understood together. Thus to understand cooperation, one must also understand the frequent absence of, or failure of, cooperation, so incessantly stressed by realist writers. But our awareness of cooperation's fragility does not require us to accept dogmatic forms of realism, which see international relations as inherently doomed to persistent zero-sum conflict and warfare. As Stanley Hoffmann has put it, realism "does not, and cannot, prove that one is doomed to repeat the past and that there is no middle ground, however narrow, between the limited and fragile moderation of the past and the impossible abolition of the game" (Hoffmann, 1987:74).

Realist and neorealist theories are avowedly rationalistic, accepting what Herbert Simon has referred to as a "substantive" conception of rationality, characterizing "behavior that can be adjudged objectively to be optimally adapted to the situation" (Simon, 1985:294). But adopting the assumption of substantive rationality does not commit the analyst to gloomy deterministic conclusions about the inevitability of warfare. On the contrary, rationalistic theory can be used to explore the conditions under which cooperation takes place, and it seeks to explain why international institutions are constructed by states (Axelrod, 1984; Keohane, 1984; Oye, 1986).

That rationalistic theory can lead to many different conclusions in international relations reflects a wider indeterminacy of the rationality principle as such. As Simon has argued, the principle of substantive rationality generates hypotheses about actual human behavior only when it is combined with auxiliary assumptions about the structure of utility functions and the formation of expectations. Furthermore, rationality is always contextual, so a great deal depends on the situation posited at the beginning of the analysis. Considerable variation in outcomes is therefore consistent with the assumption of substantive rationality. When limitations on the cognitive capacities of decision-makers are also taken into account—as in the concept of bounded rationality—the range of possible variation expands even further.

Even though the assumption of substantive rationality does not compel a particular set of conclusions about the nature or evolution of international institutions, it has been used in fruitful ways to explain behavior, including institutionalized behavior, in international relations. Its adherents are often highly self-conscious about their analytical perspective, and they have been highly successful in gaining legitimacy for their arguments.

Traditionally counterposed to rationalistic theory is the sociological approach to the study of institutions, which stresses the role of impersonal social forces as well as the impact of cultural practices, norms, and values that are not derived from calculations of interests (Barry, 1970; Gilpin, 1981). Yet the sociological approach has recently been in some disarray, at least in international relations: its adherents have neither the coherence nor the self-confidence of the rationalists. Rather than try in this essay to discuss this diffuse set of views about international relations, I will focus on the work of several scholars with a distinctive and similar point of view who have recently directly challenged the predominant rationalistic analysis of international politics. These authors, of whom the best-known include Hayward Alker, Richard Ashley, Friedrich Kratochwil, and John Ruggie, emphasize the importance of the "intersubjective meanings" of international institutional activity (Kratochwil and Ruggie, 1986:765). In their view, understanding how people think about institutional norms and rules, and the discourse they engage in, is as important in evaluating the significance of these norms as measuring the behavior that changes in response to their invocation.

These writers emphasize that individuals, local organizations, and even states develop within the context of more encompassing institutions. Institutions do not merely reflect the preferences and power of the units constituting them; the institutions themselves shape those preferences and that power. Institutions are therefore *constitutive* of actors as well as vice versa. It is therefore not sufficient in this view to treat the preferences of individuals as given exogenously: they are affected by institutional arrangements, by prevailing norms, and by historically contingent discourse among people seeking to pursue their purposes and solve their self-defined problems.

In order to emphasize the importance of this perspective, and to focus a dialogue with rationalistic theory, I will treat the writers on world politics who have stressed these themes as members of a school of thought. I recognize, of course, that regarding them as members of a group or school obscures the many differences of view among them, and the substantial evolution that has taken place in the thought of each of them. Yet to make my point, I will even give them a label. In choosing such a label, it would be fair to refer to them as "interpretive" scholars, since they all emphasize the importance of historical and textual interpretation and the limitations of scientific models in studying world politics. But other approaches, such as strongly materialist historical-sociological approaches indebted to Marxism, or political-theoretical arguments emphasizing classical political philosophy or international law, also have a right to be considered interpretive. I have therefore coined a phrase for these writers, calling them "reflective," since all of them emphasize the importance of human reflection for the nature of institutions and ultimately for the character of world politics.

My chief argument in this essay is that students of international institutions should direct their attention to the relative merits of two approaches, the rationalistic and the reflective. Until we understand the strengths and weaknesses of each, we will be unable to design research strategies that are sufficiently multifaceted to encompass our subject-matter, and our empirical work will suffer accordingly.

The next section of this essay will define what I mean by "institutions," and introduce some distinctions that I hope will help us to understand international institutions better. Defining institutions entails drawing a distinction between specific institutions and the underlying practices within which they are embedded, of which the most fundamental in world politics are those associated with the concept of sovereignty. I will then attempt to evaluate the strengths and weaknesses of the rationalistic approach, taking into account the criticisms put forward by scholars who emphasize how actors are constituted by institutions and how subjective self-awareness of actors, and the ideas at their disposal, shape their activities. Throughout the essay I will emphasize the critical importance, for the further advance of knowledge, of undertaking empirical research, guided by these theoretical ideas. It will not be fruitful, in my view, indefinitely to conduct a debate at the purely theoretical level, much less simply to argue about epistemological and ontological issues in the abstract. Such an argument would take us away from the study of our subject matter, world politics, toward what would probably become an intellectually derivative and programmatically diversionary philosophical discussion.

