

IO

International Organization

Jeffrey A. Frieden

National Economic Policies in a World of Global Finance

Herbert Kitschelt

Industrial Governance Structures

Charles Lipson

Why Are Some International Agreements Informal?

Geoffrey Garrett and Peter Lange

Political Responses to Interdependence

Mary Ann Tétreault

Ruling Kuwait

Sponsored by the World Peace Foundation
Edited at Stanford University
Published quarterly by The MIT Press

EDITORIAL BOARD

Peter Katzenstein, Chairperson

Vinod K. Aggarwal
David A. Baldwin
Robert Bates
Thomas J. Biersteker
Barry Buzan
Benjamin J. Cohen
Ellen T. Comisso
Peter F. Cowley
Jack Donnelly
Peter Gourevitch

Joanne Gowa
Joseph M. Grieco
Ernst Haas
Christer Jönsson
Miles Kahler
Stephen Kobrin
Friedrich V. Kratochwil
David A. Lake
Charles S. Maier
Timothy J. McKeown

Helen V. Milner
Donald J. Puchala
Ronald Rogowski
John Gerard Ruggie
Duncan Snidal
Janice Stein
Beth V. Yarbrough
Oran R. Young
Mark W. Zacher

Editor: Stephen D. Krasner
Editor-elect: John S. Odell

Managing editor: Sharon Keller Maddox
Review editor: Joanne Gowa

INTERNATIONAL ORGANIZATION invites the submission of manuscripts on all aspects of world politics and international political economy. Abstracts, manuscripts, and footnotes should be double-spaced. Footnotes should be numbered consecutively and placed at the end of the manuscript. Submit three copies (printed on one side of the page only), along with a statement of each author's affiliation to the Editor, *International Organization*. Before 31 December 1991, address manuscripts to the Department of Political Science, Stanford University, Stanford, CA 94305-2044. After 1 January 1992, address them to the Center for International Studies, University of Southern California, Los Angeles, CA 90089-0035.

Statements and opinions expressed in *International Organization* are the responsibility of the authors alone and do not imply the endorsement of The Board of Editors, The Board of Trustees of the World Peace Foundation, Stanford University, or The MIT Press.

International Organization (ISSN 0020-8183) is published quarterly—Winter, Spring, Summer, and Autumn—by The MIT Press, 55 Hayward Street, Cambridge, MA 02142, and London, England.

Subscriptions and business correspondence: For inquiries concerning subscriptions, write to MIT Press Journals, 55 Hayward Street, Cambridge, MA 02142, or telephone the Circulation Dept. at (617) 253-2889. Yearly subscription rates for students are \$20; for other individual subscribers, \$30; and for institutions, \$70. Subscribers outside the United States should add \$14 for postage and handling. Canadian subscribers also add 7% GST. To be honored free of charge, claims for missing copies must be made immediately upon receipt of the next published issue. Postmaster: send address changes to *International Organization*, 55 Hayward Street, Cambridge, MA 02142. Second Class postage is paid at Boston, MA, and at additional mailing offices.

Advertising: Please write to Advertising Manager, MIT Press Journals, 55 Hayward Street, Cambridge, MA 02142 USA, or telephone (617) 253-2886.

Rights and permissions: All inquiries concerning rights and permissions should be sent to *International Organization*, MIT Press Journals, 55 Hayward Street, Cambridge, MA 02142.

Permission to photocopy articles for internal or personal use or the internal or personal use of specific clients is granted by the World Peace Foundation and the Massachusetts Institute of Technology for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the fee of \$1.50 per copy is paid directly to CCC, 27 Congress Street, Salem, MA 01970. The fee code for users of the Transactional Reporting Service is 0020-8183/91 \$1.50. For those organizations that have been granted a photocopy license with CCC, a separate system of payment has been arranged.

© 1991 by the World Peace Foundation and the Massachusetts Institute of Technology
ISSN 0020-8183

Ⓢ This publication is printed on acid-free paper.

International Organization

Volume 45, Number 4, Autumn 1991

Articles

- Invested interests: the politics of national economic policies in a world of global finance *Jeffry A. Frieden* 425
- Industrial governance structures, innovation strategies, and the case of Japan: sectoral or cross-national comparative analysis? *Herbert Kitschelt* 453
- Why are some international agreements informal? *Charles Lipson* 495
- Political responses to interdependence: what's "left" for the left? *Geoffrey Garrett and Peter Lange* 539
- Autonomy, necessity, and the small state: ruling Kuwait in the twentieth century *Mary Ann Tétreault* 565

Contributors

Jeffrey A. Frieden is Associate Professor of Political Science at the University of California, Los Angeles.

Geoffrey Garrett is Assistant Professor of Political Science at Stanford University, Stanford, California.

Herbert Kitschelt is Associate Professor of Political Science at Duke University, Durham, North Carolina.

Peter Lange is Professor of Political Science at Duke University, Durham, North Carolina.

Charles Lipson is Associate Professor of Political Science and Co-Director of the Program on International Politics, Economics, and Security (PIPES) at the University of Chicago.

