PART I • THEORY

CHAPTER ONE

Bringing the Great Powers Back In

Globalization is responsible for a lot of bad international relations theory.

The poor state of theorizing is *not* because economic globalization is irrelevant. The reduction of traditional barriers to exchange, such as tariffs and capital controls, has introduced a bevy of new conflicts over the residual impediments to global economic integration—the differences among domestic rules and regulatory standards. The affected issue areas include but are not limited to labor standards, environmental protection, financial supervision, consumer health and safety, competition policy, intellectual property rights, and Internet protocols. These differences matter: the Organization for Economic Cooperation and Development (OECD) estimates that these standards and regulations affect approximately $4 trillion in traded goods. At the start of the new millennium, these issues have been important enough to trigger an increase in the foreign affairs budgets for U.S. regulatory agencies even as the State Department's budget declined.[1]

Regulatory issues are important in and of themselves. They matter in world politics because of the way they affect the distribution of resources as well. Fundamentally, however, international regulatory regimes strike a political chord because they symbolize a shift in the locus of politics. The title of this book is a play on Tip O'Neill's well-known aphorism that "all politics is local."[2] In the current era, this statement is at least open to question. For many issues that comprise the daily substance of our lives—how to treat workers, how much to pollute, what can go into our food, what can be accessed on the Internet, how much medicine will cost—the politics have gone global.

The proliferation of new global issue areas has increased scholarly attention on how the global economy is regulated in an era of globalization. However, the theoretical debates on this topic leave much to be desired; Miles Kahler and David Lake recently concluded, "Contemporary scholarship . . . has

[1] OECD data from Walter Mattli, "The Politics and Economics of International Institutional Standard Setting: An Introduction," *Journal of European Public Policy* special issue 8 (2001): 329; Budget data from Anne-Marie Slaughter, *A New World Order* (Princeton, NJ: Princeton University Press, 2004), 36–37.

[2] Tip O'Neill with Gary Hymel, *All Politics Is Local and Other Rules of the Game* (New York: Times Books, 1994).

yielded only a partial, unsystematic, and ultimately inconclusive body of theorizing on the relationship between globalization and governance."[3]

Most strands of research on this topic share a common assumption—the decline of state autonomy relative to other factors and actors. Globalization undercuts state sovereignty, weakening a government's ability to effectively regulate its domestic affairs. Global market forces are powerful enough to deprive governments of their autonomy and agency. As Thomas Friedman phrases it, globalization binds states into the "Golden Straitjacket," forcing them to choose between "free market vanilla and North Korea."[4] Prominent pundits, policymakers, and scholars echo the assertion that globalization drastically reduces the state's ability to govern.[5] At the same time that state autonomy is in decline, other theorists argue that globalization empowers a web of nonstate actors, including multinational corporations, nongovernmental organizations (NGOs), and transnational activist networks.[6] Some theorists go so far as to assert that globalization requires a wholesale rejection of existing theoretical paradigms.[7]

The trouble with this belief is the lack of variation in the independent variable and the presence of variation in the dependent variable. According to these narratives, globalization increases the number and power of factors and actors that inexorably promote policy convergence, forcing states into agreement on regulatory matters. The problem with this scenario is that there are a number of regulatory issue areas—data privacy, stem cell research, global warming, genetically modified foods—where regulatory convergence has been

[3] Miles Kahler and David Lake, "Globalization and Governance," in *Governance in a Global Economy: Political Authority in Transition*, ed. Kahler and Lake, 15–16 (Princeton, NJ: Princeton University Press, 2003).

[4] Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Strauss, and Giroux, 1999), 86.

[5] Richard Falk, "State of Seige: Will Globalization Win Out?" *International Affairs* 73 (January 1997): 123–36; Arthur Schlesinger Jr., "Has Democracy a Future?" *Foreign Affairs* (September/October 1997): 7–8; Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996); Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, DC: Institute for International Economics, 1997); Richard Rosecrance, *The Rise of the Virtual State* (New York: Basic Books, 1999).

[6] Ronnie Lipschutz, "Reconstructing World Politics: The Emergence of a Global Civil Society," *Millennium* 21 (Spring 1992): 389–420; Jessica Matthews, "Power Shift," *Foreign Affairs* 76 (January–February 1997): 50–66; Margaret Keck and Kathryn Sikkink, *Activists Beyond Borders* (Ithaca, NY: Cornell University Press, 1998).

[7] Philip Cerny, "Globalization and the Changing Logic of Collective Action," *International Organization* 49 (Autumn 1995): 595–625; Cerny, "Globalization and Other Stories: the Search for a New Paradigm in International Relations," *International Journal* 51 (December 1996): 617–37; Ian Clark, *Globalization and International Relations Theory* (Oxford: Oxford University Press, 1999); James H. Mittelman, "Globalization: An Ascendant Paradigm?" *International Studies Perspectives* 3 (February 2002): 1–14; Mittelman, "What Is Critical Globalization Studies?" *International Studies Perspectives* 5 (August 2004): 219–30.

limited at best. Structural theories lack the capacity to explain variation in coordination outcomes.

This book argues that the great powers—defined here as governments that oversee large internal markets—remain the primary actors writing the rules that regulate the global economy. The key variable affecting global regulatory outcomes is the distribution of interests among the great powers. A great power concert is a necessary and sufficient condition for effective global governance over any transnational issue. Without such a concert, government attempts at regulatory coordination will be incomplete, and nonstate attempts will prove to be a poor substitute.

A few complexities are contained within this simple argument. For example, when will the great powers agree to coordinate their regulatory standards? I argue that globalization increases the rewards for policy coordination, but has a negligible impact on the adjustment costs of coordination. Whether regulatory coordination takes place is a function of the adjustment costs actors face in altering their preexisting rules and regulations. When the adjustment costs are sufficiently high, not even globalization's powerful dynamics can push states into cooperating.

Adjustment costs are a function of the ability of the affected domestic actors to use exit rather than voice in reacting to the impact of regulatory coordination.[8] The more that domestic groups have invested in the status quo, the greater their costs of exit. Private actors with constrained exit options have a strong incentive to invest in assets specific to longstanding domestic legal and regulatory structures; these specific assets increase the economic and political costs of regulatory coordination. The less viable the exit option, the more that political voice is used, and the greater the political and economic adjustment costs. These costs will be high when the regulatory issue in question affects relatively immobile or mature sectors or markets—the regulation of land, labor, or consumer products. Ironically, the least globalized elements of great power polities exert the strongest effect on the likelihood of global regulatory coordination.

Smaller states and nonstate actors in the international system do not affect regulatory outcomes, but they do affect the processes through which coordination is attempted. The reason their effect on the process is irrelevant to the outcome is that global governance processes are substitutable. Powerful states can and will engage in forum-shopping within a complex of international regimes.[9] They can and will use different policy tools to create those structures, depending on the constellation of state interests. Options include delegating regime management to nonstate actors; creating international regimes with

[8] Albert Hirschman, *Exit, Voice, and Loyalty: Responses to Firms, Organizations, and States* (Cambridge, MA: Harvard University Press, 1970).

[9] On the concept of regime complexes, see Kal Raustiala and David Victor, "The Regime Complex for Plant Genetic Resources," *International Organization* 58 (Spring 2004): 277–309.

strong enforcement capabilities; generating competing regimes to protect material interests; and unilateral, extraterritorial measures to establish regional spheres of influence. The preferences and actions of other states and nonstate actors will constrain certain great power strategies, however.

While relative power remains the salient fact in determining regulatory outcomes at the systemic level, it is of little importance in determining great power preferences. The result is a "revisionist" theory that resembles Jeff Legro and Andrew Moravcsik's "two-step" approach to international relations theory.[10] The first step is identifying the domestic actors and institutions that explain the origin of state preferences. The second step is to take those preferences as given for international interactions, and to explain the bargaining outcomes as a function of the distribution of interests and capabilities. Domestic factors account for preference formation, but not the outcomes of international bargaining. That is how the theory will be developed here.

Why This Matters

The regulation of the global economy is intrinsically important. Markets rely on rules, customs, and institutions to function properly.[11] Global markets need global rules and institutions to work efficiently. The presence or absence of these rules, and their content and enforcement, is the subject of this book. In a globalizing economy, what are the rules? Who makes them? How are they made?

The answers to these questions matter to policymakers and publics alike. Policymakers have to deal with an ever-increasing amount of regulatory questions. The number of national regulatory agencies has exploded during the current era of globalization.[12] The street protests that started at the World Trade Organization (WTO) Ministerial meeting in Seattle in 1999 have spread to almost every significant meeting of a multilateral economic institution. They are a testament to the passions that globalization arouses.[13] This should not be surprising. Some of the most contentious issues in world politics over the past decade—financial contagion, global warming, genetically modified foods, terrorist financing, sweatshop labor—are, at their core, regulatory disputes.

[10] Jeffrey Legro, "Culture and Preferences in the International Cooperation Two-Step," *American Political Science Review* 90 (March 1996): 118–37; Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organization* 51 (Autumn 1997): 513–53; Jeffrey Legro and Andrew Moravcsik, "Is Anyone Still a Realist?" *International Security* 24 (Spring 1999): 55–106.

[11] John McMillan, *Reinventing the Bazaar: A Natural History of Markets* (New York: W. W. Norton, 2002), 14.

[12] David Levi-Faur and Jacint Jordana, "The Global Diffusion of Regulatory Capitalism," *Annals of the American Academy of Political and Social Science* 598 (March 2005): 12–32.

[13] Jeffry Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton, 2006), chap. 20.

