

Preferences, Power and the Emergence of Informal Intergovernmental Organizations

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Abstract

Across nearly all areas of global politics, new varieties of governance are appearing that fit only uneasily into traditional categories. Among the most important are “informal” or “soft” intergovernmental organizations (IGOs), such as the Group of Twenty, the Asia Pacific Economic Cooperation and the Financial Stability Board. These new bodies share many of the features of traditional “formal” IGOs, like the United Nations or International Monetary Fund, but typically lack their large bureaucracies and firm grounding in international law. New data show that they have grown increasingly common—constituting as much as a third of all the currently active IGOs—yet it remains unclear what lies behind their rise. Many believe that informal IGOs have become more prevalent because such organizations are better tailored than their more formal counterparts to the kinds of complex challenges states face at present. However, such arguments are underspecified and rest on weak empirical evidence at present. Most importantly, they do not take into account how domestic politics, inter-state distributional conflict and power can decisively influence the kinds of organizations that are likely to appear in a given issue area. This paper offers an alternative account of the emergence of informal IGOs that builds upon existing work but explicitly incorporates these variables. It argues that informal IGOs are often chosen for less salutary reasons: because they allow independent bureaucrats in powerful states to maintain autonomy over their international activities, and can help politicians to outflank domestic opponents of their foreign policies. Empirical support for this theory is provided through a quantitative analysis of an original dataset of formal and informal IGOs created between 1950 and 2005. The results provide powerful reasons to rethink existing theories and to worry about this new breed of IGO. If such factors have indeed driven their meteoric rise, then many may be poorly “matched” with the pressing global challenges we face today.

1. Introduction

Across nearly all areas of global politics, new varieties of governance are appearing that fit only uneasily into traditional categories.² Among the most important are “informal” or “soft” intergovernmental organizations (IGOs), which share many of the features of traditional “formal” IGOs but typically lack their large bureaucracies and firm grounding in international law.³ Some are now among the most important IGOs operating today. The Group of 20 (G20), the Asia Pacific Economic Cooperation (APEC) and the Financial Stability Board (FSB)—some of the most prominent examples of informal IGOs—regularly feature in news headlines. Hardly a day passes without a new initiative from world leaders in the G20, standard setting in APEC, or actions by the FSB that can have far-reaching effects on states and individuals. These organizations—and hundreds of others like them—leave few aspects of our lives untouched.

Almost no one would dispute that informal IGOs have grown in number and salience. Curiously, however, only a few attempts have been made to demonstrate this fact and explain why it has happened. To the extent that it exists, current scholarship has tended towards functionalist accounts, largely grounded in the “rational design” school of International Relations (IR).⁴ Roughly, these explain that informal IGOs typically emerge when they offer benefits that their formal counterparts do not. They argue that informal IGOs have certain properties that make them better at solving particular kinds of cooperation problems, and that states generally choose them when confronted with such

² Avant, Finnemore, and Sell 2010; Hale and Held 2011; Roger and Dauvergne 2016.

³ Klabbers 2001; Vabulas and Snidal 2013.

⁴ Koremenos, Lipson, and Snidal 2001.

issues. Extrapolating from this argument, then, the growing prominence of informal IGOs is likely a product of a larger shift in the nature of the problems that states have faced, particularly as global interdependence has deepened.

Certainly, such arguments have strong intuitive appeal. States, no doubt, attempt to design institutions that address contemporary global challenges.⁵ Further, it seems clear that the process of globalization has thrown up new problems that are not easily solved by traditional means.⁶ But, I argue, such explanations remain weak and incomplete. First, rational design arguments have yet to be tested in a rigorous manner. At present, the evidence offered to support these theories is quite limited. Case studies show that the arguments that have been advanced are indeed plausible. But their value is uncertain: they do not tell us whether they hold across a large range of cases. Further, some contradictory evidence suggests that they might not.⁷ Second, and more fundamentally, rational design arguments tend to neglect the role of domestic politics, conflict and power in driving an organization's level of formality. This is a problem that is characteristic of theories of rational design, more generally, yet it seems especially problematic when it comes to issues of formality (as discussed later in the paper) and may help to account for the kinds of anomalies that functionalist theories face at present.

In this article, I aim to address both of the theoretical and empirical problems identified above. To do so, I develop an alternative theory of organizational form that attempts to

⁵ Ibid.; Koremenos 2005.

⁶ Cerny 1995.

⁷ Verdier 2009; Bach 2010.

incorporate the variables that theorists of rational design have so far omitted. According to this theory the formality of an IGO is a product of (a) processes of state preference formation, which occur in states' domestic political arenas; and, (b) processes of state preference "aggregation," which occur through interstate bargaining.⁸ It explains that, while states may wish to create an informal IGO when doing so would help to address a particular problem, they may also choose informality when significant domestic constraints make a formal IGO undesirable or unachievable domestically, or when the actors negotiating on the behalf of a state are more independent, since this allows them to maintain greater autonomy over their international activities. The theory also explicitly allows for the possibility that state preferences may not be shared—that is, states may disagree about how formal or informal an IGO should be—and that power can therefore play an indispensable role in determining whose preference gets "realized" when an organization finally emerges.

Second, I provide a rigorous test of both the theory that I advance and functionalist alternatives. In order to do so, I have developed a comprehensive database of IGOs that draws on the existing Correlates of War Intergovernmental Organizations (COW-IGO) Dataset and supplements it with new data on informal IGOs drawn from the *Yearbook of International Organizations*. This is, on its own, a major contribution, as it provides more accurate estimate of the growth of informal IGOs in the global system than has thus far been possible, and offers scholars a fuller picture of the total number of IGOs (both formal and informal) active in the world today. However, by using this database to derive

⁸ Milner 1997; Moravcsik 1997.

a sample of IGOs for analysis and by operationalizing new indicators that measure key explanatory variables, this dataset also allows me to quantitatively estimate the explanatory power of each of the theories.

Overall, the analysis provides powerful support for the paper's central thesis: while characteristics of a cooperation problem do drive the form of an IGO to some extent, domestic constraints and the autonomy of the actors leading cooperation in powerful states play a powerful role. The growth of informal IGOs may, therefore, be driven as much by, if not more than, major shifts in the domestic political arenas of powerful states as the changing nature of the problems states face—a finding that carries significant public policy implications.

The paper proceeds as follows. In the next section I briefly discuss the main properties of formal and informal IGOs, and present descriptive statistics from the dataset used in the paper to illustrate the main puzzle that it addresses. Section 2 then discusses the two main theories that are investigated. I start by explaining the main characteristics of functionalist explanations and explain why they fall short before presenting the new theory that I advance as an alternative. Section 3 then presents the quantitative analysis. I begin with an overview of the dependent and independent variables. I then discuss the empirical results of the analysis, conduct a number of robustness tests, and attempt to mitigate potential selection and endogeneity problems. In the conclusion, I summarize the paper's contribution and reflect upon the broader policy implications of the findings.