International Institutions: Definitions and Distinctions

"Institution" is an even fuzzier concept than cooperation. Institutions are often discussed without being defined at all, or after having been defined only casually. Yet it sometimes seems, as a sociologist lamented half a century ago, that "the only idea common to all usages of the term 'institution' is that of some sort of establishment of relative permanence of a distinctly social sort" (Hughes, 1936:180, quoted in Zucker,

1977:726). In the international relations literature, this vagueness persists. We speak of the United Nations and the World Bank (part of the "United Nations System"), IBM and Exxon, as institutions; but we also consider "the international monetary regime" and "the international trade regime" to be institutions. Hedley Bull refers to "the balance of power, international law, the diplomatic mechanism, the managerial system of the great powers, and war" as "the institutions of international society" (Bull, 1977:74).[1] John Ruggie discusses "the institutional framework of sovereignty" (Ruggie, 1986:147), and Stephen Krasner writes about "the particular institutional structures of sovereignty" (Krasner, 1987:11).

It may help in sorting out some of these troubling confusions to point out that "institution" may refer to a *general pattern or categorization* of activity or to a *particular* human-constructed arrangement, formally or informally organized. Examples of institutions as general patterns include Bull's "institutions of international society," as well as such varied patterns of behavior as marriage and religion, sovereign statehood, diplomacy, and neutrality. Sometimes norms such as that of reciprocity, which can apply to a variety of situations, are referred to as institutions. When we speak of patterns or categorizations of activity as institutions, the particular instances are often not regarded themselves as institutions: we do not speak of the marriage of the Duke and Duchess of Windsor, international negotiations over the status of the Panama Canal, or the neutrality of Sweden in World War II as institutions. What these general patterns of activity have in common with specific institutions is that they both meet the criteria for a broad definition of institutions: both involve persistent and connected sets of rules (formal or informal) that prescribe behavioral roles, constrain activity, and shape expectations.

Specific institutions, such as the French state, the Roman Catholic church, the international nonproliferation regime, or the General Agreement on Tariffs and Trade, are discrete entities, identifiable in space and time. Specific institutions may be exemplars of general patterns of activity—the United Nations exemplifies multilateral diplomacy; the French state, sovereign statehood; the Roman Catholic church, organized religion. But unlike general patterns of activity, specific institutions have unique life-histories, which depend on the decisions of particular individuals.

General patterns of "institutionalized" activity are more heterogeneous. Some of these institutions are only sets of entities, with each member of the set being an institution. Bull's institution of international law, for instance, can be seen as including a variety of institutions codified in legal form. In this sense, all formal international regimes are parts of international law, as are formal bilateral treaties and conventions. Likewise, the institution of religion includes a variety of quite different specific institutions, including the Roman Catholic church, Islam, and Congregationalism. Other general patterns of activity can be seen as norms that are applicable to a wide variety of situations, such as the norm of reciprocity (Keohane, 1986b).

It is difficult to work analytically with the broad ordinary-language definition of institutions with which I have started, since it includes such a variety of different entities and activities. In the rest of this essay, therefore, I will focus on institutions that can be identified as related complexes of rules and norms, identifiable in space and time. This conception of the scope of my analytical enterprise deliberately omits institutions that are merely categories of activity, as well as general norms that can be attached to any of a number of rule-complexes. It allows me to focus on *specific institutions* and on *practices*. As explained below, it is the mark of a practice that the

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[1] Bull also declares that "states themselves are the principal institutions of the society of states" (1977:71), which implies that he subscribed to the view, discussed below, that the international institution of sovereignty is prior to the state.

behavior of those engaged in it can be corrected by an appeal to its own rules. This means that practices are deeply embedded—highly institutionalized in the sociological sense of being taken for granted by participants as social facts that are not to be challenged although their implications for behavior can be explicated.

Specific institutions can be defined in terms of their rules. Douglass North (1987:6) defines institutions as "rules, enforcement characteristics of rules, and norms of behavior that structure repeated human interaction." Institutions can be seen as "frozen decisions," or "history encoded into rules" (March and Olson, 1984:741). These rules may be informal or implicit rather than codified: in fact, some very strong institutions, such as the British constitution, rely principally on unwritten rules. To be institutionalized in the sense in which I will use the term, the rules must be durable, and must prescribe behavioral roles for actors, besides constraining activity and shaping expectations. That is, institutions differentiate among actors according to the roles that they are expected to perform, and institutions can be identified by asking whether patterns of behavior are indeed differentiated by role. When we ask whether X is an institution, we ask whether we can identify persistent sets of rules that constrain activity, shape expectations, and prescribe roles. In international relations, some of these institutions are formal organizations, with prescribed hierarchies and the capacity for purposive action. Others, such as the international regimes for money and trade, are complexes of rules and organizations, the core elements of which have been negotiated and explicitly agreed upon by states.[2]