The September 11, 2001 terrorist attacks and their aftermath only increased the salience of these issues. The United States considers it vital to develop stringent global standards to block terrorist financing and monitor shipping containers. The possibility of bioterror attacks increases the demand for states to coordinate their environmental and food safety regulations. The use of the Internet by terrorist networks to communicate with one another has raised the question of how governments can effectively patrol cyberspace without choking off e-commerce.[14] More generally, the U.S. response has highlighted the philosophical disagreements between Americans and Europeans over the proper modes of global governance.[15] The 9/11 attacks did not reduce the questions raised by the globalization of national economies; they highlighted how the globalization of national security also generates demands for regulatory coordination.

Scholarly work in this area is necessary in part because the popular discourse on the subject has been dreadful. If it is true that public intellectuals earn more attention from being spectacularly wrong than from drawing an accurate, complex picture of the world, then "pop globalization" writers have certainly garnered attention. Consider Thomas Friedman's aforementioned assertion that globalization acts as a Golden Straitjacket.[16] This description is simple, pithy, and wrong. The persistent diversity of capitalist systems around the world contradicts Friedman's claims about the binding constraints of free market capitalism.[17] Surveys of financial traders undercut Friedman's belief that an "Electronic Herd" runs roughshod over every facet of government intervention in the economy.[18] Globalization does not even force firms in the same sector to compete in the same way.[19] Friedman, like most other popular writers on this subject, offers a simple model of economic determinism—in which the interests of transnational capital dominate all other considerations—to explain how globalization works. This approach does not hold up to careful scrutiny.[20] What is truly scary, however, is that Friedman is an oasis of clarity

[14] Paul Davidson, "FBI Uneasy about Plan to Deregulate Fast Net," *USA Today*, July 9, 2002, 3B.

[15] Robert Kagan, *Of Paradise and Power* (New York: Knopf, 2003); Daniel W. Drezner, "Lost in Translation: The Transatlantic Divide over Diplomacy," in *Growing Apart: America in a Globalizing World*, ed. Jeffrey Kopstein and Sven Steinmo (Cambridge: Cambridge University Press, 2007).

[16] Friedman, *The Lexus and the Olive Tree*; see also Friedman, *The World Is Flat* (New York: Farrar, Strauss, and Giroux, 2005).

[17] Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism* (Ithaca, NY: Cornell University Press, 1996); Peter Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (New York: Oxford University Press, 2001).

[18] Layna Mosley, *Global Capital and National Governments* (Cambridge: Cambridge University Press, 2003).

[19] Suzanne Berger et al., *How We Compete: What Companies around the World Are Doing to Make It in Today's Global Economy* (New York: Doubleday, 2006).

[20] Daniel W. Drezner, "Globalization and Policy Convergence," *International Studies Review* 3 (Spring 2001): 53–78; Drezner, "Bottom Feeders," *Foreign Policy* 121 (November/December 2000): 64–70.

compared with other popular explanations proffered about globalization and global governance.[21]

This popular discourse has helped to fuel public anxieties about the future of globalization and global governance. In the United States, globalization prompts fierce domestic debates. Polling data reveals that U.S. citizens believe the integration of the United States with the rest of the world has greatly constrained U.S. policy autonomy, creating ambivalence about further international integration.[22] In the European Union, globalization has been inexorably linked to Americanization, which has not endeared the concept to a majority of its citizens.[23] The anxiety about globalization and global governance is even greater in the rest of the world, since other countries are far more dependent on the global economy than the United States. Global public opinion surveys demonstrate majority support in the developing world for capitalism—but want it to be accompanied by "strong government regulations."[24]

Just as the questions raised in this book matter greatly to public discourse, they also affect scholarly debates about the international political economy (IPE). Fifteen years ago, the study of IPE was essentially limited to explaining the variations in the global rules governing merchandise trade, exchange rates, and foreign direct investment (FDI).[25] That was then. The latest era of globalization has raised a plethora of new issues to explain. Can existing IPE paradigms explain the variation of outcomes within and across these new issue areas—or are new paradigms needed?

This study also provides clues to the relationship between states and nonstate actors. The debate about the relevance of nonstate actors is not new,[26] but the current era of globalization has intensified the arguments. Some scholars exaggerate the impotence of the state, interpreting a failure to perfectly regulate

[21] Geoffrey Hardt and Antonio Negri, *Empire* (Cambridge, MA: Harvard University Press, 2000).

[22] *Perspectives on Trade and Poverty Reduction: A Survey of Public Opinion* (Washington, DC: German Marshall Fund of the United States, 2005); *Global Views 2004: American Public Opinion and Foreign Policy* (Chicago: Chicago Council on Foreign Relations, 2004), chap. 4; Program on International Policy Attitudes, "Americans on Globalization, Trade, and Farm Subsidies," January 22, 2004, available at http://www.pipa.org/archives/us_opinion.php, accessed March 2006. It should be noted that these attitudes were also prevalent during the boom years of the late 1990s as well. See Kenneth Scheve and Matthew Slaughter, *Globalization and the Perception of American Workers* (Washington, DC: Institute for International Economics, 2001); Scheve and Slaughter, "Economic Insecurity and the Globalization of Production," *American Journal of Political Science* 48 (October 2004): 662–74.

[23] See Joel Krieger, "Egalitarian Social Movements in Western Europe: Can They Survive Globalization and the EMU?" *International Studies Review* 1 (Fall 1999): 69–84.

[24] Program on International Policy Attitudes, "20 Nation Poll Finds Strong Global Consensus: Support for Free Market System, but also More Regulation of Large Companies," January 11, 2006, available at http://www.worldpublicopinion.org/pipa/articles/home_page/154.php?nid=&id=&pnt=154&lb=hmpg2, accessed March 2006.

[25] Robert Gilpin, *The Political Economy of International Relations* (Princeton, NJ: Princeton University Press, 1987).

[26] See the discussion in the preface.

a sphere of social life as an example of a general retreat of the Westphalian system. However, statists have fallen into the same trap, gleefully pointing out the vast areas of world politics where nonstate actors have minimal influence. Both sides tend to generalize from their most favorable cases. The model presented here suggests that states, particularly the great powers, remain the primary actors, but that they will rely on nonstate actors for certain functional purposes. At the same time, nonstate actors can, on occasion, jump-start regulatory agendas to advance their issues—even if the final outcome does not accord with their preferences.

Beyond the study of global political economy, the topic of regulatory coordination raises theoretical questions about global governance that affect a wide variety of debates among international relations theorists. The questions asked in this book address arguments by globalization scholars that the changes wrought on world politics in the past twenty years require completely new theories of international relations.[27] They affect debates in international relations and international law over the extent to which global governance structures can alter or constrain state behavior.[28] At the deepest level, resolving how globalization affects governance wrestles with the fundamental question about whether anarchy is a constant or a variable.[29] For some issue areas, effective global governance means the transfer of authority from the national to the supranational. At what point does global regulatory governance become so routine that the global economy ceases to be anarchical?

Defining Terms

In *Leviathan*, Thomas Hobbes argued that the key step in political science was the formulation of precise terms. That statement applies with a vengeance to the study of global economic regulation. A major reason for the contentious nature of debates about globalization and global governance is the disagreements over the precise meaning of terms. For example, the word "globalization" has been used so frequently to describe so many disparate phenomena that the term has been stripped of any concrete meaning.[30] What one scholar finds important

[27] See the works cited in footnote 7.

[28] Abram Chayes and Antonia Handler Chayes, "On Compliance," *International Organization* 47 (Spring 1993): 175–206; George Downs, David Rocke, and Peter Barsoom, "Is the Good News about Compliance Good News about Cooperation?" *International Organization* 50 (Summer 1996): 379–406; Judith Goldstein et al., eds., *Legalization and World Politics* (Cambridge, MA: MIT Press, 2001); Slaughter, *A New World Order*; Jack Goldsmith and Eric Posner, *The Limits of International Law* (New York: Oxford University Press, 2005).

[29] Helen V. Milner, "The Assumption of Anarchy in International Relations Theory: A Critique," *Review of International Studies* 17 (January 1991): 67–85.

[30] For a taxonomy of definitions, see David Held and Anthony McGrew, eds., *The Global Transformations Reader* (Oxford: Polity Press, 2000), part I.

about globalization another will dismiss as irrelevant. Susan Strange argued that a chief deficiency of international political economy was the use of imprecise language; "the worst of them all is 'globalisation'—a term which can refer to anything from the Internet to a hamburger."[31] A dictionary of international relations agrees: "the term is imprecise and its use is often heavily laden with ideological baggage."[32] A different criticism is that the current jargon is merely old wine in new bottles. What is the difference, for example, between globalization and interdependence?[33] How does the concept of global governance differ from international regimes? Before proceeding, clear definitions are needed.

I define *globalization* as the cluster of technological, economic, and political processes that drastically reduce the barriers to economic exchange across borders. This definition is narrower than the one used by a bevy of scholars focusing on the social and cultural dimensions of globalization—for good reasons.[34] Broad definitions tend to commingle causes and effects. This book is specifically interested in the ability of actors to regulate economic and social life, and the impact that globalization has on regulatory efforts. At the same time, my definition is more inclusive than those who use deterritorialization as the primary organizational construct to characterize globalization.[35] The latter definition treats the current moment as historically unique, and therefore has a post hoc flavor to it. My definition acknowledges that there have been previous eras of partial globalization.[36] However, the current era of globalization encompasses most of the world's nations and all of the great powers—including the United States.[37]

[31] Strange, *Retreat of the State*, xiii. This term has not gotten any clearer in the past decade. Kwame Anthony Appiah wryly characterized "globalization" as "a term that once referred to a marketing strategy, and then came to designate a macroeconomic thesis, and now can seem to encompass everything and nothing." Appiah, *Cosmopolitanism: Ethics in a World of Strangers* (New York: W. W. Norton, 2006), xiii.

