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International Organization

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Architecture of Equity Markets in Developing Countries

Martha Finnemore and Stephen J. Toope

Comment on "Legalization and World Politics"

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Abstracts

Globalization and Welfare Compensation: Disentangling the Ties that Bind by Brian Burgoon

Three perspectives dominate debate over the relationship between globalization and the welfare state in industrialized countries: that globalization constrains the welfare that hitherto legitimated openness, that globalization still sparks demands for welfare while opening few forces to flee or fight against it, and that openness has little effect on welfare. A closer look at the “globalization” and “welfare” aggregates on which most scholars focus, however, reveals varying politics connecting different elements of globalization and welfare that may help reconcile this debate. First, compared to general trade openness, low-wage competition may spark stronger pressure to expand and less pressure to constrain welfare compensation. Second, all kinds of openness affect vulnerable and thriving groups in ways that differ across social policies, especially training and relocation benefits compared to benefits for youth dependents and the elderly. Consequently, different faces of openness may spark predictably different politics that spur some aspects of welfare, retrench others, and have little effect on still others. Panel data for eighteen OECD countries supports this argument.

Why Comply? Social Learning and European Identity Change by Jeffrey T. Checkel

Why do agents comply with the norms embedded in regimes and international institutions? Scholars have proposed two competing answers to this compliance puzzle, one rationalist, the other constructivist. Rationalists emphasize coercion, cost/benefit calculations, and material incentives; constructivists stress social learning, socialization, and social norms. Both schools, however, explain important aspects of compliance. To build a bridge between them, I examine the role of argumentative persuasion and social learning. This makes explicit the theory of social choice and interaction implicit in many constructivist compliance studies, and it broadens rationalist arguments about the instrumental and noninstrumental processes through which actors comply. I argue that domestic politics—in particular, institutional and historical contexts—delimit the causal role of persuasion/social learning, thus helping both rationalists and constructivists to refine the scope of their compliance claims. To assess the plausibility of these arguments, I examine why states comply with new citizenship/membership norms promoted by European regional organizations.

The International Politics of Harmonization: The Case of Capital Market Regulation

by Beth A. Simmons

The internationalization and globalization of capital markets greatly complicates the tasks of national financial regulators. It is becoming increasingly difficult, if not impossible, to regulate the activities of banking and securities firms and the broad range of transactions in which they engage on a national level. In this article I explore the process of international regulatory harmonization in capital markets, focusing especially on the mechanisms (political pressure, market pressure, and institutional arrangements) that facilitate this process. I argue that the United States and the United Kingdom are dominant players in the capital market and that the factors most relevant for understanding harmonization processes are (1) whether other jurisdictions have incentives to emulate the regulatory innovations of the dominant financial centers, and (2) whether the dominant centers experience negative externalities in the process. These two factors shed considerable light on whether harmonization will be spurred primarily by market forces or by politics; they also suggest the likely role of international institutions in the process of regulatory harmonization. The argument is illustrated using four issue areas: capital adequacy requirements for banks, anti-money laundering rules, accounting standards, and information sharing among securities regulators.

Defending International Norms: The Role of Obligation, Material Interest, and Perception in Decision Making

by Richard K. Herrmann and Vaughn P. Shannon

States defend norms in some cases but not in others. Understanding this variation sheds light on both U.S. foreign policy and the role of normative reasoning. We report the results of four experiments embedded in a survey of U.S. elites. The experiments identified the effects of felt normative obligation (that is, the logic of what is appropriate) and concern for U.S. economic and security interests (that is, the logic of utilitarian consequence) as well as the role played by individual perceptions. We find that perceptions of another actor's motivation, of conflicts as civil or cross-border wars, and of the democratic nature of victims affect decisions to defend a prescriptive norm. This finding means that theories of international relations that feature norms as structural concepts need to consider actor-level cognition when examining the operation of norms. Moreover, we find that when U.S. economic and security interests are at stake there is a much greater inclination to defend norms than when simply normative obligation is present. Most U.S. elites appear to treat the presence or absence of U.S. material interests as a legitimate criterion for deciding whether or not to defend an international prescriptive norm.

Constructing an Atrocities Regime: The Politics of War Crimes Tribunals

by Christopher Rudolph

From the notorious "killing fields" of Cambodia to programs of "ethnic cleansing" in the former Yugoslavia and Rwanda, the grizzly nature of ethnic and identity-centered conflict incites horror, outrage, and a human desire for justice. While the drive to humanize warfare can be traced to the writing of Hugo Grotius, current efforts to establish an atrocities regime are unparalleled in modern history. Combining approaches in international relations theory and international law, I examine the role political factors (norms, power and interests, institutions) and legal factors (precedent and procedure) play in the development of an atrocities regime. International tribunals have convicted generally low-level war criminals in both Rwanda and the former Yugoslavia, but they have had much more limited success in achieving their more expansive goals—detering atrocities and fostering national reconciliation in regions fraught with ethnic violence. This

analysis reveals additional institutional modifications needed to construct a more effective regime and highlights the importance of placing this new regime within a comprehensive international strategy of conflict management.

Explaining Rare Events in International Relations

by Gary King and Langche Zeng

Some of the most important phenomena in international conflict are coded as “rare events”: binary dependent variables with dozens to thousands of times fewer events, such as wars and coups, than “nonevents.” Unfortunately, rare events data are difficult to explain and predict, a problem stemming from at least two sources. First, and most important, the data-collection strategies used in international conflict studies are grossly inefficient. The fear of collecting data with too few events has led to data collections with huge numbers of observations but relatively few, and poorly measured, explanatory variables. As it turns out, more efficient sampling designs exist for making valid inferences, such as sampling all available events (wars, for example) and a tiny fraction of nonevents (peace). This enables scholars to save as much as 99 percent of their (nonfixed) data-collection costs or to collect much more meaningful explanatory variables. Second, logistic regression, and other commonly used statistical procedures, can underestimate the probability of rare events. We introduce some corrections that outperform existing methods and change the estimates of absolute and relative risks by as much as some estimated effects reported in the literature. We also provide easy-to-use methods and software that link these two results, enabling both types of corrections to work simultaneously.

Architecture of Equity Markets: The Abidjan Regional Bourse

by Kathryn C. Lavelle

Literature on financial market liberalization focuses heavily on state activity in allocating preferential credit. I consider state activity in promoting nascent equity markets by asking why a state would create and promote a market in which the transaction costs are high, the potential rate of return is low, and firms are reluctant to list shares. I examine the case of the West African regional stock exchange and propose that the central bank for the West African Monetary Union created it to mediate the relationship between this region and the world economy. I propose that states and domestic markets act as complements rather than as rivals in some instances of bourse creation. Moreover, bourses in developing economies present a different set of relationships among states, public and private lending authorities, and market participants than their counterparts in more developed financial environments. This illuminates a need for further research in this area.

Alternatives to “Legalization”: Richer Views of Law and Politics

by Martha Finnemore and Stephen J. Toope

The authors of “Legalization and World Politics” (*International Organization*, 54, 3, summer 2000) define “legalization” as the degree of obligation, precision, and delegation that international institutions possess. We argue that this definition is unnecessarily narrow. Law is a broad social phenomenon that is deeply embedded in the practices, beliefs, and traditions of societies. Understanding its role in politics requires attention to the legitimacy of law, to custom and law’s congruence with social practice, to the role of legal rationality, and to adherence to legal processes, including participation in law’s construction. We examine three applications of “legalization” offered in the volume and show how a fuller consideration of law’s role in politics can produce concepts that are more robust intellectually and more helpful to empirical research.