This definition of specific institutions incorporates what John Rawls has called the "summary view" of rules, in which "rules are pictured as summaries of past decisions," which allow the observer to predict future behavior (Rawls, 1955:19). Rules such as these can be changed by participants on utilitarian grounds without engaging in self-contradictory behavior. This definition is useful as far as it goes, but it does not capture what Rawls calls "the practice conception" of rules. A practice in the sense used by Rawls is analogous to a game such as baseball or chess: "It is the mark of a practice that being taught how to engage in it involves being instructed in the rules that define it, and that appeal is made to those rules to correct the behavior of those engaged in it. Those engaged in a practice recognize the rules as defining it (Rawls, 1955:24). Were the rules of a practice to change, so would the fundamental nature of the activity in question.

Someone engaged in a practice has to explain her action by showing that it is in accord with the practice. Otherwise, the behavior itself is self-contradictory. As Oran Young points out, "It just does not make sense for a chess player to refuse to accept the concept of checkmate, for a speaker of English to assert that it makes no difference whether subjects and predicates agree, or for an actor in the existing international society to disregard the rules regarding the nationality of citizens." In international relations, the "menu of available practices" is limited: "a 'new' state, for example, has little choice but to join the basic institutional arrangements of the states system" (1986:120).[3]

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[2] *International regimes* are specific institutions involving states and/or transnational actors, which apply to particular issues in international relations. This is similar to the definition given by Krasner (1983), but makes it clearer that regimes are institutions, taking advantage of the definition of institutions given above. *Formal international organizations* are purposive institutions with explicit rules, specific assignments of roles to individuals and groups, and the capacity for action. Unlike international regimes, international organizations can engage in goal-directed activities such as raising and spending money, promulgating policies, and making discretionary choices.

[3] Young defines institutions in terms of practices: "Social institutions are recognized practices consisting of easily identifiable roles, coupled with collections of rules or conventions governing relations among the occupants of these roles" (1986:107). This is quite an acceptable definition, although it does not emphasize the distinctions among different types of "institutions" that I wish to make.

The concept of a practice is particularly applicable to certain general patterns of activity such as sovereignty and multilateral diplomacy. Their rules, many of which are not codified, define what it means to be sovereign or to engage in multilateral diplomacy.[4] Like the rules of chess and the grammar of the English language, respect for state sovereignty and multilateral diplomacy are taken for granted by most of those who participate in them. When fundamental practices are violated, as in the seizure of the American Embassy in Teheran in 1979, disapproval is virtually universal. This is not surprising, because such practices are based on what Hans J. Morgenthau referred to as "the permanent interests of states to put their normal relations on a stable basis by providing for predictable and enforceable conduct with respect to these relations" (Morgenthau, 1940:279).[5]

Rawl's distinction helps us to see the specific institutions of world politics, with their challengeable rules, as embedded in more fundamental practices. Just as the actors in world politics are constrained by existing institutions, so are institutions, and prospects for institutional change, constrained by the practices taken for granted by their members. For each set of entities that we investigate, we can identify institutionalized constraints at a more fundamental and enduring level.

Consider, for instance, the practice of sovereign statehood, which has been fundamental to world politics for over three hundred years. At its core is the principle of sovereignty: that the state "is subject to no other state and has full and exclusive powers within its jurisdiction without prejudice to the limits set by applicable law" (*Wimbledon* case, Permanent Court of International Justice, series A, no. 1, 1923; cited in Hoffmann, 1987:172–73). Sovereignty is thus a relatively precise legal concept: a question of law, not of fact, of authority, not sheer power. As a legal concept, the principle of sovereignty should not be confused with the empirical claim that a given state in fact makes its decisions autonomously. Sovereignty refers to a legal status, a property of an organized entity in world politics. It does not imply that the sovereign entity possesses de facto independence, although as a political matter, the fact that an entity is sovereign can be expected to have implications for its power and its autonomy.[6]

Sovereign statehood is a practice in Rawls' sense because it contains a set of rules that define it and that can be used to correct states' behavior. These rules are fundamental to the conduct of modern international relations. Extraterritorial jurisdiction for embassies is such a central rule, implied by the modern conception of sovereignty; immunity from ordinary criminal prosecution for a state's accredited diplomats is a corollary of this principle. More generally, as Martin Wight has argued, the norm of reciprocity is implied by that of sovereignty, and respect for reciprocity is therefore part of the practice of sovereign statehood: "It would be impossible to have a society of sovereign states unless each state, while claiming sovereignty for itself, recognized that every other state had the right to claim and enjoy its own sovereignty as well. This reciprocity was inherent in the Western conception of sovereignty" (Wight, 1977: 135).