[32] Graham Evans and Jeffrey Newnham, *The Penguin Dictionary of World Politics* (New York: Penguin, 1998), 201.

[33] Robert Keohane and Joseph Nye, "Globalization: What's New? What's Not? (And So What?)" *Foreign Policy* 118 (Spring 2000): 104–19; Keohane, *Power and Governance in a Partially Globalized World* (New York: Routledge, 2002).

[34] James H. Mittelman, *The Globalization Syndrome* (Princeton, NJ: Princeton University Press, 2000); Saskia Sassen, *Globalization and Its Discontents* (New York: The New Press, 1998).

[35] David Held et al., *Global Transformations: Politics, Economics, and Culture* (Stanford, CA: Stanford University Press, 1999); Jan Aart Scholte, *Globalization: A Critical Introduction* (New York: St. Martin's Press, 2000).

[36] For an excellent primer on the nineteenth-century version of globalization in the Atlantic region, see Kevin O'Rourke and Jeffrey Williamson, *Globalization and History* (Cambridge, MA: MIT Press, 1999).

[37] How is this definition of globalization distinct from the concept of interdependence? In the argot of international relations theory, the latter term describes a bilateral interstate relationship rather than a systemic effect. The United States and Canada are interdependent. Globalization, on the other hand, affects all of the actors in the system.

Regulatory coordination is defined as the codified adjustment of national standards in order to recognize or accommodate regulatory frameworks from other countries. Although there are many dimensions of economic regulation, this definition presumes that standards are the primary operationalization through which political authorities establish the global rules of the game. The International Organization for Standardization (ISO) defines standards as, "[the] documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes, and services are fit for their purpose."[38] Defining policy coordination via standards has the conceptual advantage of creating a single dimension to compare disparate regulatory preferences. Stringent regulatory standards require actors to invest in significant resources to ensure compliance; lax regulatory standards do not.[39] Walter Mattli observes that, "work on standards by political scientists practically does not exist," suggesting the extent to which the existing literature has missed the mark in assessing the regulation of the global economy.[40]

Regulatory coordination does not automatically imply *policy convergence*, which is defined as the narrowing of gaps in national standards over time.[41] For example, the mutual recognition of other national standards does not necessarily lead to greater policy convergence, but does lead to greater coordination. Furthermore, convergence can occur without conscious coordination, if structural factors affect all actors in an identical fashion. Regulatory coordination is also distinct from *harmonization*, which implies policy convergence to a single regulatory standard. That said, theories predicting policy convergence or even harmonization can ostensibly explain regulatory coordination as well.[42]

Global governance is a more expansive term than policy coordination. Global governance refers not only to the codified adjustment of national rules and regulations; it encompasses the collection of authority relationships designated to monitor, enforce, and amend any transnational set of rules and regulations. Note that this definition can include a variety of arrangements, including "hard

[38] Quoted in Mattli, "The Politics and Economics of International Institutional Standard Setting," 330.

[39] One could argue that the stringency metric does not apply to purely technical standards to ensure the interoperability of goods and services across borders (such as the width of credit cards). While this is likely true in some cases, the discussion in part II shows that even technical standards require investment in compliance, with some candidate standards requiring more investment than others.

[40] Mattli, "The Politics and Economics of International Institutional Standard Setting," 332.

[41] Christoph Knill, "Cross-National Policy Convergence: Causes, Approaches, and Explanatory Factors," *Journal of European Public Policy* 12 (October 2005): 764–74; George Hoberg, "Globalization and Policy Convergence: Symposium Overview," *Journal of Comparative Policy Analysis* 3 (August 2001): 127–32.

[42] See Colin Bennett, "What Is Policy Convergence and What Causes It?" *British Journal of Political Science* 21 (April 1991): 287–306; Drezner, "Globalization and Policy Convergence."

law" treaties, "soft law" declarations, private orders, and recommended codes of conduct.[43] As defined, global governance has a more precise definition than the myriad definitions for international regime that are given in the literature.[44] The latter term can include tacit norms or informal social practices;[45] the terms used here imply the existence of codified rules. At the same time, the plurality of institutional arrangements contained within this definition contrasts with institutionalist theory, which tends to think of international regimes as single entities that dominate an issue space.

When can global governance be said to be *effective*? The definitions vary by the author.[46] Some look at whether the regulatory regime affects the substantive issue in question. By this metric, for example, the Kyoto Protocol would be considered effective if it halts the current trend of global warming. Another school of thought examines whether the actors comply with the agreed-upon commitment. By this metric, the Kyoto Protocol would be effective if all of the participating actors adhere to their treaty commitments, even if the Kyoto Protocol does not ameliorate the problem of global warming. Yet another measure is whether defections from global agreements are detected and punished—even if the deviations from existing rules persist. By this metric, the Kyoto Protocol would be considered effective if countries that generated greenhouse gas emissions above their agreed-upon limit were severely sanctioned for their transgressions.

A big problem with measuring effectiveness is that governments often make pledges to coordinate without actually doing so. Consider, for example, the panoply of United Nations environmental treaties and ongoing conferences. As Peter Haas points out:

> It is difficult to evaluate the effectiveness of many of these conferences, in part because of weaknesses and gaps in our ability to monitor progress in achieving conference goals. The record is generally mixed, at best, in terms of achieving the targets and aspirations expressed in the action plans and declarations of the conferences. . . .

[43] Duncan Snidal and Kenneth Abbott, "Hard and Soft Law in International Governance," *International Organization* 54 (Summer 2000): 421–56; A. Claire Cutler, Virginia Haufler, and Tony Porter, eds., *Private Authority and International Affairs* (Albany: State University of New York Press, 1999).

[44] Oran Young, "International Regimes: Problems of Concept Formation," *World Politics* 32 (April 1980): 331–56; Stephen D. Krasner, ed., *International Regimes* (Ithaca, NY: Cornell University Press, 1983).

[45] On "tacit norms," see Charles Lipson, "Why are Some International Agreements Informal?" *International Organization* 45 (Autumn 1991): 495–538; on social practices, see Young, "International Regimes."

[46] Chayes and Chayes, "On Compliance"; Downs, Rocke, and Barsoom, "Is the Good News about Compliance Good News about Cooperation?"

> The goals are often ambiguous. State reporting about compliance is generally weak and incomplete, and few provisions for verification of state compliance are made at the conferences.[47]

Similarly, Kal Raustiala has demonstrated that because international regulatory regimes are nearly always administered through regulatory regimes at the national level, long-standing domestic institutions can act as an impediment to the implementation of new global regulations.[48] Harmonization of forms does not necessarily translate into genuine policy coordination.

For this project, proper measure of effectiveness measures both the extent of actor compliance and the magnitude of the adjustments that actors are required to make to meet the agreed-upon regulatory standard.[49] To use a numerical example, a global governance structure where states are only 50 percent compliant with an agreement to cut carbon dioxide emissions by 20 percent should be considered more effective than a regulatory regime that produces 100 percent compliance with an agreement to cut emissions by only 1 percent.[50] Compliance matters, but so does the degree of difficulty.

The Literature

There is no shortage of explanations for how the world economy is regulated in an era of globalization. The scholarly literature on this subject can be divided along two conceptual dimensions, as table 1.1 shows. The first dimension is whether the theory posits that the driving force behind regulatory coordination is economic or ideational. The second dimension is whether actors retain agency in the face of a globalizing economy, or are tightly constrained by structural forces.

The first wave of scholarship—and virtually all of the popular literature on the subject—emphasized the primacy of structural forces over the agency of

[47] Peter Haas, "UN Conferences and Constructivist Governance of the Environment," *Global Governance* 8 (January/March 2002): 80.

[48] Kal Raustiala, "Domestic Institutions and International Regulatory Cooperation: Comparative Responses to the Convention on Biological Diversity," *World Politics* 49 (Summer 1997): 482–83.

[49] This definition elides the question of whether the agreed policy coordination substantially addresses the social or economic externality in question.

[50] I use this same logic in measuring the magnitude of concessions in response to economic sanctions. See Daniel W. Drezner, *The Sanctions Paradox: Economic Statecraft and International Relations* (Cambridge: Cambridge University Press, 1999), chap. 4. For regulatory coordination, another dimension of effectiveness covers the scope of the agreement. To use the example of the Kyoto Protocol again, the failure of the United States or Australia to sign on downgrades the efficacy of the agreement, even if it achieves significant changes of behavior among the signatories.

Table 1.1
A Taxonomy of Globalization Theories

	Agent-Based Approaches	*Structure-Based Approaches*
Material pressures dominate	Mainstream IPE- approaches	Race-to-the-bottom
Ideational pressures dominate	Global civil society (GCS)	World polity paradigm

actors. These approaches argue that states are at the mercy of systemic forces, be they material or ideational. With these approaches, coordination occurs because of structural effects that force policy convergence; all countries respond to transnational constraints in the same way. While these approaches are conceptually elegant, they share the twin flaws of dubious theoretical presumptions and meager empirical support.[51]

Structural models focusing on the material effects of trade and capital flows tend to posit a "race-to-the-bottom" outcome. According to this model, capital has become increasingly footloose, to the point where states could not limit its mobility even if they tried.[52] In such a world, capital will seek the location where it can earn the highest rate of return. High rates of corporate taxation, strict labor laws, or rigorous environmental protection lower profit rates by raising the costs of production. Capital will therefore engage in regulatory arbitrage, moving to (or importing from) countries with the lowest regulatory standards. Nation-states eager to attract capital—and fearful of losing their tax base—lower their regulatory standards so as to raise the rate of return for corporate investment. The end result is a world where regulatory standards are at the lowest common denominator.