2. Conceptualizing and Mapping Informal Organizations

Formal IGOs are a central feature of the global political landscape, and a key unit of analysis in the field of IR.⁹ They are structured in different ways and seek to accomplish a range of tasks.¹⁰ This diversity makes it inherently challenging to define them precisely. Indeed, on some level, it may be impossible to do so, since they are fundamentally social constructs. Nevertheless, most political scientists and international lawyers believe that they share at least three basic characteristics.¹¹ First, formal IGOs are primarily created by sovereign states. Though other actors may be involved in various ways, organizations created by non-state actors (multinational corporations, non-governmental organizations) and sub-state actors (cross-border networks of municipalities, for example), as well as IGOs (so-called “emanations”) are not generally regarded as formal IGOs. Second, they have bodies that are functionally separate from their members. Usually this implies an autonomous body of some kind that is delegated responsibility for undertaking certain tasks: a secretariat with a budget, staff and offices.¹² Often, these can be quite large bureaucracies, as is the case with the European Union and United Nations. Finally, they are established by an agreement governed by international law. That is, to be regarded as a *formal* IGO an organization must be constituted by an international treaty that establishes precise legal obligations.

⁹ Abbott and Snidal 1998; Hafner-Burton, Von Stein, and Gartzke 2008; Gartzke and Schneider 2013.

¹⁰ Schermers and Blokker 2003.

¹¹ Pevehouse, Nordstrom, and Warnke 2004; Brolmann 2007.

¹² Haftel and Thompson 2006.

Scholars have, however, increasingly noted that many IGOs depart from this “traditional” model.¹³ Often referred to as “informal” or “soft” IGOs, these bodies share certain features with their more formal counterparts but differ in other important respects. Like formal IGOs, for instance, they are undoubtedly the progeny of states. Informal IGOs are not established by non-state or sub-state actors. However, they are generally less likely to have bodies that are clearly separate from their members. The G20 and the FSB, for example, are created by states and have distinct organizational identities but have no independent secretariats of their own. Secretarial services are, instead, provided directly by one or more members, or by another IGO. If they do have an independent secretariat, it is typically quite small. The third and most important feature of informal organizations is their “twilight” status beyond the traditional boundaries of international law.¹⁴ In contrast with formal IGOs, informal IGO are typically founded by “non-binding” agreements—a Memorandum of Understanding (MOU), “gentleman’s agreement,” or the like.¹⁵ The Terms of Reference of the Asia Pacific Group on Money Laundering (APG) offers a striking example.¹⁶ Article 3 describes the APG as a “multilateral organization” that is, according to Article 4, “established by agreement among its members and is autonomous.” Yet, at the same time, Article 4 explicitly states that the organization is “voluntary and co-operative in nature,” and that its authority “does not derive from an international treaty.”

¹³ Zaring 1998; Klabbers 2001; Vabulas and Snidal 2013.

¹⁴ Schachter 1977; Zaring 1998; Klabbers 2001.

¹⁵ A fairly large literature has analyzed such “soft law” agreements. See, for instance, Lipson 1991; Abbott and Snidal 2000; Pollack and Shaffer 2013.

¹⁶ See APG 2012.

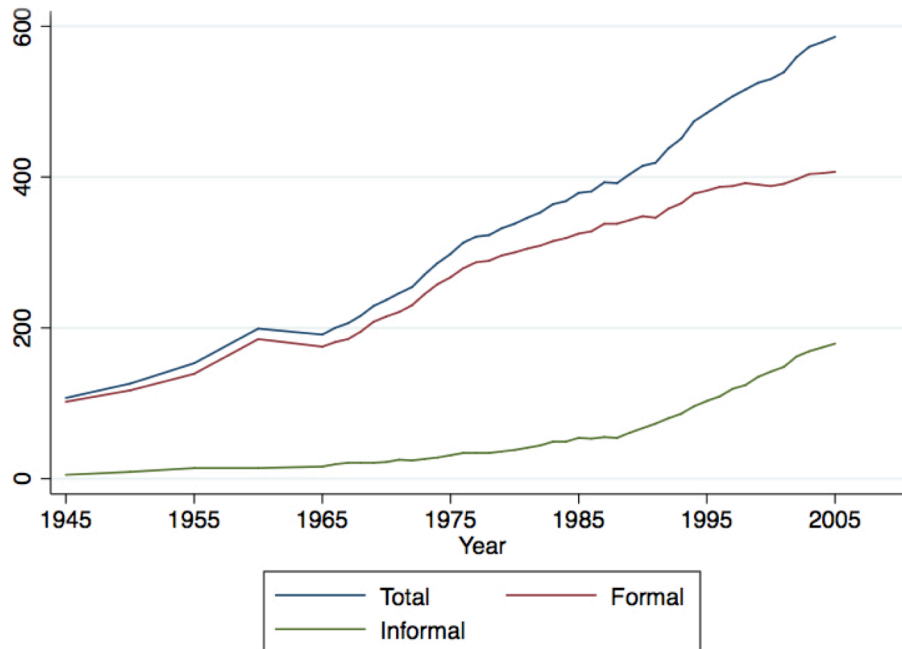
Such organizations might be merely curious exceptions if they were relatively rare or unimportant. However, informal IGOs are actually an increasingly dominant feature of the global landscape. This can be seen in Figure 1, which reveals their extraordinary rise between 1945 and 2005. The figure has been constructed using data from the existing COW-IGO Database as well as a new companion dataset that I have constructed using the *Yearbook of International Organizations*. The COW-IGO Database was created by coding organizations found in the *Yearbook* and other sources according to a “formal” conceptualization of an IGO.¹⁷ To enter the dataset an organization had to be created by states, needed a secretariat, and had to be established by international treaty. The new companion dataset is inspired by a previous attempt by Felicity Vabulas and Duncan Snidal to measure the number of informal IGOs, but relies on the same data collection procedure as the COW-IGO Database and employs a modified set of coding rules.¹⁸ To be included in this dataset, an organization had to be created by states, had to display evidence of a limited organizational structure, and had to be founded by a non-binding international agreement, such as an MOU.¹⁹ By combining these two datasets, we gain a much more accurate picture of the evolution of IGOs over time than has previously been possible.

¹⁷ Pevehouse, Nordstrom, and Warnke 2004.

¹⁸ Vabulas and Snidal 2013.

¹⁹ See the Data Appendix or a full discussion of the coding procedures.

Figure 1 Informal IGOs on the Rise, 1945-2005



Specifically, the figure shows that the total number of IGOs has steadily grown since the early 1950s, rising from roughly 100 in 1945 to nearly 600 by 2005 (the most recent year for which there is suitable data). However, this overall trend masks significant variation in terms of the *kinds* of organizations that states have been creating over time. In 1945, it shows that formal IGOs were clearly dominant; informal IGOs represented only 5 percent of the total. This pattern continued well into the 1960s. After a period of rapid growth, there were roughly 185 formal IGOs by 1960. In contrast, only 14 informal IGOs had emerged by this time—accounting for only 7 percent of the total. Then, by the mid to late 1970s, something started to change. The number of formal IGOs began to plateau somewhat as the rate of creation decreased—a seemingly anomalous trend noted by a

number of scholars.²⁰ But, crucially, this new dataset shows that this tapering-off was not in fact anomalous. Overall, states continued to establish IGOs at roughly the same rate. Instead, the *type* of organization that states created shifted. Over the same period, the number of informal IGOs skyrocketed, rising from 31 in 1975 to 179 by 2005—nearly a six-fold increase. By 2005, they comprised roughly a third of all the active IGOs. This shift, which existing studies failed to pick up due to their narrow focus on formal IGOs, partially accounts for the perplexing decline in their rate of creation. Yet it cries out for its own explanation: why have states increasingly relied on informal IGOs to solve the cross-border problems they face?

