Do international institutions matter?
From rationalism and constructivism perspectives

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Abstract

The purpose of the paper is to analyze why and how international institutions exist from both rationalism and constructivism perspective. I choose analytical works rather than confrontational methods to compare the studies conducted by two approaches. Reviewing literatures developed by scholars, it is unlikely to find a perfect explanation to the institution phenomena, but a better understanding on institutional design/construction contributed by rationalism and constructivism. To support the objective, the paper will analyze the rationalism approach to institutional in part one. The constructivism perspective on institution is demonstrated in the part two. Finally, it is important to understand the differences between two approaches in assisting international institutions into global governance alongside with the process of globalization.

Key words: international institution; cooperation; rationalism approach, constructivism, globalization; global governance

1. Introduction

Debating over international institutions has being conducted for the last 30 years between the realism, liberalism and constructivism. Since neo-realism and neo-liberalism sharing the common ground of rationality of actors, it is easier to simply the comparative study between rationalism and constructivism on the issue.

The definition of international institutions given by different schools of thought may demonstrate the understanding towards institutions.

- Neo-realists think "institutional regimes are sets of implicitly or explicitly principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of internationals relations" (Krasner, 1983).
- Institutions are "recognized patterns of practice around which expectations converge" (Keohane, 1984).
- "institutions are sets of mutual expectations, rules and regulations, plans, organizational energies, and financial commitments accepted by a group of states" (Ruggie, 1982)
Classical realists think that sovereign states are the principal actors in the anarchic international politics. States are driven for power and interests to dominate (Baylis et al. 2006). International institutions are merely the reflection of state’s power, and the core variables of international relations (Morgenthau 1978). States will be reluctant to enter into any agreement that leaves them in a worse position relative to others (Waltz 1979), whether due to the distributional consequences or due to the costs of maintaining the regime. Despite the potential risks of entering into cooperative arrangements, neo-realists have theoretically accounted for the fact that regimes are relatively common in three ways, however, Kenneth Waltz in his 1979 book Theory of International Politics argues in favor of a systemic approach: the international structure acts as a constraint on state behavior, so that only states whose outcomes fall within an expected range survive. This system is similar to a microeconomic model in which firms set prices and quantity based on the market. First, some have explained the creation and persistence of regimes on the basis of hegemonic stability theory (Gilpin 1981; Kinderberger 1981; Snidal 1985). Secondly, regimes are useful for providing stability since there is a possible optimal outcome. Regimes are important in mediating between interests and outcomes and provide a compelling explanation in certain circumstances (Krasner 1991). Finally, Regimes may prove useful instruments in facilitating cooperation by mitigating cheating and allowing for the resolution of distributional issues (Grieco, 1993a).

Neo-liberalists explained the international institutions from the perspectives of rational functionalism, where states overcome collective action difficulties, and promote cooperation by reducing transaction costs, generating expectation. Institution is independent variables against the power.

Since sharing the assumption of rational actors and accept the function of regimes, neo-realists and neo-liberalists have a common ground in studying international institutions. This has been treated as a rational approach compared, which view the international institution is a premise "to explain the rules of conduct" (Keohane, 1988), and through "a series of laws and regulations govern international behavior" (Simmons and Martin, 2002) in describing the roles of actors, constrain actions and shape expectations (Duffield, 2007).

Strong cognitivists use a more sociological assuming that actors are role-players and regime is the roles and norms established to direct and guide actors. Thus, actors can lead to the formation of norms of cooperation and change the strategic interaction between actors.

The above arguments have drawn attention on institutions, but how the institutions can be worked, and worked out in a better way? The paper argues that rationalism’s contribution to study institutions is that rationalists have well explained the possibility and importance of it and rational design framework for adopting possible strategies in collective cooperation as well as decision making process (part one). However, by taking the identity of actors and interactions of actors, constructivism has more credits in reflecting
the roles of institutions played (part two). The consideration from the two approaches on international institutions study will help us to have a better understanding global governance under the process of globalization, which will be presented in part three.