As David Vogel and Robert Kagan observe, "The political influence of the 'race to the bottom' imagery has been considerable."[53] While some scholarly advocates for this approach exist, its prominence is largely due to its long intellectual history and its recurrent popularity among the commentariat. Scholars in the social sciences have been fretting about races to the bottom

[51] Drezner, "Globalization and Policy Convergence."

[52] See John Goodman and Louis Pauly, "The Obsolescence of Capital Controls?" *World Politics* 46 (October 1993): 50–82; Sebastian Edwards, "How Effective Are Capital Controls?" *Journal of Economic Perspectives* 13 (Fall 1999): 65–84.

[53] David Vogel and Robert Kagan, eds., *The Dynamics of Regulatory Change: How Globalization Affects National Regulatory Policies* (Berkeley: University of California Press, 2004), 2.

since Adam Smith's *Wealth of Nations*.[54] Naomi Klein epitomizes the public intellectual cachet of this metaphor when she asserts: "[T]he incentives to lure investors are increasing and the wages and standards are being held hostage to the threat of departure. The upshot is that entire countries are being turned into industrial slums and low-wage ghettos, with no end in sight."[55] Implicitly or explicitly, this theory is at the root of most of the antiglobalization sentiment voiced in Seattle and elsewhere.[56]

There are anecdotal examples that support the idea of a race to the bottom,[57] but the bulk of the evidence strongly suggests that these assertions are flatly wrong. Official international governmental organization reports,[58] statistical

[54] "The proprietor of stock is a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was . . . assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business or enjoy his fortune more at his ease. By removing his stock he would put an end to all the industry which it had maintained in the country which he left" (Adam Smith, *The Wealth of Nations*, [New York: Modern Library, 1937], 800). On other eighteenth- and nineteenth-century fears about globalization, see Samir Amin, "The Challenge of Globalization," *Review of International Political Economy* 3 (Fall 1996): 216–59; Emma Rothschild, "Globalization and the Return of History," *Foreign Policy* 115 (Summer 1999): 106–16.

On concerns about race-to-the-bottom effects beyond political science, see Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944), 57; Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64 (October 1956): 416–24; and William L. Cary, "Federalism and Corporate Law: Reflections upon Delaware," *Yale Law Journal* 83 (March 1974): 663–705.

[55] Naomi Klein, *No Logo* (London: Flamingo, 2000), 208, quoted in Martin Wolf, *Why Globalization Works* (New Haven, CT: Yale University Press, 2004), 240.

[56] Frieden, *Global Capitalism*, 466–68. For examples, see Lori Wallach and Michelle Sforza, *Whose Trade Organization? Corporate Globalization and the Erosion of Democracy* (Washington, DC: Public Citizen, 1999); Jerry Mander and Edward Goldsmith, eds., *The Case Against the Global Economy* (San Francisco: Sierra Club Books, 1996); Robin Broad, ed., *Global Backlash: Citizen Initiatives for a Just Economy* (New York: Rowan and Littlefield, 2002).

[57] See, for example, Kathleen Newland, "Workers of the World, Now What?" *Foreign Policy* 114 (Spring 1999): 52–65; Ethan Kapstein, "Workers and the World Economy," *Foreign Affairs* 75 (May/June 1996): 16–24.

[58] On labor issues, see *Organization for Economic Cooperation and Development, Trade, Employment, and Labour Standards: A Study of Core Workers' Rights and International Trade* (Paris, OECD, 1996); *International Trade and Core Labour Standards* (Paris: OECD, 2000); Dorsati Madami, *A Review of the Role and Impact of Export Processing Zones*, Policy Research Working Paper No. 2238 (Washington, DC: World Bank, 1999); and *International Labour Organization, Labour and Social Issues Relating to Export Processing Zones* (Geneva: ILO, 1998). On the environment, see J. M. Dean, "Trade and the Environment: A Survey of Literature," in *International Trade and the Environment*, ed. Patrick Low (Washington, DC: World Bank, 1992); Candice Stevens, "Do Environmental Policies Affect Competitiveness?" OECD Observer No. 183 (1993): 22–25; and Gunnar Eskeland and Ann Harrison, "Moving to Greener Pastures? Multinationals and the Pollution-Haven Hypothesis," World Bank Policy Research Working Paper No. 1744, March 1997.

inquiries,[59] comparative analyses,[60] and even studies of deviant cases[61] fail to find any appreciable evidence that countries are systematically lowering their labor or environmental standards in order to attract multinational capital. There is no evidence that economic openness and regulatory laxness are correlated in any way. Reviewing the literature, Martin Wolf comes to the same conclusion: "The great bulk of foreign direct investment continues to go to

[59] Nathan Jensen, *Nation-Sates and the Multinational Corporation: A Political Economy of Foreign Direct Investment* (Princeton, NJ: Princeton University Press, 2006); Dani Rodrik, "Labor Standards in International Trade: Do They Matter and What Do We Do about Them?" in *Emerging Agenda for Global Trade*, ed. Robert Z. Lawrence, Dani Rodrik, and John Whalley (Washington, DC: Overseas Development Council; Baltimore: Distributed by Johns Hopkins University Press, 1996); Rodrik, "Globalization and Labor," in *Market Integration, Regionalism, and the Global Economy*, ed. Richard Baldwin et al. (Cambridge: Cambridge University Press, 1999); Drusilla K. Brown, "International Trade and Core Labor Standards," Discussion Paper 2000–2005, Department of Economics, Tufts University, Medford, MA, January 2000; Robert J. Flanagan, "Labor Standards and International Competitive Advantage," paper presented at the International Labor Standards Conference, Stanford University, Stanford, CA, May 2002; Hye Jee Cho, "Political Risk, Labor Standards and Foreign Direct Investment," paper presented at UCLA's CIBER Doctoral Reseach Seminar, Ventura, CA, June 2002.

On the environment, see James Tobey, "The Impact of Domestic Environmental Policies on Patterns of World Trade," *Kyklos* 43 (May 1990): 191–209; Nancy Birdsall and David Wheeler, "Trade Policy and Industrial Pollution in Latin America: Where Are the Pollution Havens?" *Journal of Environment and Development* 2 (March 1993): 137–49; Adam B. Jaffe, Steven R. Peterson, Paul R. Portney, and Robert N. Stavins, "Environmental Regulation and the Competitiveness of U.S. Manufacturing," *Journal of Economic Literature* 33 (March 1995): 132–63; Ravi Ratnayake, "Do Stringent Environmental Regulations Reduce International Competitiveness?" *International Journal of the Economics of Business* 5 (February 1998): 97–118; Mark N. Harris, László Kónya, and László Mátyás, "Modelling the Impact of Environmental Regulations on Bilateral Trade Flows," *The World Economy* 25 (March 2002): 387–405; Raman Letchumanan and Fumio Kodama, "Reconciling the Conflict between the 'Pollution-Haven' Hypothesis and an Emerging Trajectory of International Technology Transfer," *Research Policy* 29 (2000): 59–79; David Wheeler, "Racing to the Bottom? Foreign Investment and Air Quality in Developing Countries," *Journal of Environment and Development* 10 (September 2001): 225–45; Beata K. Smarzynska and Shang-Jin Wei, "Pollution Havens and Foreign Direct Investment," NBER Working Paper No. 8465, September 2001; and Josh Ederington, Arik Levinson, and Jenny Menier, "Trade Liberalization and Pollution Havens," NBER Working Paper No. 10585, June 2004. For an exception, see Yuquing Xing and Charles Kolstad, "Do Lax Environmental Regulations Attract Foreign Investment?" *Environmental and Resource Economics* 21 (January 2002): 1–22.

[60] Debora Spar, "Attracting High Technology Investment: Intel's Costa Rican Plant," FIAS Occasional Paper No. 11, World Bank, Washington, DC, April 1998; Cees Van Beers, "Labour Standards and Trade Flows of OECD Countries," *The World Economy* 21 (January 1998): 57–73; Paul Q. Hirst and Grahame Thompson, *Globalization in Question*, 2nd ed. (Cambridge: Polity Press, 1999); Ana Teresa Romero, "Labour Standards and Exports Processing Zones: Situation and Pressures for Change," *Development Policy Review* 13 (1995): 247–76; Theodore Moran, *Beyond Sweatshops: Foreign Direct Investment and Globalization in Developing Countries* (Washington, DC: Brookings Institution Press, 2002).

[61] Elizabeth DeSombre, *Flagging Standards: Environmental, Safety, and Labor Regulations at Sea* (Cambridge, MA: MIT Press, 2006); Dale Murphy, *The Structure of Regulatory Competition* (New York: Oxford University Press, 2004), chap. 2; Ronald Mitchell, "Regime Design Matters: Intentional Oil Pollution and Treaty Compliance," *International Organization* 48 (Summer 1994): 425–58.

countries with high labour costs and strong regulatory regimes, not least on the environment."[62] Theoretically, the race to the bottom rests on shaky initial assumptions—and the predicted outcome is not robust to slight alterations in the model.[63] Of the major explanations for global regulatory coordination, this is the easiest one to dismiss.

The world polity approach eschews the material aspects of globalization.[64] According to this paradigm, regulatory coordination is not driven by capital mobility but by the spread of abstract concepts combined with the need for governments to conform to an ideal of the rationalized bureaucratic state.[65] John Meyer—the leading voice of this paradigm—sums up the argument: "globalization means the expanded flow of instrumental culture around the world. Put simply, common models of social order become authoritative in many different social settings."[66] According to this paradigm, the spread of global scientific discourse, establishment of international treaty law, and creation of attendant international governmental organizations (IGOs) leads to institutional isomorphism.[67] These ideational forces of globalization cause the spread of new norms calling for an "expansive structuration" of the state—

[62] Wolf, *Why Globalization Works*, 233.