3. Theorizing Informal Organizations

In order to develop our understanding of the rise of informal IGOs this paper seeks to explain why states choose to create either a formal or an informal IGO in a given context. By developing our understanding of what drives states to create informal IGOs in the first place, we can start to explain why they have become more common over time. To do so, this section advances a theory that attempts to model the processes of state preference formation and aggregation that are hypothesized to jointly determine the form that an organization is likely to take. The theory emphasizes the role of domestic politics and institutions in shaping state preferences over organizational form and highlights how the distribution of preferences and state power determine the final outcomes that we see. Before outlining my own approach, however, I begin by discussing previous efforts to understand informal IGOs and I show how they fall short.

²⁰ Shanks, Jacobson, and Kaplan 1996; Pevehouse, Nordstrom, and Warnke 2004.

3.1 Previous Work

Only relatively recently have scholars of IR attempted to develop theories and test hypotheses about when we can expect different kinds of IGOs to appear. The most prominent of these are largely functionalist in nature, explaining that states choose to establish an informal IGO when doing so offers important collective benefits. They make this claim by first arguing that informal IGOs have certain properties that contrast with the properties of formal IGOs.²¹ They emphasize, for instance, that informal IGOs are faster, more flexible and offer states greater confidentiality than their more formal counterparts. Formal IGOs, by contrast, are generally thought to be more autonomous, can accommodate a larger membership and can tackle more issues simultaneously. These theorists then argue that when states attempt to cooperate with one another they face a range of problems that differ in terms of their structure, and hypothesize that states choose to create informal IGOs when doing so is the most efficient way of solving the particular kind of cooperation problem they confront in a given context. Thus, for example, Vabulas and Snidal claim that states choose a particular level of formality because “different issue areas—with different underlying cooperation problems—are best addressed by different levels of institutional formality.”²²

Table 1 presents a rough summary of the specific hypotheses advanced by a range of scholars in this rational design tradition.²³ In the far left column (“Properties”) we see the

²¹ Whytock 2005; Eilstrup-Sangiovanni 2009; Bradford 2011; Vabulas and Snidal 2013.

²² Vabulas and Snidal 2013, p.212. On “rational design” of international institutions, see Koremenos, Lipson, and Snidal 2001; Koremenos 2013.

²³ See Vabulas and Snidal 2013, p 209-212. Others taking a similar approach include Whytock 2005; Eilstrup-Sangiovanni 2009; Bradford 2011; and Kahler and Lake 2009.

main dimensions of institutional variation that are commonly thought to differentiate formal from informal IGOs. In the second and third columns are the different aspects of the cooperation problems that they believe are important for determining organizational choice. An informal IGO is hypothesized to be preferred, for example, when there is high uncertainty about future states of the world, since the greater flexibility that an informal IGO offers means it can be adjusted more easily in response to new contingencies. In contrast, a formal IGO should be expected when there is significant scope for opportunism—when a problem has the structure of a Prisoner’s Dilemma—since the greater autonomy that formality affords may offer certain advantages: a more autonomous IGO might be better at providing credible information about the behaviour of other states or might even be able to sanction states that defect from a cooperative equilibrium, in some instances. By comparison, when the scope for opportunism is low, such mechanisms are not necessary and an informal IGO should be preferred. Each of these hypotheses is discussed in more detail in Section 4. For now, it is simply important to note the general thrust of the functionalist argument: that, on average, states create IGOs that are “matched” with the problems they are supposed to solve, and that we should therefore expect to find a strong correlation between particular aspects of the problems states confront and different institutional designs.

Table 1 Determinants of Organizational Form

Property	Formal Organization	Informal Organization
1. Flexibility	Low uncertainty about future states of the world	High uncertainty about future states of the world
2. Agility	Low urgency, Routine problems.	High urgency, Systemic crises.
3. Confidentiality	Less sensitive issues	Highly sensitive issues
4. Autonomy	High opportunism, Heterogeneous interests.	Low opportunism, Homogeneous interests.
5. Scale	Large numbers, Wide issue scope.	Small numbers, Narrow issue scope.

While intuitively plausible, there are reasons to doubt the validity of functionalist accounts. First, there is some evidence that functionalist theories get important empirical predictions wrong. If they were correct, then IGOs dealing with the similar problems should display similar levels of formality. Yet IGOs operating within the same issue area—money laundering, banking or metrology, for instance—but across different regions often display different levels of formality.²⁴ Second, functionalist theories also imply that, in general, there should be a good “match” between the problems that states confront and the design of an organization.²⁵ However, again, there is evidence suggesting that many informal IGOs are not well suited to the problems they are supposed to address.²⁶ Arguably, these empirical anomalies are related to two other

²⁴ See [omitted]

²⁵ On this point, see Pollack and Shaffer 2013.

²⁶ Verdier 2009; Zaring 2010; Patrick 2015.

theoretical problems that plague rational design theories more generally: their exclusion of domestic politics and state power. Rational design theorists are, in fact, quite explicit about the fact that they do not take domestic politics into account, and—though they are less explicit about this—have often been accused of failing to show how power can determine the kind of design that gets selected.²⁷ Both are problematic, given that IR has generally shown that these factors are crucial determinants of state behaviour and institutional design, and even influence the legal form of international agreements.²⁸ It is, therefore, reasonable to expect that they matter for organizational form as well.

3.2 A New Theory of Organizational Form

The overall point of the above criticisms is not to suggest that functionalist arguments are fundamentally wrong but that they are incomplete. The theory proposed in this section attempts to build upon this insight by explicitly incorporating the variables that functionalists omit. To do so, the model proceeds in two steps, and starts from the same place as functionalist theories: with the cooperation problem states face. In the first stage, states are confronted with an issue that can be solved via an IGO of some kind and they develop preferences over the desired level of formality. Here, the hypothesis is that domestic politics and institutions rather than the “situation structure” alone are decisive. In the second, these different state preferences are then taken as given and states bargain over the organization’s level of formality. Here, the final outcome is predicted to reflect the preferences of the state or group of states with the greatest negotiating power. I discuss each stage in turn.

²⁷ Koremenos 2013; Duffield 2003.

²⁸ Milner 1997; Moravcsik 1998. Also see Raustiala 2005 and Guzman 2008.