Treating sovereign statehood as a practice does not imply that the process of recognizing entities as sovereign is automatic: on the contrary, states follow political

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[4] These practices have evolved over the course of decades or centuries and can therefore be considered in Young's terminology to be *spontaneous* orders: "the product of the action of many men but . . . not the result of human design" (Young, 1983:98, quoting Hayek, 1973:37).

[5] Morgenthau's language is remarkably close to the language of transaction costs employed by rationalistic theorists discussed in the next section.

[6] McIlwain (1939) is particularly good on this point; see also James (1986). Waltz confuses this issue by stating that "to say that a state is sovereign means that it decides for itself how it will cope with its internal and external problems, including whether or not to seek assistance from others and in so doing to limit its freedom by making commitments to them" (Waltz, 1979:96).

convenience as well as law in deciding which entities to regard as sovereign. But once an entity has been generally accepted by states as sovereign, certain rights and responsibilities are entailed. Furthermore, acceptance of the principle of sovereignty creates well-defined roles. Only sovereign states or entities such as international organizations created by states can make treaties and enforce them on subjects within their jurisdictions, declare and wage wars recognized by international law, and join international organizations that are part of the United Nations System.

Definitions are not interesting in themselves, but they may be more or less clear, and lead to the identification of more or less tractable problems. I have begun with a broad definition of institutions as persistent and connected sets of rules that prescribe behavioral roles, constrain activity, and shape expectations. I have focused my attention, however, on specific institutions and practices. Specific institutions can be defined in the first instance in terms of rules; but we must recognize that specific institutions are embedded in practices. In modern world politics, the most important practice is that of sovereignty. To understand institutions and institutional change in world politics, it is necessary to understand not only how specific institutions are formulated, change, and die, but how their evolution is affected by the practice of sovereignty.

The Rationalistic Study of International Institutions

Rationalistic research on international institutions focuses almost entirely on specific institutions. It emphasizes international regimes and formal international organizations. Since this research program is rooted in exchange theory, it assumes scarcity and competition as well as rationality on the part of the actors. It therefore begins with the premise that if there were no potential gains from agreements to be captured in world politics—that is, if no agreements among actors could be mutually beneficial—there would be no need for specific international institutions. But there are evidently considerable benefits to be secured from mutual agreement—as evidenced for millenia by trade agreements, rules of war, and peace treaties, and for the last century by international organizations. Conversely, if cooperation were easy—that is, if all mutually beneficial bargains could be made without cost—there would be no need for institutions to facilitate cooperation. Yet such an assumption would be equally as false as the assumption that no potential gains from agreements exist. It is the combination of the potential *value* of agreements and the *difficulty* of making them that renders international regimes significant. In order to cooperate in world politics on more than a sporadic basis, human beings have to use institutions.

Rationalistic theories of institutions view institutions as affecting patterns of costs. Specifically, institutions reduce certain forms of uncertainty and alter transaction costs: that is, the "costs of specifying and enforcing the contracts that underlie exchange" (North, 1984:256). Even in the absence of hierarchical authority, institutions provide information (through monitoring) and stabilize expectations. They may also make decentralized enforcement feasible, for example by creating conditions under which reciprocity can operate (North, 1981; Williamson, 1981, 1985; Keohane, 1984; Moe, 1987). At any point in time, transaction costs are to a substantial degree the result of the institutional context. Dynamically, the relationship between these institutionally affected transaction costs and the formation of new institutions will, according to the theory, be curvilinear. If transaction costs are negligible, it will not be necessary to create new institutions to facilitate mutually beneficial exchange; if transaction costs are extremely high, it will not be feasible to build institutions—which may even be unimaginable.

In world politics, sovereignty and state autonomy mean that transaction costs are never negligible, since it is always difficult to communicate, to monitor performance,

and especially to enforce compliance with rules. Therefore, according to this theory, one should expect international institutions to appear whenever the costs of communication, monitoring, and enforcement are relatively low compared to the benefits to be derived from political exchange. Institutions should persist as long as, but only so long as, their members have incentives to maintain them. But the effects of these institutions will not be politically neutral: they can be expected to confer advantages on those to whom their rules grant access and a share in political authority; and insofar as the transaction costs of making agreements outside of an established institution are high, governments disadvantaged within an institution will find themselves at a disadvantage in the issue area as a whole. More generally, the rules of any institution will reflect the relative power positions of its actual and potential members, which constrain the feasible bargaining space and affect transaction costs.[7]

These transaction-cost arguments have been applied in qualitative terms to international relations. As anticipated by the theory, effective international regimes include arrangements to share information and to monitor compliance, according to standards established by the regime; and they adapt to shifts in capabilities among their members. (Finlayson and Zacher, 1983; Keohane, 1984: chapter 10, Aggarwal, 1985; Lipson, 1986; Haggard and Simmons, 1987.) Furthermore, the access rules of different international regimes affect the success of governments in the related issue areas (Krasner, 1985:123). As a general descriptive model, therefore, this approach seems to do quite well: international regimes work as we expect them to.