[63] Daniel W. Drezner, "Globalizers of the World, Unite!" *The Washington Quarterly* 21 (Winter 1998): 209–25; Miles Kahler, "Modeling Races to the Bottom," paper presented at the 1998 annual meeting of the American Political Science Association, Boston, MA, September 1998; Ronald Rogowski, "Globalization without Governance: Implications of Tiebout Models in a World of Mobile Factors," paper presented at the American Political Science Association annual meeting, Washington DC, September 2000; Geoffrey Garrett and Peter Lange, "Internationalization, Institutions, and Political Change," in *Internationalization and Domestic Change*, ed. Robert Keohane and Helen Milner (Cambridge: Cambridge University Press, 1996); Scott Basinger and Mark Hallerberg, "Remodeling the Competition for Capital: How Domestic Politics Erases the Race-to-the-Bottom," *American Political Science Review* 98 (May 2004): 261–76.

[64] The "world polity" school of thought is also referred to as the "world society" paradigm. In the interest of distinguishing this model from later discussions about global civil society, I will stick to the "world polity" terminology.

[65] John W. Meyer, John Boli, George Thomas, and Francisco Ramirez, "World Polity and the Nation-State," *American Journal of Sociology* 103, no. 1 (1997): 144–81; Martha Finnemore, *National Interests and International Society* (Ithaca, NY: Cornell University Press, 1996); David Strang and Sarah Soule, "Diffusion in Organizations and Social Movements," *Annual Review of Sociology* 24 (1998); David Strang and John Meyer, "Institutional Conditions for Diffusion," *Theory and Society* 22, no. 4 (1993): 487–511.

[66] John W. Meyer, "Globalization: Sources and Effects on Nation States and Societies," *International Sociology* 15 (June 2000): 233–34. See also Marie-Laure Djelic and Kerstin Sahlin-Andersson, eds., *Transnational Governance: Institutional Dynamics of Regulation* (Cambridge: Cambridge University Press, 2006).

[67] Ibid. See also Paul Dimaggio and Walter Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review* 48 (April 1983): 147–60. In this respect, the world polity approach is akin to structural neorealism. Kenneth Waltz, in discussing globalization, asserts great power autonomy but acknowledges that states will adopt the best practices of other states, leading to policy convergence. See Waltz, "Globalization and Governance," *PS: Political Science and Politics* 32 (December 1999): 697.

the development of new rules and bureaucracies to regulate both society and economy. Inexorably, states harmonize their regulations at ever-increasing levels of government intervention.[68]

This school of thought is somewhat vague on the processes through which convergence occurs, making falsification tests difficult.[69] Nevertheless, scholars working within the world polity paradigm have generated statistical evidence for a variety of regulatory functions.[70] There has undoubtedly been a secular increase in government commitment to labor standards, for example, which supports the structuration hypothesis.[71] In particular, empirical studies argue that the growth of the United Nations system, the rationalization of scientific discourse, and the growth of national bureaucracies can explain the explosion of international environmental regulation over the past century.[72]

The evidence for the world polity approach looks compelling but raises troubling methodological issues. It is an open question whether these results demonstrate correlation or causation. Empirically, measures of broad global participation are used to predict narrower forms of policy coordination.[73]

[68] As Meyer et al. conclude, "Holding constant the functional pressures of size, resources, and complexity, in recent decades nation-states . . . have clearly expanded inordinately across many different social domains. This is precisely the period during which world polity has been consolidated." Meyer et al., "World Polity and the Nation-State," 156.

[69] Sidney Tarrow observes, "Meyer and his collaborators were more interested in mapping isomorphism than in understanding the mechanisms of diffusion—and in fact, in their work the diffusion process is more frequently inferred from the presence of similar structures than traced through the actions of particular actors." Tarrow, "Transnational Politics: Contention and Institutions in International Politics," *Annual Review of Political Science* 4 (2001): 5–6. Even adherents to this view acknowledge this; see David Strang and Patricia Yei Min Chang, "The International Labor Organization and the Welfare State," *International Organization* 47 (Spring 1993): 237. See also Kate O'Neill, "Agency and Environmental Policy Change," unpublished ms., University of California, Berkeley, CA, June 2000.

[70] Y. S. Kim, Y. S. Jang, and H. Hwang, "Structural Expansion and the Cost of Global Isomorphism: A Cross-National Study of Ministerial Structure," *International Sociology* 17 (December 2002): 481–503; and Xiaowei Luo, "The Rise of the Social Development Model: Institutional Construction of International Technology Organizations, 1856–1993," *International Studies Quarterly* 44 (March 2000): 147–75.

[71] Strang and Chang, "The International Labor Organization and the Welfare State," 235-262; M. Senti, "The impact of international organizations on national social security expenditure: The case of the International Labour Organization (ILO) 1960–1989," *Politische Vierteljahresschrift* 39 (September 1998).

[72] John W. Meyer et al., "The Structuring of a World Environmental Regime, 1870–1990," *International Organization* 51 (October 1997): 623–51; David John Frank, "Science, Nature, and the Globalization of the Environment, 1870–1990," *Social Forces* 76 (December 1997): 409–37; David John Frank, "The Social Bases of Environmental Treaty Ratification, 1900–1990," *Sociological Inquiry* 69 (Fall 1999): 523-50; David John Frank, Ann Hironaka, and Evan Schofer, "The Nation-State and the Natural Environment over the Twentieth Century," *American Sociological Review* 65 (February 2000): 96–116.

[73] For example, it should not be shocking that the growth of scientific unions is used to predict the growth of environmental associations. Frank, "The Social Bases of Environmental Treaty Ratification," 528.

David John Frank admits that the world polity paradigm's testable hypotheses are "almost tautalogous," acknowledging that "it may be the case that one of the competing independent variables (such as economic development) underlies both country linkages to world society and number of environmental treaty ratifications."[74] Including intervening variables on the left-hand side of a regression model artificially reduces the significance levels of the collinear causal variables.[75] This flaw is indicative of the tendency for world polity scholars, in their empirical work, to omit control variables for alternative explanations.[76]

The world polity paradigm suffers from theoretical shortcomings as well. It tends to exaggerate the power of global culture at the expense of domestic rules and institutions. World polity scholars assume that states in the developing world will mimic more advanced economies because their own laws and institutions are amorphous and/or illegitimate enough to permit the constant re-creation of political institutions. This may be an accurate description of some developing countries, but not all. States in Latin America, South Asia, and the Pacific Rim have a sufficient history of self-governance to experience institutional path dependence, making regulatory change considerably more difficult.[77] This argument also assumes global culture is free of contradictory impulses. As will be demonstrated in the chapter on genetically modified organisms, transnational regulatory coordination can generate both material and ideational conflicts among the great powers.[78] If there is disagreement within the core nations of the global economy, it is hard to envision how common standards and practices will naturally diffuse to other countries.

Another category of theorists reject the emphasis on structural factors and emphasize the agency of nonstate actors in the international system. Ann Florini and P. J. Simmons assert that, "Transnational civil society is a piece—an increasingly important piece—of the larger problem of global gover-

[74] Ibid, 533.

[75] A related statistical flaw is that in many of these studies, one-tailed t-tests are used to determine significance. If two-tailed tests are used, many of the significant results drop below the 95 percent confidence threshold.

[76] The Frank study only includes world population and carbon dioxide emissions as alternative explanatory variables; the Meyer study only includes population. Many of the variables consistent with alternative explanations of regulatory convergence—growth in global GDP, the rate of urbanization, the growth of international trade, the distribution of power, changes in communication technologies—are not included in either study. Given the admitted collinearity of these alternatives with the associational variables, the likelihood of omitted variable bias cannot be dismissed.

[77] Douglass North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990); Mauro Guillén, *The Limits of Convergence: Globalization and Organizational Change in Argentina, South Korea, and Spain* (Princeton, NJ: Princeton University Press, 2001).

[78] On the ideational side of the equation, see Judith Goldstein, *Ideas, Institutions, and American Trade Policy* (Ithaca, NY: Cornell University Press, 1993); John Kurt Jacobsen, "Much Ado about Ideas: The Cognitive Factor in Economic Policy," *World Politics* 47 (January 1995): 283–310.

nance."[79] Scholars working in this framework posit that the growth of nongovernmental organizations,[80] epistemic communities,[81] public policy networks,[82] transnational social movements,[83] and even private orders[84] amounts to the creation of a global civil society (GCS) that is too ideationally powerful for states to ignore. As the dynamic density of GCS actors increases, so does their effect on outcomes.[85] Some writers go further, arguing that these groups are now powerful enough to bypass the state entirely, leading to a "world civic politics."[86]

Most of the empirical work on global civil society consists of efforts to demonstrate existence rather than pervasiveness. Therefore, most of the case studies take the form of "easy tests."[87] However, even looking at these cases, there is reason to question the explanatory power of the GCS approach. For example, scholars have argued that an epistemic community based in the United Nations Environmental Program and elite research institutes was responsible for persuading governments to agree to cooperate on the Montreal Protocol on stratospheric ozone, the 1992 Rio biodiversity summit, and the

[79] Ann M. Florini and P. J. Simmons, "What the World Needs Now?" in *The Third Force: The Rise of Transnational Civil Society*, ed. Ann Florini (Washington, DC: Carnegie Endowment for International Peace, 2000), 3.

[80] Peter J. Spiro, "New Global Communities: Nongovernmental Organizations in International Decision-Making Institutions," *The Washington Quarterly* 18 (Winter 1994): 45–56; Paul Wapner, "Politics beyond the State: Environmental Activism and World Civic Politics," *World Politics* 47 (April 1995): 311–40.

[81] Peter Haas, "Introduction: Epistemic Communities and International Policy Coordination," *International Organization* 46 (Spring 1992): 1–35.