Preference formation. The model begins by assuming some exogenous increase in the “demand” for governance in a given issue area.²⁹ This creates an incentive for cooperation, and, it is assumed, the creation of an IGO rather than a standalone agreement.³⁰ Thus, from the start, the theory admits that aspects of the cooperation problem can certainly create an incentive for states to design institutions in a particular way. The kinds of factors that rational design theorists believe may drive decisions about the formality of an IGO may play a role as well. Yet, I argue, the nature of this demand also creates an incentive for particular actors within a state to initiate or “lead” cooperation, given their stake in a particular issue, and that this can systematically change the outcomes we would otherwise expect. Demand for governance is assumed to be a product of externalities that tend to increase as global interdependence deepens.³¹ These externalities then either fall on non-state actors within states, who subsequently lobby domestic public actors to engage in intergovernmental cooperation to reduce the negative impacts of the externality; or they may fall directly on a particular domestic public institution, negatively affecting its capacity to regulate behaviour that falls within its remit. Either way, through this process, an incentive for cooperation arises and some public actor or a group of public actors within each state becomes motivated to lead cooperative efforts on the problem in question.

²⁹ Keohane 1982.

³⁰ Abbott and Snidal 1998.

³¹ Moravcsik 1997.

This process matters because different kinds of bodies within the state may be involved. For simplicity, I distinguish between two: political institutions and independent agencies.³² The former are public bodies managed by or directly accountable to elected officials whose tenure is relatively uncertain, since they can be removed from office more easily (if, for instance, a government changes). In the United States (US), the Departments of State and Treasury are examples. The latter, by contrast, are public bodies that are led by officials who are not elected by the people, or directly managed by elected officials.³³ Typically, the positions of such officials are more certain by comparison, since they serve definite terms in office, and they have considerable leeway to make decisions based upon their expert authority. Examples include regulatory bodies run by unelected bureaucrats, such as the Securities and Exchange Commission in the US or the Competition Bureau in Canada. Both political institutions and independent agencies are public entities; they differ, primarily, in terms of the degree of domestic policymaking autonomy that they possess. While political institutions are directly managed by elected politicians and beholden to electoral politics, independent agencies are—by design—more insulated from these forces.

The kind of public actors that are involved in creating an IGO matter because the degrees of autonomy they possess can be expected to lead to different “baseline” preferences over organizational forms.³⁴ Political institutions, for instance, are more likely to prefer formal IGOs, on balance. These kinds of bodies are, as noted above, characterized by the fact

³² See Thatcher and Stone Sweet 2003. Also see Pollitt et al. 2005; Jordana, Levi-Faur, and i Marin 2011.

³³ Thatcher and Stone Sweet 2003, pp.2.

³⁴ Abbott and Snidal 2000; Bach 2010.

that they are influenced by electoral politics to a far greater extent and the tenure of officials heading them is more uncertain. Given this, greater legalization helps politicians to do two things. First, since international treaties (in comparison with soft agreements) are seen to be more prestigious domestically, greater legalization helps politicians to demonstrate leadership, bolster their reputations and improve their probability of being re-elected.³⁵ As Aust had observed, “ministers prefer to be seen signing international treaties rather than MOUs” since doing so helps to send a signal of strength to domestic audiences.³⁶ Second, since greater legalization makes it more difficult for a state to “exit” an agreement (or IGO) by raising the reputational, legal and bureaucratic costs of doing so, creating a more formal IGO helps to “lock-in” the policy preferences of a politician to a far greater extent.³⁷ They will, therefore, be more certain that their policies will remain in place, even if they are removed from office at some point in the future.

If an independent agency plays a prominent role in creating an IGO, by contrast, we can reasonably expect it to prefer greater informality, on balance. This is because independent agencies highly value the autonomy they possess and will likely take actions that will limit the extent to which other domestic actors—legislators, lawyers, diplomats, etc.—intervene in their affairs.³⁸ As David Andrew Singer has noted, “political intervention, in its various guises, is the bane of a regulator’s existence. When politicians attempt to influence regulatory policy directly [...] they threaten the agency’s autonomy and

³⁵ See Aust 2000; Brewster 2004; Guzman 2008.

³⁶ Aust 2000, p.38.

³⁷ Moravcsik 2000; Brewster 2004; Guzman 2008.

³⁸ Damro 2006; Singer 2007; Bach 2010.

prestige.”³⁹ “Regulators will,” therefore, “use all strategies at their disposal to minimize the possibility of intervention.”⁴⁰ Informality helps them to do so. Since creating an informal IGO does not require extensive ratification procedures, monitoring arrangements or budgetary allocations, it allows independent agencies to both engage in intergovernmental cooperation to reduce externalities they face—which may, in turn, lead to political intervention if left unchecked⁴¹—while maintaining a higher level of control over their affairs than would otherwise be possible.

That said, political institutions and independent agencies cannot pursue their first preference at all times. Political institutions, for instance, are unlikely to be able to pursue a more formal approach when they face significant *domestic constraints*. Creating a formal IGO requires a larger shift from the prevailing domestic “status quo,” since the domestic process associated with signing an international treaty to establish a formal IGO are much more onerous. The prospects for formal cooperation are therefore likely to be heavily influenced by factors that make it more or less difficult for a political institution to attain the domestic support necessary. When the number of domestic veto players is high, then, formality becomes a less achievable objective. And, when this occurs, a political institution may then switch to a more informal approach, which may still satisfy some of the domestic constituents in favor of international cooperation while circumventing those that oppose it. An illustration of this dynamic comes from the International Trade Organization (ITO) negotiations in the 1940s, when domestic interest

³⁹ Singer 2007, p.22.

⁴⁰ Ibid.

⁴¹ Damro 2006; Singer 2007.

group opposition to the ITO in the US and a change in Congress in 1948 led policymakers to build up the General Agreement on Tariffs and Trade (GATT) as an alternative.⁴² An informal IGO like the GATT may be a second-best solution but is likely thought to be better than the alternative: no IGO at all. Further, policymakers may also recognize that an informal IGO can be scaled-up in the future, if necessary, as when the GATT was eventually replaced by the treaty-based World Trade Organization (WTO).

Independent agencies, by contrast, are unlikely to achieve their first preference when a delegation is more *politicized*.⁴³ Here, it is important to recognize that, in fact, multiple domestic actors are often likely to be involved in creating an IGO because an issue falls within the remit of several different institutions. When this occurs an independent agency may have to share the decision-making “stage” with others. Sometimes these domestic actors may be other independent agencies that share a preference for informality. But occasionally, of course, an issue will involve political institutions that may have very different preferences regarding how formal an IGO should be, all else being equal.⁴⁴ If so, the involvement of these political institutions—the “politicization” of a state’s delegation—should correspondingly increase the probability that a more formal approach will be pursued. An example of this dynamic comes from the field of antitrust.⁴⁵ Traditionally, antitrust agencies in the US and Europe had been able to exercise a high level of control over their international activities, and there was a strong preference for a more informal approach to cooperation. However, as competition and trade issues

⁴² Aaronson 1997; Milner 1997.