However, the rationalistic theory has not been used to explain why international institutions exist in some issue areas rather than in others. Nor has this theory been employed systematically to account for the creation or demise of such institutions. Yet the theory implies hypotheses about these questions: hypotheses that could be submitted to systematic, even quantitative, examination. For instance, this theory predicts that the incidence of specific international institutions should be related to the ratio of benefits anticipated from exchange to the transaction costs of establishing the institutions necessary to facilitate the negotiation, monitoring, and enforcement costs of agreements specifying the terms of exchange. It also predicts that in the absence of anticipated gains from agreements, specific institutions will not be created, and that most specific institutions in world politics will in fact perform the function of reducing transaction costs. Since the theory acknowledges the significance of sunk costs in perpetuating extant institutions, and since its advocates recognize that organizational processes modify the pure dictates of rationality (Keohane, 1984:chapter 7), its predictions about the demise of specific institutions are less clear.

The rationalistic theory could also help us develop a theory of compliance or noncompliance with commitments.[8] For international regimes to be effective, their injunctions must be obeyed; yet sovereignty precludes hierarchical enforcement. The game-theoretic literature suggests that reputation may provide a strong incentive for compliance (Kreps and Wilson, 1982). But we do not know how strong the reputational basis for enforcement of agreements is in world politics, since we have not done the necessary empirical work. What Oliver Williamson calls "opportunism" is still possible: reputations can be differentiated among partners and violations of agreements can often be concealed. Historically, it is not entirely clear to

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[7] The assertion that hegemony is necessary for institutionalized cooperation, and the less extreme view that hegemony facilitates cooperation, can both be interpreted within this framework as declaring transaction costs to be lower when a hegemon exists than when power resources are more fragmented.

[8] For a pioneering exploration of these issues, see Young (1979).

what extent governments that renege on their commitments are in fact punished for such actions. Indeed, governments that have defaulted on their debts have, it appears, not been punished via higher interest rates in subsequent periods for their defections (Eichengreen, 1987; Lindert and Morton, 1987).

Rationalistic theory can often help us understand the direction of change in world politics, if not always its precise extent or the form that it takes. For instance, there are good reasons to believe that a diffusion of power away from a hegemonic state, which sponsored extant international regimes, will create pressures on these regimes and weaken their rules—even though it is dubious that hegemony is either a necessary or a sufficient condition for the maintenance of a pattern of order in international relations (Keohane, 1984). That is, if we are able to specify the characteristics of a given institutional situation, rationalistic theory may help us anticipate the path that change will take. As Alexander Wendt points out, rationalistic theory has "proved useful in generating insights into the emergence of and reproduction of social institutions as the unintended consequences of strategic interactions" (Wendt, 1987:368).

Yet even on its own terms, rationalistic theory encounters some inherent limitations. The so-called Folk Theorem of game theory states that for a class of games that includes 2 × 2 repeated Prisoner's Dilemma, there are many feasible equilibria above the maximin points of both players (Kreps, 1984:16). We cannot predict which one will emerge without knowing more about the structure of a situation—that is, about the prior institutional context in which the situation is embedded. This means that the conclusions of formal models of cooperation are often highly dependent on the assumptions with which the investigations begin—that they are context-dependent. To be sure, once we understand the context, it may be possible to model strategies used by players to devise equilibrium-inducing institutions (Shepsle, 1986). The literatures on bureaucratic politics and agency theory complicate matters further by suggesting that the organizational "actor" will not necessarily act as "its" interests specify, if people within it have different interests (Moe, 1984; Arrow, 1985). Thus even on its own terms rationalistic theory seems to leave open the issue of what kinds of institutions will develop, to whose benefit, and how effective they will be.

Even within the confines of the rationalistic research program, therefore, formal theory alone is unlikely to yield answers to our explanatory puzzles. Rationalistic theory is good at posing questions and suggesting lines of inquiry, but it does not furnish us with answers.[9] Creative uses of simulation, as in Robert Axelrod's work (1984, 1986) are helpful; but most of all we need more empirical research, guided by theory. Such research could begin to delineate the specific conditions under which cooperation takes place. It should seek to map out patterns of interests, information flows and barriers, and anticipated long-term relationships in order to understand more specifically under what conditions cooperation will or will not take place. Brent Sutton and Mark Zacher have illustrated the value of such research in their recent analysis of the international shipping regime (Sutton and Zacher, 1987). They explore in depth six issue-areas within shipping, on the basis of a hypothesis that cooperation will be greatest where market imperfections and failures, hence possibilities for global welfare gains, exist. Unfortunately, there has so far been relatively little of this type of work done; but I hope and expect that we will see more during the next few years.[10]

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[9] The theoretical indeterminacy of rationalistic theory suggests that in international relations, as in the economics of institutions, "theory is now outstripping empirical research to an excessive extent" (Matthews, 1986:917).

[10] Some work by sociologists, although not applied to international relations, seems relevant here since it focuses on the role played by professional and personal networks in facilitating social cooperation. See Dore (1983), Granovetter (1985), and Powell (1987).