[82] Wolfgang Reinicke, *Global Public Policy: Governing without Government?* (Washington, DC: Brookings Institution Press, 1998); John Braithwaite and Peter Drahos, *Global Business Regulation* (Cambridge: Cambridge University Press, 1999).

[83] Keck and Sikkink, *Activists beyond Borders*; Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte, and Marc Williams, *Contesting Global Governance* (Cambridge: Cambridge University Press, 2000).

[84] A. Claire Cutler, Virginia Haufler, and Tony Porter, eds., *Private Authority and International Affairs* (Albany: State University of New York Press, 1999); Rodney Bruce Hall and Thomas J. Biersteker, eds., *The Emergence of Private Authority in Global Governance* (Cambridge: Cambridge University Press, 2002).

[85] Margaret Keck and Kathryn Sikkink point out: "Networks operate best when they are dense, with many actors, strong connections among groups in the network, and reliable information flows." Keck and Sikkink, *Activists beyond Borders*, 28.

[86] Ronnie Lipschultz notes: "While the participants in the networks of global civil society interact with states and governments over particular policy issues, the networks themselves extend beyond levels of analysis and state borders, and are not constrained by the state system itself." Lipschutz, "Reconstructing World Politics," 393. See also Wapner, "Politics beyond the State."

[87] One exception is Richard Price, "Reversing the Gun Sights: Transnational Civil Society Targets Land Mines," *International Organization* 52 (Summer 1998): 613–44, but see chapter 9 for a further discussion of the land mine case.

international whaling regime.[88] However, Lawrence Susskind argues that in general, epistemic communities have rarely played a role in environmental governance: "a review of most of the international treaties negotiated since the 1972 Stockholm conference shows that scientific evidence has played a surprisingly small role in issue definition, fact-finding, bargaining, and regime strengthening."[89] Both first-person and analytic accounts of international environmental negotiations also clash with the GCS narrative.[90]

Research into global civil society often blurs public activity with causal effect.[91] For example, GCS activists assert that through mass protests, petitions, and posting treaty drafts on Web sites, they played a crucial role in the failure of the Multilateral Agreement on Investment (MAI), an OECD initiative that stalled out in December 1998.[92] The problem with this interpretation of events is that there is minimal evidence that they were the cause of the MAI's downfall. The member states were far from reaching an agreement—the last draft version of the treaty had contained almost fifty pages of country-specific exemptions.[93] The United States and European Union were deadlocked over the issues of extraterritorial sanctions, application of the most-favored nation principle, and cultural protectionism. Edward M. Graham concludes: "the ne-

[88] On the Montreal Protocol, see Peter Haas, "Banning Chlorofluorocarbons: Epistemic Community Efforts to Protect Stratospheric Ozone," *International Organization* 46 (Spring 1992): 187–224; On whaling, see M. J. Peterson, "Whalers, Cetologists, Environmentalists, and the International Management of Whaling," *International Organization* 46 (Spring 1992): 147–86. More generally, see Wapner, "Politics beyond the State," and Ann Marie Clark, Elizabeth Friedman, and Kathryn Hochstetler, "The Sovereign Limits of Global Society," *World Politics* 51 (Fall 1998): 1–35.

[89] Lawrence Susskind, *Environmental Diplomacy: Negotiating More Effective Global Agreements* (Oxford: Oxford University Press, 1994), 64, quoted in Michael Zürn, "The Rise of International Environmental Politics," *World Politics* 50 (Fall 1998): 617–49.

[90] Mostafa Tolba, *Global Environmental Diplomacy* (Cambridge, MA: MIT Press, 1998), 85; Kenneth Oye and James Maxwell, "Self-Interest and Environmental Management," in *Local Commons and Global Interdependence*, ed. Robert Keohane and Elinor Ostrom (London: SAGE, 1995); Murphy, *The Structure of Regulatory Competition*, chap. 4; Young Ho Kim, "The Conditions of Effective NGO Policy Advocacy: An Analysis of Two International Environmental Treaties," paper presented at the International Studies Association annual meeting, New Orleans, LA, March 2002; and Scott Barrett, "The Political Economy of the Kyoto Protocol," *Oxford Reviews of Economic Policy* 14 (Winter 1998): 20–39.

[91] Michele Betsill and Elisabeth Corell, "NGO Influence in International Environmental Negotiations: A Framework for Analysis," *Global Environmental Politics* 1 (November 2001): 65–85.

[92] Stephen Kobrin, "The MAI and the Clash of Globalizations," *Foreign Policy* 112 (Fall 1998): 98; Craig Warkentin and Karen Mingst, "International Institutions, the State, and Global Civil Society in the Age of the World Wide Web," *Global Governance* 6 (April/June 2000): 237–57; Ronald Deibert, "International Plug 'n Play? Citizen Activism, the Internet, and Global Public Policy," *International Studies Perspectives* 1 (July 2000): 235–72; Florini and Simmons, "What the World Needs Now?" 10.

[93] See Edward M. Graham, *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises* (Washington, DC: Institute for International Economics, 2000), chaps. 1–2.

gotiations were indeed in very deep difficulty before the metaphorical torpedo was fired by the NGOs . . . this torpedo thus was more a coup de grâce than a fatal blow in its own right."[94]

Many of the flaws in the GCS approach echo the problems with the first wave of research on transnational actors three decades ago.[95] Michael Clarke noted that the first wave of transnationalism research, "certainly does not constitute a theory; it is rather a term which recognizes a phenomenon, or perhaps a trend in world politics, a phenomenon from which other concepts flow."[96] Similarly, the GCS scholarship to date has focused more on descriptive inference than causal inference[97]—and even the description often lacks conceptual clarity.[98] The empirical confusion between the visibility of global civil society and their precise role in affecting the aforementioned cases highlights the need for causal inference and careful process tracing.

The final category of theories—mainstream IR paradigms—refers to the paradigms of international relations that have been dominant in the discourse. These approaches accept the primacy of material over ideational factors, and argue that the menu of choice for significant actors is not tightly constrained. They also assume that states are the primary actors in setting regulatory standards. The revisionist approach developed in this book comfortably fits into this family of theories.

There is a burgeoning literature that discusses how states determine the pattern of transnational regulation.[99] While these approaches share many common assumptions, however, significant differences remain. Many liberal institutionalists and virtually all realists begin with the premise that the United

[94] Graham, *Fighting the Wrong Enemy*, 16 and 40.

[95] Robert Keohane and Joseph Nye, *Transnational Relations and World Politics* (Cambridge, MA: Harvard University Press, 1973); Keohane and Nye, *Power and Interdependence* (Boston: Scott Foresman, 1978). On the similarities between the GCS literature and Keohane and Nye's work in the 1970s, see Alejandro Colás, *International Civil Society* (Oxford: Polity Press, 2002), chap. 1.

[96] Michael Clarke, "Transnationalism," in *International Relations: British and American Perspectives*, ed. Steve Smith (Oxford: Basil Blackwell, 1985), 146.

[97] On the distinction, see Gary King, Robert Keohane, and Sidney Verba, *Designing Social Inquiry* (Princeton, NJ: Princeton University Press, 1994), chaps. 2–3.

[98] Sidney Tarrow concurs, concluding, "Analysts in this burgeoning field have been better at describing activities than at conceptualizing them in clear analytical terms." Tarrow, "Transnational Politics," 10. See, more generally, Tarrow, *The New Transnational Activism* (New York: Cambridge University Press, 2005). See also Florini and Simmons, "What the World Needs Now?" 4.

[99] Murphy, *The Structure of Regulatory Competition*; Vogel and Kagan, *The Dynamics of Regulatory Change*; Kahler and Lake, *Governance in a Global Economy*; Mattli, ed., "The Politics and Economics of International Institutional Standards Setting"; Barbara Koremenos, Charles Lipson, and Duncan Snidal, eds., *The Rational Design of International Institutions* (Cambridge: Cambridge University Press, 2003); Aseem Prakash and Jeffrey Hart, eds., *Coping with Globalization* (London: Routledge, 2000); Liliana Botcheva and Lisa L. Martin, "Institutional Effects on State Behavior: Convergence and Divergence," *International Studies Quarterly* 45 (March 2001): 1–26;. Todd Sandler, *Global Collective Action* (New York: Cambridge University Press, 2004).

States remains a hegemonic actor in most facets of the global economy.[100] For these theorists, policy coordination can be explained by a combination of American preferences and the extent of the externalities created by an absence of harmonization. Unless states face a prisoner's dilemma with few cross-border spillovers, policy coordination is likely.[101]

While the assumption of American hegemony works well in the security realm,[102] it is far from clear whether such an assumption is accurate when thinking about the global political economy. As a share of the global economy, the United States had more power and fewer peer competitors in 1945 than at any point during the current era of globalization—yet no scholar would claim that global policy harmonization was stronger back then. This fact highlights another weakness of the hegemony assumption: the belief that military power, or even productive power, is sufficiently fungible to affect outcomes in the global political economy.[103] Even in realms where American power currently appears preeminent, there are coding disputes. For example, Beth Simmons provides an explanation of harmonization in capital market regulation that relies on hegemonic state power. However, other scholars have challenged Simmons's assumption on empirical grounds.[104]

Another body of state-based theories, resting squarely within the institutionalist tradition, focuses on the bargaining problem between states and the relative strength and weakness of state-level and supranational regulatory networks.[105] Regulatory coordination is more likely to take place when preexisting institutions are in place and possess the necessary monitoring and enforcement capabilities.[106] The theoretical work in this area relies on game-theoretic mod-

[100] Beth Simmons, "The International Politics of Harmonization: The Case of Capital Market Integration," *International Organization* 55 (Summer 2001): 589–620. G. John Ikenberry, *After Victory* (Princeton, NJ: Princeton University Press, 2000); Joseph Nye, *The Paradox of American Power* (New York: Oxford University Press, 2002); Michael Mandelbaum, *The Case For Goliath: How America Acts as the World's Government in the 21st Century* (New York: PublicAffairs, 2005).

