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International Organization

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with **Sandra Lynn Lomas and Kevin L. Parker**

Constraints on Political Business Cycles in OECD Economies

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IR Research Resources on the Web

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Abstracts

Domestic Responses to Capital Market Internationalization Under the Gold Standard, 1870–1914

by Daniel Verdier

The internationalization of capital markets that occurred during the era of the classical gold standard (1870–1914) was part of a broader set of trends that threatened to drain local markets from capital and channel that capital to the national financial center and, from there, toward other national financial centers. Still, internationalization was neither inevitable, uniform, nor irreversible but was a political choice informed by redistributive considerations between rival domestic interests and decided by politically dominant coalitions. The domestic institutional structure in each country determined the composition of the politically dominant coalition. Decentralized structures allowed potential losers to curb public policies favorable to capital market internationalization, whereas centralized structures allowed expected winners to promote such policies. As a result, economies with centralized states ended up being the most dependent on the international capital market, whereas economies with decentralized states took a less active part in the globalization of finance.

Redistributive Cooperation: Market Failure, Wealth Transfers, and the Basle Accord

by Thomas Oatley and Robert Nabors

Theories of international cooperation rely on claims about joint gains to argue that governments create international institutions to mitigate information and enforcement problems and realize efficient solutions. We present a model in which politicians propose international institutions to resolve domestic political dilemmas and suggest that the international institutions they propose are sometimes intentionally redistributive. We apply both approaches to the Basle Accord and conclude that domestic politics rather than international market failure motivated American policymakers to propose international regulation, that through international regulation the United States sought to redistribute income from Japanese to American commercial banks, and that, therefore, the Basle Accord did not offer joint gains. Agreement was reached only after the United States used financial market power to eliminate the regulatory status quo. The Basle Accord is an instance of redistributive cooperation. The case suggests that domestic politics should supplant aggregate benefits in explanations of why governments propose and create international institutions.

What Happened to Fortress Europe?: External Trade Policy Liberalization in the European Union

by Brian T. Hanson

In an era when many fear the breakdown of the global trading order through the emergence of relatively closed regional trading blocs, assessing the effects of European integration on ex-

ternal European Union trade is particularly important. Surprisingly, despite a severe recession accompanied by record levels of unemployment, a history of increasing protection under similar economic circumstances, and alarming predictions about “fortress Europe,” external trade policy in the region has liberalized in recent years. Prominent trade policy explanations emphasizing changing interest group demands or changing ideas of policymakers are inadequate to account for this significant change in trade policy. Instead, much of this liberalization can be best understood as an unforeseen consequence of the Single European Act. Completing the single market undermined the effectiveness of national trade measures and made it difficult to enact new trade barriers, thus producing a liberal bias in European policy.

International and Domestic Constraints on Political Business Cycles in OECD Economies

by William Roberts Clark and Usha Nair Reichert
with Sandra Lynn Lomas and Kevin L. Parker

The effect of increased capital mobility on the national control of macroeconomic policy continues to be a topic of debate. Empirical contributions to this debate share the assumption that domestic macroeconomic policy is driven by either partisan or countercyclical motivations, and that the effects of international financial flows have roughly similar effects in all countries. This article reevaluates the integration hypothesis in a framework in which manipulations of the macroeconomy derive from opportunistic motivations. The article emphasizes the ways in which prior institutional choices effect the way these motivations are translated into actions. Evidence from individual country and pooled time-series tests suggests that opportunistic cycles are less likely to occur when (1) a government maintains a fixed exchange rate in the presence of highly mobile capital or (2) when the central bank enjoys above-average independence.

Who Are the “Masters of the Treaty”? European Governments and the European Court of Justice

by Karen J. Alter

To what extent can the European Court of Justice, an international court, make decisions that go against the interests of European Union member states? Neofunctionalist accounts imply that because the Court is a legal body it has vast political autonomy from the member states, whereas neorealist accounts imply that because member states can sanction the ECJ, the Court has no significant political autonomy. Neither theory can explain why the Court, which was once politically weak and did not stray far from the interests of European governments, now boldly rules against their interests. In explaining how the Court escaped member state control, this article develops a general hypothesis of the autonomy of the ECJ, focusing on how differing time horizons of political and judicial actors, support for the Court within the national judiciaries, and decision-making rules at the supranational level limit the member states' ability to control the Court.

The European Court of Justice, National Governments, and Legal Integration in the European Union

by Geoffrey Garrett, R. Daniel Kelemen, and Heiner Schulz

We develop a game theoretic model of the conditions under which the European Court of Justice can be expected to take “adverse judgments” against European Union member governments and when the governments are likely to abide by these decisions. The model generates

three hypotheses. First, the greater the clarity of EU case law precedent, the lesser the likelihood that the Court will tailor its decisions to the anticipated reactions of member governments. Second, the greater the domestic costs of an ECJ ruling to a litigant government, the lesser the likelihood that the litigant government will abide by it (and hence the lesser the likelihood that the Court will make such a ruling). Third, the greater the activism of the ECJ and the larger the number of member governments adversely affected by it, the greater the likelihood that responses by litigant governments will move from individual noncompliance to coordinated retaliation through new legislation or treaty revisions. These hypotheses are tested against three broad lines of case law central to ECJ jurisprudence: bans on agricultural imports, application of principles of equal treatment of the sexes to occupational pensions, and state liability for violation of EU law. The empirical analysis supports our view that though influenced by legal precedent, the ECJ also takes into account the anticipated reactions of member governments.

Revisiting the European Court of Justice

by Walter Mattli and Anne-Marie Slaughter

The European Court of Justice (ECJ) is widely recognized not only as an important actor in the process of European integration but also as a strategic actor in its own right. In the last four years the literature on the Court has dramatically expanded, nourishing a lively debate between neofunctionalists and intergovernmentalists. But this debate has now reached the limits of its usefulness. Both neofunctionalism and intergovernmentalism neglect the range of specific motives and constraints shaping the behavior of individual litigants and national courts; further, both insist on modeling the state as a unitary actor. New scholarship on public interest and corporate litigants in the EU and on the relationship between the ECJ and national courts highlights these failings. Reviewing the literature, this essay develops a model of the legal integration process that encompasses disaggregated state actors—courts, regulatory agencies, executives, and legislatures—interacting with both supranational institutions and private actors in domestic and transnational society. It distills new data and theoretical insights to specify the preferences of some of these actors and the constraints they face in implementing those preferences.

Virtual Resources: International Relations Research Resources on the Web

by Ronald J. Deibert

The explosive growth of the Internet and the World Wide Web in recent years has produced not only the trivial and bizarre, but also information useful for social science research and teaching. Yet most of this information is difficult to locate, particularly for those unfamiliar with the Web, primarily because of its nonlinear architecture—called “hypertext.” The purpose of this research note is to give scholars a sense of what is unique about research resources on the Web and an indication in general terms of what types of information and materials can be accessed through it. First, I describe primary and secondary materials, teaching resources, reference material, and news sources. I then suggest several guidelines for Web site development that I believe will improve the potential for social science research on the Web. Finally, I conclude by outlining some directions for further analysis raised by the widespread use of the Web for academic research and teaching. A companion guide to research resources on the Web will be posted on the *International Organization* Web site through which the material here (and much more) can then be accessed.