Rationalistic theory also needs to extend its vision back into history. To do so in a sophisticated way entails a departure from the equilibrium models emphasized by neoclassical economic theory. It requires intellectual contortions to view the evolution of institutions over time as the product of a deterministic equilibrium logic in which rational adaptation to the environment plays the key role. Institutional development is affected by particular leaders and by exogenous shocks—chance events from the perspective of a systemic theory. Theories of "path-dependence" in economics demonstrate that under specified conditions, accumulated random variations can lead an institution into a state that could not have been predicted in advance (David, 1985; Arthur, Ermoliev and Kaniovski, 1987; see also March and Olson, 1984:745). From a technological standpoint, path-dependence occurs under conditions of increasing rather than decreasing returns—resulting for instance from positive externalities that give established networks advantages over their competitors, from learning effects, and from the convergence of expectations around an established standard. Examples include the development of the typewriter keyboard, competition between different railroad gauges or between Betamax and VHS types of video recorders, and between gasoline and steam-powered cars. Viewed from a more strictly institutional perspective, path-dependence can be a result of sunk costs. Arthur Stinchcombe (1968:120–21) points out that if "sunk costs make a traditional pattern of action cheaper, and if new patterns are not enough more profitable to justify throwing away the resource, the sunk costs tend to preserve a pattern of action from one year to the next."

Surely the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF) and the United Nations are not optimally efficient, and they would not be invented in their present forms today; but they persist. In some cases, this may be a matter of sunk costs making it rational to continue involvement with an old institution. Sometimes the increasing returns pointed to by path-dependence theorists may account for this persistence. Or considerations of power and status may be more important than the functions performed by the institutions. In politics, where institutional innovators may be punished, existing institutions may have an additional advantage. Even in Congress, "it is risky to try to change institutional arrangements in a manner adverse to the interests of those currently in control" (Shepsle, 1986:69). At the very least, theories of path-dependence demonstrate once again that history not only matters, but that historical investigation is consistent with a rationalistic research program.

Reflective Approaches

Scholars imbued with a sociological perspective on institutions emphasize that institutions are often not created consciously by human beings but rather emerge slowly through a less deliberative process, and that they are frequently taken for granted by the people who are affected by them. In this view the assumption of utility maximization often does not tell us much about the origins of institutions; and it also does not take us very far in understanding the variations in institutional arrangements in different cultures and political systems. Ronald Dore, for instance, suggests that Oliver Williamson's attempt to construct "timeless generalizations" perhaps "merely reflects the tendency of American economists to write as if all the world were America. Or perhaps [Williamson] does not have much evidence about America either, and just assumes that 'Man' is a hard-nosed short-run profit maximizer suspicious of everyone he deals with" (Dore, 1983:469).

Values, norms and practices vary across cultures, and such variations will affect the efficacy of institutional arrangements. This point can be put into the language of rationalistic theory: institutions that are consistent with culturally accepted practices

are likely to entail lower transaction costs than those that conflict with those practices. But such a statement merely begs the question of where the practices, or the preferences that they reflect, came from in the first place. The most ambitious form of rationalistic theory, which takes fundamental preferences as uniform and constant, is contradicted by cultural variation if preferences are meaningfully operationalized. The more modest form of this theory, which treats variations in preferences as exogenous, thereby avoids seeking to explain them.

Similar problems arise with explanations of changes in institutions over time. Rationalistic theories of specific institutions can be applied historically, as we have seen. Each set of institutions to be explained is viewed within an institutional as well as material context: prior institutions create incentives and constraints that affect the emergence or evolution of later ones. Change is then explained by changes in opportunity costs at the margin, as a result of environmental changes.

Such an approach has been highly revealing, as the literature on institutional change in economics demonstrates (North, 1981). However, these rationalistic theories of specific institutions have to be contextualized before they are empirically useful: that is, they must be put into a prior framework of institutions and practices. Only with this prior knowledge of the situation at one point in time to guide us, can we use this theory effectively to improve our knowledge of what is likely to happen next. We can then work our way back through the various levels of analysis— explaining actor behavior by reference to institutional constraints and opportunities, explaining specific institutions by reference to prior institutions, explaining those institutions by reference to fundamental practices. Up to a point, rationalistic theory can pursue its analysis backwards in time; and it can only gain by becoming more historically sensitive. But as Field (1981) pointed out and as North (1981) has recognized in the field of economic history, at some point one must embed the analysis in institutions that are not plausibly viewed as the product of human calculation and bargaining. And ultimately, the analysis has to come to grips with the structures of social interaction that "constitute or empower those agents in the first place" (Wendt, 1987:369).

International institutions are not created *de novo* any more than are economic institutions. On the contrary, they emerge from prior institutionalized contexts, the most fundamental of which cannot be explained as if they were contracts among rational individuals maximizing some utility function. These fundamental practices seem to reflect historically distinctive combinations of material circumstances, social patterns of thought, and individual initiative—combinations which reflect "conjunctures" rather than deterministic outcomes (Hirschman, 1970), and which are themselves shaped over time by path-dependent processes. Rationalistic theory can help to illuminate these practices, but it cannot stand alone. Despite the ambitions of some of its enthusiasts, it has little prospect of becoming a comprehensive deductive explanation of international institutions.