2. Contribution from Rationalism study: regime theory and rational design

Classical realists think that sovereign states are the principal actors in the anarchic international politics. States are driven for power and interests to dominate (Baylis et al., 2006). International institutions are merely the reflection of state's power, the core variables of international relations ( Morgenthau 1978). States will be reluctant to enter into any agreement that leaves them in a worse position relative to others (Waltz, 1979), whether due to the distributional consequences or due to the costs of maintaining the regime.

Despite the potential risks of entering into cooperative arrangements, neo-realists have theoretically accounted for the fact that regimes are relatively common in three ways. First, some have explained the creation and persistence of regimes on the basis of hegemonic stability theory (Gilpin, 1981; Kinderberger, 1981; Snidal, 1985).

Secondly, regimes are useful for providing stability for international relations since there can lead to a possible optimal outcomes. Regimes are important in mediating between interests and outcomes, and provide a compelling explanation in certain circumstances (Krasner, 1991). The logic behind of the regime theory developed by neo-realists that the international relations among states are not entirely a matter of zero-sum game, but participate to a limited cooperation as long as the comparative advantages can be maintained. However, the pursuer of power will lead to break the cooperation and reshape the institution in the future driven by the changes of power structure.

Finally, Regimes may prove useful in facilitating cooperation by mitigating cheating and allowing for the resolution of distributional issues (Grieco, 1993a).

The above theories developed among realistic scholar have well explained the establishments of United Nation (UN), International Monetary Funds (IMF) and World Bank (WB) after the World War II. However, they argue that institutions are merely a mirror of reflecting the power since institution is just an interdependent variable (Strange 1998) and believes that the power structure is the key variable to understand the formation of the international institution. Researchers have documented the institution- power driven problems in agenda-setting in relation to World Bank reform (Weaver, 2003), and World Trade Organization (WTO) agenda-setting (Steinberg, 2003). These studies suggest that institutional problem is more widespread in international politics; scholar should be of interest to of global governance.

The neo-realism has shared a common assumption of rationality of actors with neo-liberalism. The regime theory also inspired liberals to study institutions in dealing
with the collective actions problems associated with the strategy design in decision making. The debating over institutions has been shifted to between rationalism and constructivism.

To better understand the rational approach to institutions, it is necessary to address the definition of rationalism approach to institutions. The rationalism to institutions here is referring to American International Relations schools. Rationalism study international institution on the rational ground, where the institutions are liked with environment and rational actor's behavior (Katzenstein, et al., 1998) "to explain the rules of practices" (Keohane, 1988), which contains "a series of laws and regulations govern international behaviors" (Simmons and Martin, 2002). Thus, the international institutions using rules constantly to describe role of actor, constrain activities and shape expectations (Duffield, 2007).

Rationalist assumption that rationality of actors: (agents are assumed to maximize their utilities, subject to external constraints Institution as one of constrains tools by agents seeking to promote or protect their interests (Barrett, 1999; Krasner, 1999). However, rationalists do not accept the theory that the international relation is the zero-sum conflict and warfare developed by classical realism school, which stressed that the international system of state power and interests of the "accessories", the importance of the major powers in its role of service; the latter that the structure of power under the premise of maintaining stability, the international institutions to promote cooperation and to promote the interests of the parties concerned, it is a power structure in between and acts of state "interference effect" variable. By contrast, rationalism argues that institution is an "independent variables" against structure of power and a main reflection of national cooperation, and the realization of collective interests to maximize the function driven by the pursuit of achieving the maximization of self-interest,

Rationalism that, in accordance with rational choice, in cooperation with non-cooperative game until there is a state of stability of Nash equilibrium, those actors and repeated acts of copying and practices will be translated into practice step by step with rules, the institutions also came into being. Institutions can reduce the uncertainty of the environment (defection), to improve the quality of information (information asymmetry), reduce transaction costs, the expected convergence behavior (convergence of expectation), provide a common knowledge, so as to promote collective action (Keohane, 1984 and 1988).

But how does the institutions deal with the collective action problems occurred by the uncertainty, defection or asymmetric information among actors? Lisa Martin (1992) further classified cooperative problems into four categories and followed by its strategies correspondingly. Her study was summarized as the following

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<tr>
<th>Problem</th>
<th>Reasons</th>
<th>strategy</th>
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Collaboration crises come from reductions in the "shadow of the future" and reductions in states' information on others' behavior.