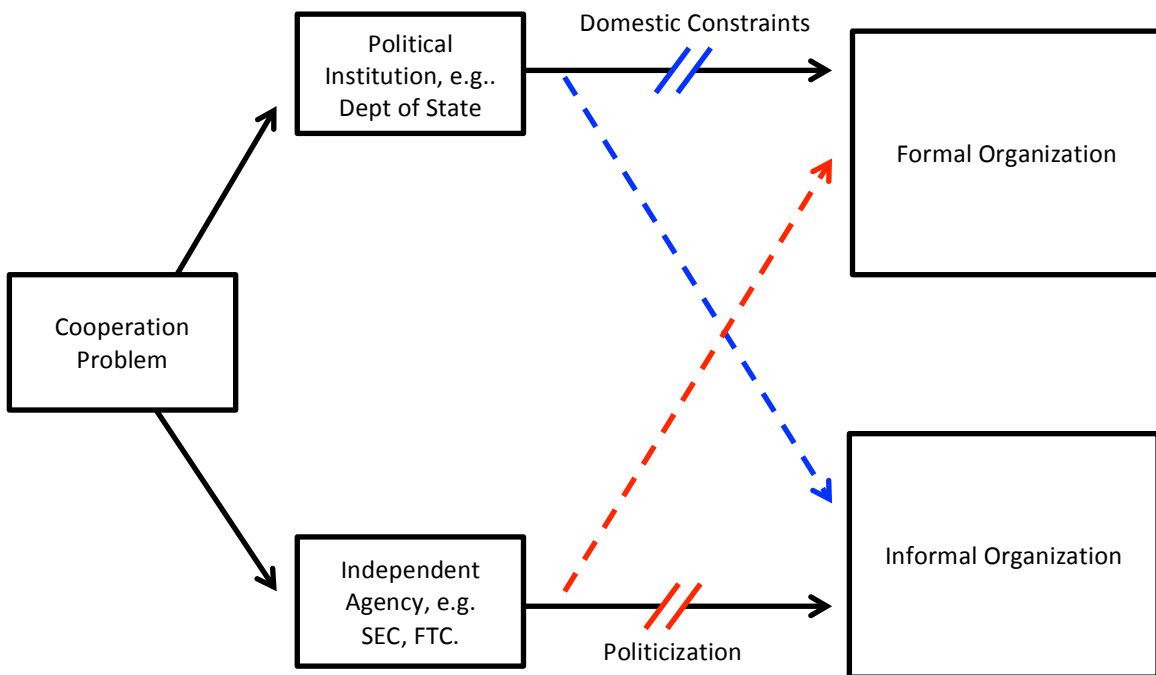
⁴³ Damro 2006; Singer 2007.

⁴⁴ Richards 1999.

⁴⁵ See Damro 2006; Papadopoulos 2010.

increasingly overlapped in the 1980s as a result of the policymaking community's growing focus on non-tariff barriers to trade, the Office of the US Trade Representative, the Directorate-General for Trade and the foreign ministries of European Union members states in Europe began to play a more active role in the area. These more political bodies proved to be much more willing to put antitrust issues on the negotiating agenda of a formal IGO—the WTO—than competition agencies had been. Although the life of antitrust issues in the WTO was ultimately a short one due to heavy resistance by developing states, the involvement of these other actors greatly increased the likelihood that antitrust cooperation would be pursued via a formal IGO.

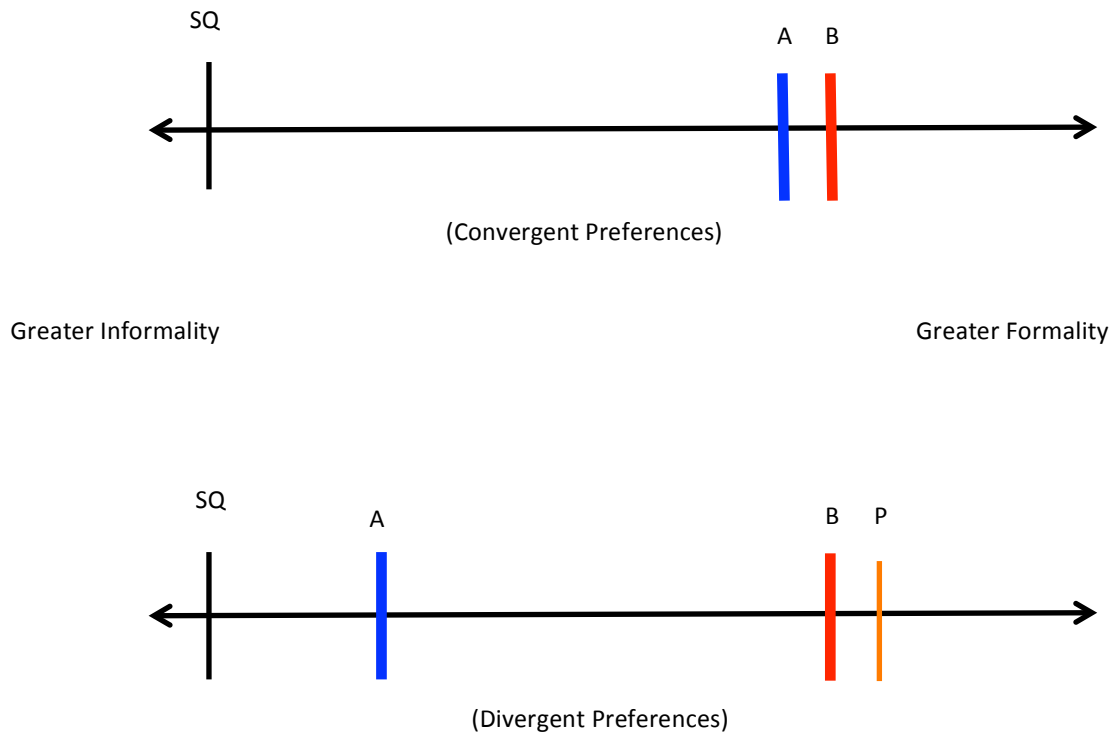
Figure 2 A Model of State Preference Formation



In sum, the preference formation process described above (and visualized in Figure 2) is a matter of functionalist demand *and* domestic politics. A cross-border cooperation problem prompts public actors to become involved in creating an IGO of some kind but also “selects” particular public actors to lead cooperative efforts. The domestic institutions that are selected through this process tend to have different baseline preferences over the formality of the IGOs they create. If political institutions are heavily involved, then a preference for greater formality is expected *unless* policymakers face significant domestic constraints. If more autonomous independent agencies are involved, by contrast, then a preference for informality is expected *except* insofar as an agency in fact has to share decision-making authority with political institutions.

Preference Aggregation. The domestic preference formation process described above is obviously a simplified model. Yet it still allows a great deal of causal complexity. The process can play out in different ways in different states depending on the state of politics and the institutional structures prevailing within each of the states involved at the time an IGO is being created. This means that it is entirely possible that the preferences of states may conflict, even when they are dealing with the same issue—a possibility that seems to overlooked by functionalist approaches. The second step in the model seeks to explain how such conflicts are resolved, and what kind of IGO we can expect to emerge in a given context. It starts by taking state preferences as given and explains how they “aggregate” internationally to produce either a formal or informal IGO using a simple bargaining model, as shown in Figure 3.