[101] See, in particular, Simmons, "The International Politics of Harmonization."

[102] William Wohlforth, "The Stability of a Unipolar World," *International Security* 24 (Summer 1999): 5–41.

[103] Another flaw rests on how power is operationalized. While many scholars assume economic power rests on a country's share of global production capabilities, the approach developed in the next few chapters demonstrates that the size of a country's aggregate demand matters more than supply. At the macro level, the definition is unimportant, but at the sectoral level, the distinction frequently leads to contrasting predictions.

[104] See the discussion in chapter 5.

[105] Slaughter, *A New World Order*; Mattli, "The Politics and Economics of International Institutional Standards Setting"; Walter Mattli and Tim Büthe, "Setting International Standards: Technological Rationality or Primacy of Power?" *World Politics* 56 (October 2003): 1–42; Koremenos, Lipson, and Snidal, *The Rational Design of International Institutions*; Keohane, *Power and Governance in a Partially Globalized World*.

[106] Robert Axelrod and Robert Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions," in *Cooperation under Anarchy*, ed. Kenneth Oye (Princeton, NJ: Princeton Uni-

els of interactions between states. The nature of the cooperation problem is more important than state power or preferences—because the question of interest to many international relations scholars is why states choose not to cooperate even if all parties can enhance their utility via cooperation. The empirical work of this research program also tends to focus on individual international governmental organizations and their relative success and failure.

There are theoretical and empirical shortcomings to this approach. Theoretically, an institutionalist approach ignores situations when noncooperation takes place because of preference divergence rather than bargaining failures or credible commitment problems.[107] As Andrew Hurrell points out, "because a great deal of institutionalist writing has been concerned with the creation of institutions within the developed world, there has been a tendency to assume away the existence of fundamental differences in religion, social organization, culture, and moral outlook that may block or, at least, complicate cooperative action."[108]

Empirically, even institutionalists acknowledge flaws within the paradigm.[109] A major problem is that this research suffers from a narrowness of vision. There is a tendency to focus on a single formal organization to the exclusion of other institutions with similar functions. This overlooks an important fact in understanding the processes of regulatory coordination—there is a remarkably thick institutional environment in the global political economy.[110] The number of formal IGOs is sufficiently large that in thinking about global governance, one can talk about "regime complexes" rather than single organizations.[111]

Where does the literature leave us? Most immediate is the need for more refined theories and better empirical work. If the structural approaches have less empirical support it is partially because their predictions are more precise and thus easier to falsify. Agent-based approaches to policy coordination must

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versity Press, 1986); Lisa Martin, "Interest, Power and Multilateralism," *International Organization* 46 (Autumn 1992): 765–92.

[107] For example, Robert Keohane ascribes the failure of the Kyoto Protocol to "bargaining problems," when in fact the divergence of preferences is so wide that it is far from clear that, until the costs of global warming become more readily apparent, a bargaining core even exists. Keohane, *Power and Governance in a Partially Globalized World*, 32.

[108] Andrew Hurrell, "Power, Institutions, and the Production of Inequality," in *Power in Global Governance*, ed. Michael Barnett and Raymond Duvall (Cambridge: Cambridge University Press, 2005), 35–36.

[109] Jeffry Frieden and Lisa Martin acknowledge that, "theoretical work on international institutions has far outstripped the quantity and quality of empirical work." Frieden and Martin, "International Political Economy: Global and Domestic Interactions," in *Political Science: The State of the Discipline*, ed. Ira Katznelson and Helen Milner (New York: W. W. Norton, 2002), 146.

[110] Cheryl Shanks, Harold Jacobson, and Jeffrey Kaplan, "Inertia and Change in the Constellation of International Governmental Organizations, 1981–1992," *International Organization* 50 (Autumn 1996): 593–627; Judith Goldstein, Douglas Rivers, and Michael Tomz, "Institutions in International Relations," paper presented at the American Political Science annual meeting, Philadelphia, PA, August 2003.

[111] Raustiala and Victor, "The Regime Complex for Plant Genetic Resources."

be able to make falsifiable predictions. Empirically, there is a need to select tests that generate contrasting predictions from different theoretical approaches. To date, a common failure of the approaches reviewed in this chapter is the failure to consider alternative explanations in their empirical work. Single case studies with overdetermined explanations or statistical tests without control variables are insufficient for the accumulation of knowledge.

To be fair, the globalization process imposes formidable roadblocks to theory-building. One obvious challenge is the dizzying plethora of actors, factors, and venues that appear to demand explanation. Some existing paradigms may draw faulty causal inferences about global economic governance, but they are more accurate in their descriptive inferences of how globalization unleashes emergent actors and trends. The literature on global civil society is correct in asserting that globalization has increased the number of nonstate actors in world politics. The world polity approach is correct in pointing to the proliferation of intergovernmental organizations and agreements that dot the global stage. The race-to-the-bottom argument dramatically overpredicts its primary hypothesis, but provides some empirical leverage in highlighting the possibility of regulatory slack.[112] The state-based approaches make more sensible assumptions, but can suffer from a narrowness of theoretical and empirical vision. These critiques, however, offer a useful guide for how to start theorizing about the regulation of globalization.

The Methods

This book will use a mixture of formal and expositional argumentation to develop the argument. Game theory can be a valuable tool to clarify the assumptions and the causal logic of a model. It will be used here to show the conditions under which governments will be amenable to policy coordination. The globalization phenomenon has a lot of working parts, however. In addition to states there are other categories of actors, including NGOs, IGOs, and multinational corporations. Throwing all of these actors into the game-theoretic grinder increases the complexity of a formal model to the point where the computational costs outweigh the explanatory benefits. When such circumstances present themselves, I will switch to a less formal method of theory development.

Statistical analysis is of little use in testing this model against competing explanations. Operationalizing a common measure of the dependent variable—effective regulatory coordination—across issue areas is extremely problematic. Examining formal international agreements is one way to measure policy coordination, but there is no observable and verifiable method for mea-

[112] Murphy, *The Structure of Regulatory Competition.*

suring effective implementation that travels across disparate issue areas. This matters because for certain distributions of state interests, my model will predict the development of sham standards—nominal policy coordination coupled with ineffective global governance. Furthermore, the model presented here develops a theory of coordination processes as well as outcomes. Given the dynamic nature of the coordination questions under study, the best approach to testing these theories is through the careful selection of case studies, followed by process-tracing and within-case analysis.[113] Case studies can best test the process attributes of the various models of regulatory coordination.

It is commonly argued that the case study methods are inferior to statistical methods in demonstrating empirical validity.[114] However, the proper selection of cases can substantially strengthen the positive empirical claims that can be made. To demonstrate that a great power concert is a necessary and sufficient condition for effective global regulatory governance, I examine the global governance of financial regulation and the Internet. Globalization theorists argue that the nation-state is at its weakest and the plethora of nonstate actors and structural constraints are at their strongest for these two issue areas. All of the ways in which globalization is hypothesized to weaken states occur in a more concentrated form on Internet-related issues. Therefore, in chapter 4, I look at the global governance of the Internet. International finance is commonly assumed to be the synecdoche of all of the ways in which economic globalization empowers markets and constrains states. In chapter 5, I examine the push toward global financial regulation in the wake of the Mexican and Asian financial crises. In chapter 6, I examine the case of genetically modified organisms—an issue area where the United States and European Union have diametrically opposing preferences. This case provides fertile ground to examine the theory of preference formation developed here—and also allows a comparison of the revisionist model against other state-centric models of global regulation. There are also issues for which nonstate actors are given pride of place in explaining shifts in global governance outcomes. In chapter 7, I examine the ongoing battle over intellectual property rights and the patenting of life-saving pharmaceuticals. For these cases, the revisionist model presented here can explain the variation in governance processes, governance outcomes, and the enforcement of rules better than any single competing alternative.

These case studies involve an intensive use of primary and secondary source material. I also rely on interviews with the relevant officials from key governments, IGOs, and NGOs that were involved in these issue areas. In analyzing

[113] Alexander George and Timothy McKeown, "Case Studies and Theories of Organizational Decision-Making," in *Advances in Information Processing in Organizations*, ed. R. Coulam and R. Smith (Greenwich, CT: JAI Press, 1985); Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005).

[114] Arend Lijphart, "Comparative Politics and the Comparative Method," *American Political Science Review* 65 (September 1971): 682–93; King, Keohane, and Verba, *Designing Social Inquiry*.

the global governance structures concerning both financial regulation and money laundering, I rely on an additional data source—my "field work" as an international economist at the U.S. Department of the Treasury's Office of International Banking and Securities Markets.

The Limitations

The revisionist model presented here can explain a lot about globalization and global governance, but there is a lot more that lies outside this book's purview. No single book weighing less than ten pounds could explain all of the implications of globalization or the intricacies of global governance, which range from the end of the nation-state to the end of history. It should be stressed what this book does *not* cover: I do not attempt to explain the origins of the recent era of economic globalization or the origins of the international institutions that underlie this era.[115] At this juncture, such a question is primarily of historical interest; this book assumes that regulations matter precisely because high tariffs, quotas, and capital controls are not considered to be viable policy options for most goods and services. The effect of globalization on macroeconomic policies or the size of the welfare state will also not be discussed.[116] The global governance of security-related issues is not covered in the main text. The normative debates about global governance are also not a topic of discussion.[117]

The empirical limitations need to be highlighted as well. The problem with studying global regulatory coordination is the limited number of data points. While there have been previous eras of globalization, states in those times were less concerned with ameliorating the domestic externalities of global capitalism.[118] As a result, the few studies of regulatory coordination prior to 1945 have mainly highlighted the unwillingness in world politics to create effective forms of global governance.[119] The cold war–era largely consisted of efforts

[115] For discussions of this, see Daniel Yergin and Joseph Stanislaw, *The Commanding Heights* (New York: Simon and Schuster, 1998); Frieden, *Global Capitalism*; Jeffrey Winters, "Power and the Control of Capital," *World Politics* 46 (April 1994): 419–52; Benjamin J. Cohen, "Phoenix Risen: The Resurrection of Global Finance," *World Politics* 48 (January 1996): 268–96.