Quite apart from this limitation, the writers whom I have labeled "reflective" have emphasized that rationalistic theories of institutions contain no *endogenous* dynamic. Individual and social reflection leading to changes in preferences or in views of causality—what Hayward Alker refers to as *historicity* (Alker, 1986) and what Ernst Haas discusses under the rubric of *learning* (Haas, 1987)—is ignored. That is, preferences are assumed to be fixed. But this assumption of fixed preferences seems to preclude understanding of some major changes in human institutions. For example, as Douglass North points out, "the demise of slavery, one of the landmarks in the history of freedom, is simply not explicable in an interest group model" (North, 1987:12). Nor, in the view of Robert Cox, is American hegemony explicable simply in power terms: on the contrary, it implies a "coherent conjunction or fit

between a configuration of material power, a prevalent collective image of world order (including certain norms) and a set of institutions which administer the order with a certain semblance of universality" (Cox, 1986: 223).

From this perspective, rationalistic theories seem only to deal with one dimension of a multidimensional reality: they are incomplete, since they ignore changes taking place in consciousness. They do not enable us to understand how interests change as a result of changes in belief systems. They obscure rather than illuminate the sources of states' policy preferences. The result, according to Richard Ashley, has been a fundamentally unhistorical approach to world politics, which has reified contemporary political arrangements by denying "history as process" and "the historical significance of practice" (Ashley, 1986:290; see also Alker, 1986; Kratochwil, 1986).

Some analysts in the reflective camp have sought to correct this lack of attention to historicity and learning. In analyzing Prisoner's Dilemma, Alker (1985) emphasizes not merely the structure of payoff matrices but the sequential patterns of learning taking place between actors over the course of a sequence of games. And Ruggie (1986) has argued that only by understanding how individuals think about their world can we understand changes in how the world is organized—for instance, the shift from medieval to modern international politics. Socially influenced patterns of learning are crucial, as Karl Deutsch and Ernst Haas—the teachers, respectively, of Alker and Ruggie—have always emphasized.

Reflective critics of the rationalistic research program have emphasized the inadequacies of rationalism in analyzing the fundamental practice of sovereign statehood, which has been instituted not by agreement but as a result of the elaboration over time of the principle of sovereignty. Sovereignty seems to be *prior* to the kinds of calculations on which rationalistic theory focuses: governments' strategies assume the principle of sovereignty, and the practice of sovereign statehood, as givens. Indeed, according to some critics of rationalistic thinking, sovereignty is of even more far-reaching significance, since it defines the very nature of the actors in world politics. Ruggie conceptualizes sovereignty as a "form of legitimation" that "differentiates units in terms of juridically mutually exclusive and morally self-entailed domains." Like private property rights, it divides space in terms of exclusive rights, and establishes patterns of social relationships among the resulting "possessive individualists," whose character as agents is fundamentally shaped by sovereignty itself (Ruggie, 1986: 144–47).

Ruggie's critical analysis of sovereignty calls our attention once again to the significance of practices such as sovereign statehood for our understanding of the specific institutions of world politics. The international monetary or nonproliferation regimes of the 1980s, for example, can be understood only against the background of the constraints and opportunities provided by the practice of sovereign statehood. We are reminded again of the partial nature of rationalistic theory and the need to contextualize it if we are to derive meaningful insights from its analytical techniques.

The criticisms of rationalistic theory, both from within the framework of its assumptions and outside of them, are extensive and telling. The assumption of equilibrium is often misleading, and can lead to mechanical or contorted analysis. Rationalistic theory accounts better for shifts in the strength of institutions than in the values that they serve to promote. Cultural variations create anomalies for the theory. It does not take into account the impact of social processes of reflection or learning on the preferences of individuals or on the organizations that they direct. Finally, rationalistic theory has had little to say about the origins and evolution of

practices, and it has often overlooked the impact of such practices as sovereignty on the specific institutions that it studies.[11]

Yet the critics have by no means demolished the rationalistic research program on institutions, although taking their argument seriously requires us to doubt the legitimacy of rationalism's intellectual hegemony. To show that rationalistic theory cannot account for changes in preferences because it has omitted important potential explanatory factors is important, but it is not devastating, since no social science theory is complete. Limiting the number of variables that a theory considers can increase both its explanatory content and its capacity to concentrate the scholarly mind. Indeed, the rationalistic program is heuristically so powerful precisely because it does not easily accept accounts based on post hoc observation of values or ideology: regarding states as rational actors with specified utility functions forces the analyst to look below the surface for interests that provide incentives to behave in apparently anomalous ways. In quite a short time, research stimulated by rationalistic theory has posed new questions and proposed new hypotheses about why governments create and join international regimes, and the conditions under which these institutions wax or wane. A research program with such a record of accomplishment, and a considerable number of interesting but still untested hypotheses about reasons for persistence, change, and compliance, cannot be readily dismissed.