Coordination: If one state tries to change the equilibrium (domestic or technological), cooperation will undergo a crisis.

Satisfaction: As hegemony declines, they will be less likely to bribe others into cooperating.

Assurance: Worry about other's preference as domestic or technological changes.

(Source: Lisa Martin, 1992)

By applying game theoretical analysis, she demonstrated "Prisoner's Dilemma" to explain how the cooperation by sharing information and punishing defection is achieved over collaborative problems. In the case of coordination problem, a strategy of the "battle of sexes" is to solve the distributional problem rather than the cause of asymmetrical information or defection. To deal with the satisfaction problem, the feasible way is that the hegemony to persuade or coerced those weaker or who has the potentials to break the equilibrium. The strategy of "stag hunt" is suggested to cure the assurance problem.

Started from the twenty-first century, rationalism scholars have been constantly focusing on the question of how to design the institution and make it work effectively. Koremenos, Lipson and Snidal (2001) dedicate their rational design to echo the research agenda. Based on the assumption of 1), the "shadow of the future" -- the value of future gains is strong enough to support a cooperative arrangement. 2), Transaction costs, which referring that establishing and participating in intl. Institutions is costly. 3), Risk aversion. States are risk-averse and worry about possible adverse effects when creating or modifying intl. Institutions. Most important assumption is that actors have preferences to pursue their goals, and the pursuit is guided by beliefs about each other preference and relative costs and benefits of different outcomes. And actors are constrained by their capabilities.

They suggest that the international institutions have four grounds reflecting collective action problem. (1) Enforcement, which mainly refers to the problem of incentives of defection; (2) distribution; (3) the number of actors and balance of power issues; (4) uncertain to other actors' behaviors, intentions and the consequences. Those problems can also interact to each other, for example, how enforcement problem across different issues affects institutional design, such as defection, cheating, interacted with distributional problem.

How do we come through the institutions to solve these problems? Koremenos et al. set five dependent variables to reflecting above problems (independent variables): (1) membership. Through the adoption of restrictive or open membership, to resolve implementation issues, distribution issues and uncertainties; (2) the scope of issues. By en-
larging or narrowing the scope of issues, to solve the implementation issues, distribution issues, as well as the number of actors; (3) concentration. By enhancing or reducing the degree of concentration in order to resolve questions on implementation, the number of actors and uncertainties; (4) control. Through the use of symmetric or non-symmetrical control mode, actors to resolve the issue of the number and the balance of power, uncertainty issues; (5) flexibility. Through the increase or decrease the flexibility of the system, the number of actors to resolve the issue, as well as the distribution of uncertainty.

The rational design of five characteristics of institutions as dependent variables, and the four independent variables mirroring collective action problems as given may be an enlightenment to global governance in terms of multilateralism. A form of global governance is the "multi-level" system of governance" (multi-level governance), that emphasizes the problems in different areas, through the global, regional, national, sub-national levels, such as the establishment of different types of international institutions to address the issue of global public. In fact, the liberal view that the international regime to promote global governance has an important function, with the constructivist emphasis on the role of the international system through the construction of global governance to a degree of integration. After all, the international actors, as a means of multi-level international institutions of governance includes not only the interests of the actors that a win-win situation, and inevitably there is the concept of shared components.

In sum, the contribution of rationalism study approach credit the possibility and importance of the establishments under the anarchic world politics. By applying theoretical game analysis, rational design frameworks are likely to let the institutions working out to provide possible strategies in decision making process.

However, since rationalism approach has the conclusions highly dependent on the assumptions, with which the investigations begin (context dependent) (Keohane, 1988). The assumption of actors' rationality and stable preferences limit us to understand the international institutions in the changing process of global politics.

3. Contribution from constructivism: identity of actors, role of interaction and norms

Studying international institution, rationalists use the assumption of rationality to provide the crucial link between features of the environment-- power, interests, and institutional rules -- and actor behavior, and analysis how it affects strategic decision making. Given preference of actors, however, rationalists have been accused of lacking of sociological content and for filing to explain systemic change (Ruggie1982, 1998).