[116] Two excellent reviews of this literature are Geoffrey Garrett, "Global Markets and National Politics: Collision Course or Virtuous Circle?" *International Organization* 52 (October 1998): 787–824, and Günther Schulze and Heinrich Ursprung, "Globalisation of the Economy and the Nation State," *The World Economy* 22 (May 1999): 295–352.

[117] Both security issues and normative implications make cameo appearances in the concluding chapter.

[118] For a discussion of other differences between the pre–World War I era and the more recent era of globalization, see Kahler and Lake, "Globalization and Governance," 11–15.

[119] Most pre-1945 studies of policy coordination focus on monetary policy. See Luca Einaudi, *Money and Politics: European Monetary Unification and the International Gold Standard* (New

to remove the overt barriers to the free flow of goods, services, and capital that were permitted under the Bretton Woods system of embedded liberalism.[120] The cases developed in this book explain the recent past—roughly speaking, from 1980 onward.[121] The small-n nature of the data means that any empirical support found in the cases must be labeled as preliminary; this approach will find or lose empirical support based on the future.

The Rest of the Book

Part I lays out the theory. It outlines the assumptions behind the revisionist model, works through the theory's causal logic, and examines how it differs from existing work on the subject.

The next chapter develops a theory to explain the relative power and preferences of states. A simple game-theoretic model demonstrates the ways in which market size and adjustment costs influence coordination outcomes. Market size alters the distribution of payoffs by reducing the rewards of regulatory coordination for large market states and increasing the rewards for small market states. This gives the great powers a bargaining advantage and alters the perceptions of other actors so as to reinforce the likelihood of regulatory coordination at a great power's status quo ante. On top of this, market size endows great powers with the option of economic coercion as a way of convincing other actors in the system to change their standards. However, the model also demonstrates that between large markets, power differentials are of minimal importance.

Moving from power to preferences, chapter 2 also develops a theory of national preferences over regulatory standards. Initial regulatory preferences are a function of myriad factors, including a country's stage of economic development and its economic history. What really determines government attitudes toward international regulatory coordination, however, is the adjustment costs

York: Oxford University Press, 2001), and Beth Simmons, *Who Adjusts?* (Princeton, NJ: Princeton University Press, 1994). For an exception, see Lawrence Spinelli, *Dry Diplomacy* (Wilmington, DE: Scholarly Resources, 1989) on the Anglo-American disputes over regulating alcohol consumption in the 1920s. The most comprehensive history of global regulatory coordination can be found in Braithwaite and Drahos, *Global Business Regulation*.

[120] John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36 (Spring 1982): 379–415; Jonathan Kirshner, "Keynes, Capital Mobility, and the Crisis of Embedded Liberalism," *Review of International Political Economy* 6 (Autumn 1999): 313–37.

[121] Economic analyses of globalization tend to use 1980 as the break point after which the current era of globalization kicked into overdrive. See, for example, Surjit Bhalla, *Imagine There's No Country* (Washington, DC: Institute for International Economics, 2002); Wolf, *Why Globalization Works*; David Dollar and Aart Kraay, "Spreading the Wealth," *Foreign Affairs* 81 (January/February 2002): 120–33.

it faces from altering its national standards. When public or private actors face barriers to exit in response to changes in the regulatory environment, governments will incur higher adjustment costs and are therefore more reluctant to change their regulatory standards. Adjustment costs are expected to be higher for regulatory arenas affecting relatively mature economic sectors or relatively immobile factors of production.

Chapter 3 builds on the insights from chapter 2 and develops a typology of regulatory processes. If there is a large bargaining core among the great powers, then the outcome will be one of coordinated standards. However, the divergence of preferences between the great powers and other actors in the system will strongly shape the process through which global governance structures are fashioned. A split between great powers and other states affects both the bargaining tactics and the bargaining forum. This chapter also considers the influence of various nonstate actors. Working through the outcomes of different constellations of state interests, I develop typologies of both NGOs and IGOs. For NGOs, the distinction between advocacy and service functions is a useful one. For IGOs, I rely on Michael Walzer's typology of membership to categorize IGOs by their criteria for inclusion and exclusion.[122] This leads to a tripartite world of IGOs: clubs, neighborhoods, and universes. The utility and influence of these nonstate actors is a direct function of the distribution of state interests.

Part II shifts from theory to examine international regulation as it is practiced. Chapter 4 examines the spectrum of Internet regulation. This case is a tough test of the revisionist model, because the Internet has been consistently cited as a metaphor for the declining importance of the nation-state. A closer look at this case reveals multiple issue areas within this broad category—copyright protection, content regulation, technical protocols, consumer privacy—that overlap with more traditional regulatory questions. The model generated here can therefore explain the distribution of outcomes. The most interesting case, however, is the evolution of technical protocols. This case best illustrates that states can still determine regulatory outcomes even if they play no formal role in the governance structure. This is demonstrated through a process-tracing of the emergence of the Transmission Control Protocol/Internet Protocol (TCP/IP) and the creation of the Internet Corporation for Assigned Names and Numbers (ICANN).

Chapter 5 traces the creation of the financial codes and standards that were created in the wake of the Asian financial crisis in the late 1990s. The globalization of finance and the concomitant rise in financial instability increased the demand for a new "international financial architecture." Most of the scholarly and policy focus centered on the role of the international financial institutions

[122] Michael Walzer, *Spheres of Justice: a Defense of Pluralism and Equality* (New York: Basic Books, 1983), chap. 2.

(IFIs)—the International Monetary Fund (IMF) and World Bank. However, focusing strictly on the IFIs overlooks the ability of the economic great powers to substitute between different governance structures as a means of advancing their common preferences. Because financial regulation produced a cleavage of interests between the developed and developing states, the developed great powers relied on club organizations to create new modes of coordination. The aftermath of the Mexican and Asian financial crises led to the creation of new clubs, such as the Financial Stability Forum (FSF)—and the empowerment of preexisting clubs, such as Bank of International Settlements. While the International Monetary Fund did play a role in the enforcement of these new standards, it was marginalized in the policy coordination process.

Chapter 6 examines the extent of regulatory coordination in the treatment of genetically modified organisms (GMOs). The dynamic density of transnational activist networks is very strong on this environmental question—therefore, models of global civil society would predict stringent regulatory standards for GM products across the globe. In actuality, GMO regulations in most of the world oscillate between the American and European positions. The reason is that the GMO case affects actors with high barriers to regulatory exit—consumers and agricultural producers. These actors are far more likely to mobilize their resources to engage in political voice—raising the domestic costs of adjustment for governments. To date, global civil society has proven unsuccessful in translating its preferences on this issue to governments outside the European Union's sphere of economic influence—but agricultural producers have been equally frustrated in altering European preferences.

This chapter also demonstrates the relative strength of the revisionist model vis-à-vis other state-based theories of regulatory coordination. Some state-based models tend to assume U.S. hegemony on regulatory matters because of its impressive production capabilities. Given its dominance in agricultural output, a hegemonic model would predict an outcome favoring the United States. Other governance models argue that the key variable is the relative strength and coherence of a government's regulatory capacity. By this metric, many scholars would presume that the European Union would have an advantage. A California effect would also predict upwards harmonization to the European Union's level of regulatory stringency. However, the approach developed here predicts what we actually see—a stalemate of rival standards between two great powers. Only the revisionist model generates the correct prediction.

Chapter 7 looks at a deviant case—the push by global civil society to modify the intellectual property rights regime. For the past decade, activists and nongovernmental organizations waged a sustained campaign to force the great powers to allow public health "flexibilities" in the enforcement of Trade-Related Intellectual Property Rights (TRIPS). These groups have claimed some notable successes, culminating in the 2001 Doha Declaration on the TRIPS

Agreement and Public Health. This apparent success challenges the revisionist approach developed here. This chapter critically examines the GCS narrative on TRIPS and public health, and finds two flaws: a neglect of alternative explanations for the policy change, and an overestimation of the magnitude of the policy shift. Over the long run, the ability of the great powers to shift regulatory fora gives them an advantage that global civil society cannot match. Upon further examination, this episode turns out to be a "semi-deviant" case.

Chapter 8 concludes with a discussion of the revisionist model's implications. The model and evidence developed here refutes theoretical assertions that globalization requires the rejection of existing paradigms. Instead, globalization vastly expands the explanatory domain for IR theory, by constantly internationalizing heretofore domestic policy issues. With regard to public policy, the revisionist model provides important clues to nonstate actors about the conditions and strategies that will be successful in influencing global public policy. The normative disapproval of globalization that comes through in much of the literature is due in part to the belief that democratic sovereignty is being trampled by the onslaught of global corporate domination.[123] There is no question that the great powers rule the global political economy, at times without input from other stakeholders in the system. However, globalization is not the guilty party here, and it is far from clear that there is any alternative to the status quo. Relative to the democratic ideal, the governance of today's global political economy is flawed. Compared to the past, however, the current era offers some promise of hope.

[123] Manuel Castells, "Global Governance and Global Politics," *PS: Political Science and Politics* 38 (January 2005): 9–16; Peter Singer, *One World: The Ethics of Globalization* (New Haven, CT: Yale University Press, 2002).