Figure 3 A Model of Interstate Preference Aggregation



In the model, states bargain over a continuum that ranges from a high level of informality (on the left) to a high level of formality (on the right). If the preferences of states converge around some point, as shown in the upper panel, then we should obviously expect the commonly preferred outcome to arise. If two states both desire the same level of formality, then neither has an incentive to hold up cooperation to achieve its goal. States may, of course, disagree about other dimensions of institutional design and engage in hard bargaining over those issues. Negotiations may even founder over these differences. But, when it comes to organizational form, there is little disagreement, and states can attain the desired outcome without too much trouble. There is little need to persuade, pressure, or coerce others to get what they want. The outcome is, in other

words, in equilibrium. An example of this dynamic comes from the creation of the Basel Committee on Banking Supervision.⁴⁶ When international banking issues came to the fore of the international agenda in the 1960s and 1970s, relatively autonomous bureaucracies (central banks and regulatory agencies) tended to dominate the field and there was a strong shared preference among them in favor of an informal approach that would maximize their policymaking autonomy. Although power may have rested in the background and been important for other issues, it was less unimportant to the question of organizational form because there was little disagreement in this area.⁴⁷

By contrast, when state preferences diverge, as shown in the lower panel, bargaining power is likely to be important for determining the kind of IGO that will emerge. In this case, states agree that an IGO of some kind is desirable but they disagree over the form it should take. When this occurs, no state can attain its preferred outcome without compelling the other in some way. The final design is therefore likely to reflect the preference of the state with the greatest bargaining power. Here, in line with conventional bargaining theories, a state is expected to have greater power over others if it is able to control the status quo or “reversion point.”⁴⁸ In Figure 3, the preference of State A is much closer to the status quo ante (SQ). This should give A an advantage, particularly if it can maintain this state of affairs by, for instance, threatening to close off access to its markets or resources if it does not get its way. If successful, then State B is likely to defer to a point closer to A’s preference for less formal IGO. However, if State B can “go it

⁴⁶ See Goodhart 2011; also Verdier 2013.

⁴⁷ Kapstein 1992.

⁴⁸ Muthoo 1999; Richards 1999; Bach 2010; Bach and Newman 2010.

alone” with others or take actions—such as sanctions or side-payments—that threaten to shift the status quo to a point (P, for instance) that is closer to its preferred outcome, then State A will be compelled to defer to a point closer to State B’s preference for a more formal IGO.⁴⁹ Again, the case of the GATT can help to illustrate these dynamics. Although European states may have preferred a more formal design during the ITO negotiations, as well as those for the less ambitious Organization for Trade Cooperation in 1956, the pivotal role of the US in the postwar global economy gave it significant power over the final outcome; when it shifted to a preference for building up the informal GATT, European states were forced to go along with this choice.⁵⁰

In sum, the second step in the theory leads us to hypothesize that when preferences converge, we can typically expect the outcome commonly preferred by all relevant states to emerge and that power will play a relatively smaller role in determining the form of an organization. When preferences diverge, however, the final outcome is likely to heavily depend on the relative bargaining power of the states involved. If a state or group of states is capable of vetoing the solutions proposed by others or coercing others to accept an outcome they do not want, then any organization that subsequently emerges from these negotiations should align with their preference.

3.3 Observable Implications

Rational design theories have a clear observable implication: if they are right, we should see a strong correlation between particular aspects of the cooperation problems that an

⁴⁹ Gruber 2000; Moe 2005.

⁵⁰ Aaronson 1997; Milner 1997; Kim 2010.

IGO is created to address and an organization's level of formality. By contrast, if domestic politics and power are driving the design of these institutions—in line the theory presented above—we should see something different. Specifically, if the theory is correct, then the probability that an IGO will be informal should increase, first, if the actors leading cooperation on the behalf of most states or a few particularly powerful states are independent agencies. As political institutions become more involved, the probability that an IGO will be informal should decrease, all else being equal. Second, the probability that informal IGO will emerge should grow if policymakers in most states or in a few particularly powerful states face significant domestic constraints at the time that an organization is established. As domestic constraints fall, the likelihood of a formal IGO being created should rise, all else being equal.

4. Quantitative Analysis

I test these hypotheses using a dataset of 90 IGOs created by 25 OECD states between 1950 and 2005. The dependent variable is an IGO's level of informality. It takes a value of 1 if an IGO is informal and a value of 0 if it is formal. The IGOs are drawn from the database presented in Section 2, however, the specific sample was mainly determined by data considerations. The sample contains nearly all of the IGOs created *exclusively* by the set of 25 OECD states during the postwar period. Yet it was difficult to expand beyond this set of IGOs because the domestic political data for the independent variables are not easily available for developing countries or for earlier periods. Ultimately, this means that the external validity of the analysis is somewhat limited. It is difficult to know the extent to which the findings travel beyond this set of states and to earlier periods of time.

Nevertheless, it is encouraging that the temporal trends in the sample are highly correlated with those in the larger dataset.⁵¹ Even if the findings presented here are not the whole story, they are, certainly, a central part of it. There are also some theoretical reasons for thinking that this limitation is not as detrimental as it seems, since the causal mechanisms outlined in the previous section may not operate in the same way in non-democratic states. Autocratic rulers are typically not subject to domestic constraints in the same way as politicians in democracies, and ostensibly independent agencies frequently do not possess the same degree of autonomy as their OECD counterparts.⁵² These states may then fall beyond the scope conditions that must be in place for the theory to operate, and testing it on a sample that includes IGOs involving them would be inappropriate. Using this sample ensures that the scope conditions are met. And, if the theory were found to work as expected, this would indicate that future efforts to extend it to include these kinds of states would be rewarding.

Turning to the explanatory variables, the first (*Autonomy*) is designed to measure the extent to which the presence of independent agencies affects the organizational form of an IGO.⁵³ The variable is constructed using lists of the participants in the negotiations that led to the establishment of each IGO in the sample, which have been assembled using official documents and some secondary historical sources.⁵⁴ The lists provide a record of the individuals on each state delegation, tell us about the specific domestic bodies they were associated with, and, as a result, offer a reasonable indication of the

⁵¹ See Table A2 in the Data Appendix.

⁵² Weeks 2014; Jenny 2012.

⁵³ For a detailed discussion of the coding procedure see Section A4 in the Data Appendix.