Rationalists assume that preferences of actors are stable or fixed. Actors’ preference and subjective idea is as a GIVEN. For example, in theoretical game analysis, rationalists assume that the common knowledge of human beings in accordance with the character-
istics, race, geographic distance and other factors has been given. This is not indeed reflected social reality. Institution and regime only concerns to constrain or promote actors, whereby there is little space for recognition of actors’ identities and interests. Rationalism avoids explaining if preferences are meaningfully operationalized, rather than uniform and constant. They treat the variation in preferences come as exogenous (Keohane, 1988).

Arguments from Ruggie (2004) state that rationalists interpret the importance of institutions of and strategic design for decision-making, but they did not answer the most fundamental issue, that is, how actors have their own identity within the institution, and how the identities lead actors to be self-interested driven to interacted each other. Additionally, how does the interaction among actors change the actors’ behaviors, and eventually change or reconstruct new identity of actor?

By contrast, in international relations theory, constructivists insist that “actors are socialized through interaction into identities, which interact to form regimes. Identities also shape (but do not mechanistically determine) actions” (Wendt, 1999). They posit that idea and normative constraints help determine that rationalist case and generally seek to endogenize the role of knowledge in determining actors’ preferences. Some constructivists use a more sociological approach: actors are role-players and regime is the rules and norms established to direct and guide the actors. Actors and structures are the results of mutual interaction. (Fearon and Wendt, 2002). In this context, it is important to ask: do actors’ beliefs cause interaction or do interactions caused beliefs of actors?

Constructivists insist that actors’ choice of preferences can be shaped by the historical process and social identity. In return, actors’ activities also interact among others actors and within the system, institution will be eventually change or reconstruct. In the sense, Institutions, however, can never be partial from ideas (beliefs) of actors, which form their identities and interests. Actors’ identities and interaction among them can drive to institution into a dynamic movement. This imply that changed of structure of institution driven by interaction of actors can be endogen rather than exogenous.

There are more studies have been taken by constructivists. They reckon that the relationship between international institutions and actors are constructive pattern. Interaction of actors construct institutions on the one hand, institutions construct actors, on the other hand. The context of constructive functions shapes actors’ identities, interests, and consequently affects their activities. Constructivists insist on the primacy of inter-subjective structures than give the material world meaning (Wendt, 1987). These structures have different components that help in specify the identity and interests that motivate action: norms, knowledge, and culture.

Norms typically describe collective expectations with “regulative “effects on the proper behavior of actors with a given identity. In some situation norms operate like rules that define the identity of actors; they have “constitutive” effects that specify the actions that will cause relevant others to recognize a particular identity. Constructivists interpret norms
as "independent" or "intervening" variables (Ruggie 1982). Finnemore and Sikkink (2001) examined the process of formation and diffusion of international norms as the foundation of international institutions. They believe that norms have a life cycle which contains a three-stage process of emergence, cascade and internalization. In the emergence stage, international institutions are used as a platform to promote international norms. An important source of influence for international organizations in particular is the use of expertise and information to change the behavior of other actors. Expertise, in turn, helps or blocks the promotion of new norms within standing organizations. Finnemore and Sikkink (2001) argue that, whatever the platform is, promoters want to endorse their norms and make norms socialization as a part of agenda. Like the UN and the World Bank, has the advantages of resources and leverage over weak or developing states who seek to convert to their normative convictions. Once norms to reach a threshold and move toward the cascade stage it become institutionalized in specific sets of rules and organizations (Goldstein and Keohane, 1993).

In the cascade stage, Finnemore and Sikkink analyze that norms can be "embedded" to international institutions, and become legitimacy. It is an essential stage for those states who is pursuing national reputation and esteem. In the context, international institutions play significant roles in socializing the norms into the international system. In the phase of internalization, norms are standardize into specific directives through the process of institutionalization in order to comply with distinction between compliance and disobey, and rewarding and punishment correspondingly. These actions will facilitate the process of norms’ internalization.