Indeed, the greatest weakness of the reflective school lies not in deficiencies in their critical arguments but in the lack of a clear reflective research program that could be employed by students of world politics. Waltzian neorealism has such a research program; so does neoliberal institutionalism, which has focused on the evolution and impact of international regimes. Until the reflective scholars or others sympathetic to their arguments have delineated such a research program and shown in particular studies that it can illuminate important issues in world politics, they will remain on the margins of the field, largely invisible to the preponderance of empirical researchers, most of whom explicitly or implicitly accept one or another version of rationalistic premises. Such invisibility would be a shame, since the reflective perspective has much to contribute.

As formulated to date, both rationalistic and what I have called reflective approaches share a common blind spot: neither pays sufficient attention to domestic politics. It is all too obvious that domestic politics is neglected by much game-theoretic strategic analysis and by structural explanations of international regime change. However, this deficiency is not inherent in the nature of rationalistic analysis: it is quite possible to use game theory heuristically to analyze the "two-level games" linking domestic and international politics, as Robert Putnam (1978) has done. At one level reflective theory questions, in its discussion of sovereignty, the existence of a clear boundary between domestic and international politics. But at another level it critiques the reification of the state in neorealist theory and contemporary practice, and should therefore be driven to an analysis of how such reification has taken place historically and how it is reproduced within the confines of the domestic-international dichotomy. Such an analysis could lead to a fruitful reexamination of shifts in preferences that emerge from complex interactions between the operation of international institutions and the processes of domestic

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[11] This does not mean, however, that rationalistic theory is incapable of contributing to our understanding of the evolution of practices. As Wendt argues, "there is no a priori reason why we cannot extend the logic of [rationalistic] analysis to the analysis of generative structures" (Wendt, 1987:368). In notes to the author, Barry Weingast has illustrated this point by sketching a functional, transaction-cost argument for the existence of sovereignty, as a set of relatively unambiguous conventions, known to all players and not revisable ex post, which facilitate coordination and signaling.

politics. Both Kenneth Waltz's "second image"—the impact of domestic politics on international relations—and Peter Gourevitch's "second image reversed" need to be taken account of, in their different ways, by the rationalist and reflective approaches (Waltz, 1959; Gourevitch, 1978).[12]

Conclusion

I believe that international institutions are worth studying because they are pervasive and important in world politics and because their operation and evolution are difficult to understand. But I also urge attention to them on normative grounds. International institutions have the *potential* to facilitate cooperation, and without international cooperation, I believe that the prospects for our species would be very poor indeed. Cooperation is not always benign; but without cooperation, we will be lost. Without institutions there will be little cooperation. And without a knowledge of how institutions work—and what makes them work well—there are likely to be fewer, and worse, institutions than if such knowledge is widespread.

A major challenge for students of international relations is to obtain such knowledge of institutions, through theory and the application of theory to practice, but especially through empirical research. Neither pure rationalistic theory nor pure criticism is likely to provide such knowledge. We should demand that advocates of both rationalistic and reflective theory create genuine research programs: not dogmatic assertions of epistemological or ontological superiority, but ways of discovering new facts and developing insightful interpretations of international institutions.

Both rationalistic and reflective approaches need further work if they are to become well-developed research programs. Rationalistic theories of institutions need to be historically contextualized: we need to see specific institutions as embedded in practices that are not entirely explicable through rationalistic analysis. And the many hypotheses generated by rationalistic theory need to be tested empirically. Reflective approaches are less well specified as theories: their advocates have been more adept at pointing out what is omitted in rationalistic theory than in developing theories of their own with *a prior* content. Supporters of this research program need to develop testable theories, and to be explicit about their scope. Are these theories confined to practices or do they also illuminate the operations of specific institutions? Above all, students of world politics who are sympathetic to this position need to carry out systematic empirical investigations, guided by their ideas. Without such detailed studies, it will be impossible to evaluate their research program.

Eventually, we may hope for a synthesis between the rationalistic and reflective approaches—a synthesis that will help us to understand both practices and specific institutions and the relationships between them. Such a synthesis, however, will not emerge full-blown, like Athena from the head of Zeus. On the contrary, it will require constructive competition and dialogue between these two research programs—and the theoretically informed investigation of facts. Thus equipped with our new knowledge, we can intervene more persuasively in the policy process, by drawing connections between institutional choices and those practices of cooperation that will be essential to human survival, and progress, in the twenty-first century.

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[12] Recently major work has been done on links between domestic and international politics, by scholars trained in comparative politics. Unlike the critics of rationalistic theory discussed above, however, these writers emphasize international structure, material interests, and state organization as well as the role of ideas and social patterns of learning. Also unlike the critics of rationalist international relations theory, these writers have engaged in extensive and detailed empirical research. See Zysman (1983), Katzenstein (1985), Gourevitch (1986), and Alt (1987).

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