⁵⁴ These are all on file with the author.

domestic actors that were “leading” cooperation on the behalf of each of the states involved. By coding the domestic bodies that individuals are attached to according to their level of autonomy it is then possible to estimate the extent to which independent agencies or political institutions were dominant. This was done using a modified version of the coding scheme developed by Jordana et al. that measures the “independence” of regulatory agencies.⁵⁵ Here, if a domestic body meets their criteria of independence, it receives a score of 1; if not, it receives a score of -1. These scores were assigned to each individual on a delegation and then aggregated, providing us with a score for each state that tells us the extent to which independent agencies were “leading” cooperation—or, looked at another way, the degree of “politicization.” In order to take into account the fact that not all delegations are likely to matter equally, these scores have then been weighted by GDP, which serves a rough proxy for state bargaining power.⁵⁶ Finally, by summing the values for each state, we arrive at a single score that tells us the extent to which independent agencies have led cooperation across the politically relevant states involved in creating an IGO.⁵⁷ A score close to +1 indicates that autonomous actors were

⁵⁵ Jordana, Levi-Faur, and i Marin 2011.

⁵⁶ Gruber 2000; Drezner 2007; Bach and Newman 2010. GDP data comes from Gleditsch 2002.

⁵⁷ Mathematically, the formula used to calculate each value of *Autonomy* for each of the IGOs in the sample is:

$$\sum_{j=1}^n \frac{i_{j1} + i_{j2} + i_{j3} \dots i_{jt}}{t} * \frac{g_{jf}}{\sum_{j=1}^n g_{jf}}$$

Where n is the total number of states involved in creating an organization, i_j is a delegate from country j (and either equals 1 if the delegate hails from a independent agency or -1 otherwise), t is the total number of delegates from country j , and g_{jf} is country j 's GDP in the year that the organization is created. The year that an organization is “created” or “established” is taken to be the year that the agreement constituting the organization is first opened for signature. This may or may not be different from the dates of

predominant on the delegations of most states or a few particularly powerful states; a score of 0 indicates greater “politicization”; and a score close to -1 indicates that political institutions dominated most delegations or the delegations of a few very powerful states. If the theory presented above is correct, a higher value is expected to raise the probability that an IGO will be informal.

The second explanatory variable, *Constraints*, is designed to measure the extent to which the domestic constraints that policymakers face influences the organizational form of the IGOs they create.⁵⁸ It relies on the POLCONIII index developed by Henisz, which measures the number of veto players within a state at a particular point in time.⁵⁹ The variable is constructed by recording the value that the POLCONIII measure takes for each state in the year that the constitutive agreement for each IGO in sample was first signed or opened for signature. This number tells us the level of constraints that the policymakers in each state could have reasonably anticipated at the time, making it easier or harder to ratify an agreement. Again, in order to take into account the idea that not all preferences are likely to matter equally due to differences in state bargaining power, these scores have been weighted by GDP. Summing the final values for all the states involved in each case then yields a single indicator that tells us the level of domestic constraints policymakers faced within the politically relevant states involved in establishing each IGO in the dataset.⁶⁰ In order to facilitate comparison with *Autonomy*, the values have

“establishment” in the COW-IGO Dataset, which record the year that an organization started operations.

⁵⁸ For a detailed discussion of the coding procedure see Section A5 in the Data Appendix.

⁵⁹ Henisz 2002.

⁶⁰ Mathematically, the formula used to generate each value of *Constraints* is:

been rescaled to range between +1 and -1. A value of +1 indicates that the constraints across most states or within the most powerful states were especially high; a value of 0 indicates that constraints across most states or in a few powerful states were lower, on balance; and a value of -1 indicates that domestic constraints were very low. Again, if the theory presented in the previous section is correct, a higher value should increase the probability that an IGO will be informal.

In order to take into account alternative explanations that focus on the impact of the “situation structure,” I also operationalize a number of additional variables intended to measure the theoretically relevant dimensions of the cooperation problems that states may confront. Wherever possible, I do so by attempting to faithfully replicate the coding procedures used in relevant rational design studies. Thus, for instance, in order to develop a measure of *Uncertainty* in an issue area I employ a coding procedure used by Barbara Koremenos.⁶¹ In her study “Contracting Around International Uncertainty” she codes uncertainty as a dichotomous variable. Uncertainty is conceptualized as being present in an issue area whenever there is high potential for adverse changes in the distribution of costs and benefits in the future. This is, in turn, a function of the kind of issues states are dealing with. Monetary issues, trade, mutual security, environmental pollution, and some

$$\sum_{j=1}^n v_{jf} * \frac{g_{jf}}{\sum_{j=1}^n g_{jf}}$$

Where n is the total number of states involved in creating an organization, v_{jf} is the level of domestic constraints prevailing in country j at the time that an IGO is constituted, and g_{jf} is j 's GDP at the time of founding.

⁶¹ Koremenos 2005.

finance issues, for instance, are coded as “high uncertainty,” while agreements dealing with human rights, prohibitions, and those concerning species protection are coded as being “low uncertainty” issue areas. Here, I replicate this coding for each of the organizations in the dataset, relying upon constitutive agreements, descriptions in the *Yearbook of International Organizations*, as well as organization’s websites. Of course, some IGOs deal with multiple issues. I therefore code an organization according to the highest uncertainty issue it deals with.

Occasionally, however, a suitable coding procedure did not exist and had to be created from scratch. This was the case with *Agility*. Functionalists frequently argue that an IGO is more likely to be informal if the issue it deals with requires a “speedy” response. Hardt, for example, has argued that greater informality is useful to IGOs when they need to respond swiftly to humanitarian emergencies, and Eeilstrup-Sangiovanni has argued that it is important when states need to respond quickly to imminent threats.⁶² Here, I conceptualize such issues as those that are “time-sensitive”—meaning that failure to act quickly would lead to significant losses of property or life. An organization designed to detect and respond to epidemics, terrorist attacks or financial crises should, therefore, place an emphasis on speedy decision-making and implementation. By contrast, other issues may call for slower decision-making: setting product standards or engaging in research, for instance. For these kinds of tasks, there is low chance of significant loss of life or property and haste might actually lead to more problems than a failure to act. Based on this thinking, I have created a variable that takes three values: -1, 0, +1. An

⁶² Eeilstrup-Sangiovanni 2009; Hardt 2014.

organization is coded +1 if it focuses on responding to “emergencies,” “disasters,” “epidemics,” “crises,” or “conflicts” are categorized as dealing with issues that require speed. If the organization is primarily engaged in regulatory standard setting or research, by contrast, it is coded -1 —indicating that the organization may emphasize slower, more meticulous decision-making. All others are coded 0, indicating that they are engaged in activities that are not particularly time-sensitive in either sense.

The third functionalist variable, *Confidentiality*, measures the level of secrecy that an issue calls for. Functionalists have argued that when states need to keep their activities hidden from view due to the nature of a particular problem an informal design offers important advantages.⁶³ Alternatively, where states wish to make their activities especially transparent, they may opt for a more formal design. To create this variable, I build upon insights from the work of Tallberg et al.⁶⁴ Their study of the “opening up” of IGOs argues that states adopt a variety of designs that may grant different degrees of “access” to transnational actors. Some tasks require considerable discretion and therefore access is not desired; others benefit considerably from the input or actions of transnational actors. Following their work, I argue that organizations requiring a high level of discretion or secrecy are those dealing with security or monetary issues; those that are more open generally require high levels of expertise or local implementation. I therefore construct a variable that takes three values: -1, 0, +1. If an organization deals with security or monetary issues, it is automatically coded +1, indicating that it will benefit from a high level of confidentiality. This is done if the organization’s description

⁶³ Vabulas and Snidal 2013.