Constructivists convinced that epistemic knowledge is also part of a social process by which the material world acquires meaning. Culture is a broad label that denotes collective models of authority or identity, carried by custom or law. Culture refers to both evaluative standards (such as norms and values) and cognitive standards (such as rules and modes) that define the social actors that exist in a system, how they operate, and how they relate to one another (Katzenstein et al., 1998). International relations are the result of interaction between changes of actors and changes of structures. Human beings are capable to evaluate their actions and learn from others. The capabilities of learning are somehow intermediate the interaction of actors and structures during the process of changes (Ruggie, 1998).

4. Institutions in the process of globalization

International institutions have benefited from the presumptions that globalization requires international institutions as the hub of global governance, which involves the rules, structures, and the institutions that can guide, regulate, and control social life in the global level (Barnett, et al. 2005). In this sense, international institutions can be recognized as global governance.
Rationalism and constructivism emphasize the importance of the international system of global governance along with the process of globalization. Rationalism approach to international institutions promotes the function of global governance by applying game-theoretical analysis on decision making to achieve win-win results. Multi-level governance shall be favored in accommodating problems arisen from global, regional, national, sub-national levels. Constructivists have long traditions studying the historical progressive changes. Norms, knowledge and culture can shape the identities and interest of actors, who is ultimately the centre of globalization, in the constructive process of interaction. This is particular a case in the social movements shifted from domestic to global level, such as environmental issues, human rights and health issues. All these developments demand institutions shall be worked out both in the domestic and international level.

In fact, scholars have been constantly interested in the interaction between domestic structure and international institutions (Finnemore and Sikkink 2001; Fearon and Wendt, 2002; Ruggie, 2004).

The global governance system is needed today necessarily to be multi-level. Confrontations are recurrent and growing in numbers. As a result, it has become all the more difficult now to lay the foundations for new institutions that will be adapted to all levels of governance, from domestic to global. Actors within international institutions will be facilitated to develop strong communities with domestically embedded social responsibilities and the capacity to share and care globally. In turn, the progressive changes caused by interaction of actors with knowledge learnt, will reshape the structure of intuitions.

The study of international institutions is not just a matter of how does it work, but a matter of how to make it work out in the level of domestic and international effectively and transparently/ accountably. Back to the question addressed by Duffiled (2007): how do the international institutions impact on the domestic ones, and how the transmission channels are worked, and vice versa. This issue will be significant in conducting multi-level study of global governance.

5. Conclusion

This paper has no attention to use confrontational approaches between rationalism and constructivism on studying international institutions but rather analytical works to compare the explanations in institutions from two approaches. Constructivists have explanations on social progresses. By contrast, rationalism approach interprets the importance of institutions of and strategic design for decision-making. Constructivists emphasize on identities and interests of actors within the social construction of changes. They value the norms, knowledge and culture of actors, and the interaction of actors and structures.

By analyzing, it is discovered that both rationalists and constructivists largely concerned about the same problem from different angles: human beings and common
knowledge possessed by actors. Neither approach is adequate to cover all aspects of social reality. Both recognize - constructivism as a central research project and rationalism as a back ground condition - human beings operate in a socially constructed environment, which changes over time (Katzenstein et al., 1998).

Hence, both analytical perspective focus in one way or another on common knowledge -- constructivism on how it is created, rationalism on how it affects strategic decision making. The core of the constructivist project is to explicate variations in preferences, available strategies, and the nature of the players, given preferences, information, and common knowledge. Neither project can be complete without the other.

It is difficult to falsify the theory paradigm, on the one hand, because there is no "decisive tests" existed in international relations. Rationalism approach has advance in strategic analysis for decision making with the assumption of actors’ rationality. Meanwhile, the applications of game-theoretical methods make the analytic framework simple, testable, and clear. Constructivists, on the other hand, focus on the importance of norms, knowledge and cultural in the social progress, and how identities and interests of actors can interact with the changing structure of institutions.

Having the comprehensive understanding in international institutions from rationalism and constructivism approaches, it is worth to pay attention on the global governance both from domestic and international level.

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