Mary Ann Tétreault is Chair of the Department of Political Science and Geography at Old Dominion University, Norfolk, Virginia.

Abstracts

Invested interests: the politics of national economic policies in a world of global finance

by Jeffrey A. Frieden

Capital moves more rapidly across national borders now than it has in at least fifty years and perhaps in history. This article examines the effects of capital mobility on different groups in national societies and on the politics of economic policymaking. It begins by emphasizing that while financial markets are highly integrated within the developed world, many investments are still quite specific with respect to firm, sector, or location. It then argues that contemporary levels of international capital mobility have a differential impact on socioeconomic groups. Over the long run, increased capital mobility tends to favor owners of capital over other groups. In the shorter run, owners and workers in specific sectors in capital-exporting countries bear much of the burden of adjusting to increased capital mobility. These patterns can be expected to lead to political divisions about whether or not to encourage or increase international capital market integration. The article then demonstrates that capital mobility also affects the politics of other economic policies. Most centrally, it shifts debate toward the exchange rate as an intermediate or ultimate policy instrument. In this context, it tends to pit groups that favor exchange rate stability against groups that are more concerned about national monetary policy autonomy and therefore less concerned about exchange rate stability. Similarly, it tends to drive a wedge between groups that favor an appreciated exchange rate and groups that favor a depreciated one. These divisions have important implications for such economic policies as European monetary and currency union, the dollar-yen exchange rate, and international macroeconomic policy coordination.

Industrial governance structures, innovation strategies, and the case of Japan: sectoral or cross-national comparative analysis?

by Herbert Kitschelt

In comparative research on industrial policy strategies, attention has shifted from national-level variables to sectoral variables in both the description and the explanation of policy. The sectoral literature, however, lacks analytic focus and has provided little systematic insight into the causes of cross-sectoral variance in governance structures and policy strategies. Based on recent contributions to the economics and sociology of formal organizations, this article attempts to sharpen the concept of “industrial sector” and to provide a rationale for why sectoral structures and strategies vary. Next, it

develops a synthetic explanatory framework that combines sectoral analysis and national domestic structuralism in order to account for industrial innovation strategies in advanced capitalist countries. In the final section, the fruitfulness of this approach is illustrated by developing a new account of Japan's success and failure in industrial innovation, an account that overcomes the contradictions among the main alternatives offered in the past. The key objective of the article, however, is to develop a new set of theoretical hypotheses for cross-national research, not a rigorous empirical test of its main propositions.

Why are some international agreements informal?

by Charles Lipson

Informal agreements are the most common form of international cooperation and the least studied. Ranging from simple oral deals to detailed executive agreements, they permit states to conclude profitable bargains without the formality of treaties. They differ from treaties in more than just a procedural sense. Treaties are designed, by long-standing convention, to raise the credibility of promises by staking national reputation on their adherence. Informal agreements have a more ambiguous status and are useful for precisely that reason. They are chosen to avoid formal and visible national pledges, to avoid the political obstacles of ratification, to reach agreements quickly and quietly, and to provide flexibility for subsequent modification or even renunciation. They differ from formal agreements not because their substance is less important (the Cuban missile crisis was solved by informal agreement) but because the underlying promises are less visible and more equivocal. The prevalence of such informal devices thus reveals not only the possibilities of international cooperation but also the practical obstacles and the institutional limits to endogenous enforcement.

Political responses to interdependence: what's "left" for the left?

by Geoffrey Garrett and Peter Lange

Heightened economic interdependence in recent years is commonly argued to have generated great pressures for convergence in economic policies across the advanced industrial democracies. Interdependence has clearly had a great impact on the types of economic policies that governments can pursue: they have been unable to pursue independent fiscal and monetary policies since the mid-1970s. Furthermore, all governments have been forced to attempt to promote the competitiveness of national goods and services in world markets and to increase the speed and efficiency with which national producers adjust to changes in global markets. There are, however, different policies consistent with these goals. Statistical analyses of economic policies since the mid-1970s show that governments of the left and the right continue to be able to enact distinctive supply-side policies that promote competitiveness and flexible adjustment and simultaneously further their partisan objectives.

Autonomy, necessity, and the small state: ruling Kuwait in the twentieth century

by Mary Ann Tétreault

To reduce its strategic vulnerability, a small state may enter into a client relationship with a more powerful state. Among the consequences of clientcy for the small state are the acquisition of resources, which can be used against threatening neighbors as well as

against domestic populations, and the reduction of autonomy. In 1899, Mubarak, Kuwait's ruler, entered a cliency relationship with Britain. As a result, Kuwait was able to avoid incorporation into the Ottoman Empire. Although Mubarak and subsequent Kuwaiti rulers lost their foreign policy autonomy, they acquired resources enabling them to enhance their domestic autonomy by suppressing elite groups that were formerly integral participants in governing Kuwait. In 1961, oil revenues enabled Kuwait's rulers to end the cliency relationship and to provide their own resources for repressing or pacifying domestic groups. But the fact that oil revenues proved less effective than cliency in maintaining Kuwait's strategic security illustrates the fundamental security dilemma faced by all small states, even rich ones.