⁶⁴ Tallberg et al. 2014.

in the *Yearbook of International Organizations* contains references to these issues. By contrast, if an organization has regional offices, or if the description contains keywords like “complexity,” “science,” “scientist,” “laboratory,” “invention,” “observatory,” “studies,” “technology,” “technical,” “methodological,” or “academic,” it is coded -1, indicating that the organization will likely benefit from greater openness.⁶⁵ Again, the case of conflicts—where, for instance, an IGO deals with monetary issues and requires high levels of expertise—I code an organization according to the highest level of secrecy it may require. All others are coded 0, indicating that they do not benefit from being especially open or closed.

The next two variables aim to measure an organization’s need for independence from states, which, as discussed in the previous section, is expected to lead them to prefer a more formal design. One factor that is likely to drive an organization’s need for independence is the potential for *Opportunism*.⁶⁶ If an organization deals with issues where non-compliance is likely to be a problem, then greater independence may be necessary, since there will likely be a need for the organization to engage in sanctioning, monitoring or dispute settlement. This may only be possible in a more independent body, and therefore greater formality will be necessary. In order to code for the potential for opportunism I develop a measure that takes three values: 0, 1, and 2. The different values are assigned to organizations depending on the kind of activity they are engaged in, which is determined through constitutive documents, descriptions in the *Yearbook of International Organizations*, websites, or secondary sources. Specifically, if an

⁶⁵ In the case of conflicts, I have assumed that a need for secrecy dominates.

⁶⁶ Whytock 2005; Bradford 2011.

organization is primarily engaged in research, training, or information exchange, it is coded with a 0. This indicates that there is “low” potential for opportunism. Organizations engaged in finance or joint operations, such as running a facility of some kind, are coded 1, indicating a “medium” potential for opportunism. Finally, organizations engaged in rule-setting, collective security, or conflict management, are coded 2, indicating “high” potential for opportunism. The only exception to this rule is organizations designed purely for facilitating regulatory coordination. These are coded as having low potential for opportunism, since there is generally little need for enforcement once such rules are established.⁶⁷

In addition, I also construct a variable that measures the level of *Heterogeneity* among the actors involved in creating an organization. Some rational design scholars have argued that actors are more likely to prefer informality when their preferences are in harmony, since they would only need a limited institutional framework to facilitate cooperation.⁶⁸ Interestingly, however, others have argued the opposite: that informality should increase when preferences conflict.⁶⁹ As preferences diverge, the potential for disagreement and gridlock rises, making it more likely that states will only be able to agree upon a limited institutional framework. Either causal logic is possible. In this article, I operationalize heterogeneity in two different ways. The first approach is to follow Koremenos by using the Affinity of Nations index developed by Gartzke, which is based upon voting patterns

⁶⁷ Mattli and Büthe 2003; Whytock 2005; Bradford 2011.

⁶⁸ Keohane 1984; Whytock 2005; Eilstrup-Sangiovanni 2009; Green and Colgan 2013.

⁶⁹ Bradford 2011; Hale and Held 2012.

in the UN General Assembly.⁷⁰ Gartzke's data are dyadic, with a higher value implying that two states vote more similarly.⁷¹ To gauge the degree of preference heterogeneity in a particular case using this variable I take the minimum value from among the various dyadic values for all the states involved in creating an IGO, relying upon a "weakest link" assumption.⁷² A second approach measures the level of economic inequality among the states involved in creating an organization. Actors with very different levels of income may reasonably be expected to have quite different preferences.⁷³ This can be measured either in terms of the difference between the highest and lowest incomes, or in terms of the overall level of economic inequality among those involved, which can be measured through an index such as the Gini coefficient.⁷⁴ None of these approaches seems inherently preferable. Thus, I make use of each of them. I use the Affinity of Nations measure of heterogeneity in the main analysis; the others are employed later as robustness checks.

Finally, rational design scholars have also argued that the size of an organization's *Membership* and the scope of the issues (*Issue Scope*) that an organization is intended to resolve may impact the formality of an organization. If a large group of countries wish to cooperate with one another or if an organization is designed to address a larger number of issues, this may require greater formality.⁷⁵ The size of the group can be measured in two

⁷⁰ Koremenos 2008; Gartzke 1998; Gartzke 2006.

⁷¹ To ease interpretation in this article, however, I have inverted Gartzke's measure. As used here, a higher value implies greater heterogeneity.

⁷² Hirshleifer 1983.

⁷³ Shadlen 2004; Green and Colgan 2013; Kahler 2013.

⁷⁴ To create this variable, I have used data from Gleditsch 2002.

⁷⁵ Whytock 2005; Eeilstруп-Sangiovanni 2009.

different ways. First, we can create a variable that simply measures the number of countries involved in creating an organization. Second, we can measure the current or most recent size of an organization's membership. Even if an IGO is created by only a small number of actors, they may rationally anticipate that its membership will grow in the future and therefore may require a more formal design. If so, then current membership may be a better estimate of their intentions. Here, I opt to use the latter measure in the primary multivariate analysis; however the former is included as a robustness check later on. With regard to the scope of the issues that an organization is designed to address, I make use of the measure developed by Lenz et al.⁷⁶ They have developed a coding procedure that utilizes a list of 26 different issue areas that an organization may be active in to gauge the number of distinct issues that it is intended to address. I employ this same coding procedure to create the *Issue Scope* variable using descriptions in the *Yearbook of International Organizations*.

Table A3 in the Data Appendix shows descriptive statistics for all of the variables used in the following quantitative analyses. Table A4 shows all of the correlations between each of the variables used in the main analysis. Table A5 reports Variance Inflation Factor (VIF) scores that measure potential for multicollinearity. The VIF scores are all well within conventional bounds of acceptability.

⁷⁶ Lenz et al. 2015.

4.1 Results

Table 2 shows the results of a probit analysis that includes these variables. Models 1 and 2 show the basic bivariate results for *Autonomy* and *Constraints*. Model 3 includes both variables in a single stripped down model. Models 4 through 10 then show the bivariate relationships between each of the rational design variables and the dependent variable. Model 11 includes all of the functionalist variables together in a single model, while Model 12 replicates this but adds *Autonomy* and *Constraints*. In line with expectations, Models 1, 2 and 3 shows that *Autonomy* and *Constraints* are statistically significant and positively signed both individually and when included in the same model. Among the bivariate relationships shown in Models 4 through 10, Models 6 and 7 stand out. The first shows the relationship between *Confidentiality* and informality; the second shows the effect of *Opportunism*. Both are statistically significant. The negative sign for *Opportunism* indicates, in line with expectations, that as the potential for opportunism grows an IGO is less likely to be informal. However, the negative sign on *Confidentiality* in Model 6 tells us that as the need for confidentiality increases, an IGO is less likely to be informal, which is the opposite of what rational design theories have thus far predicted. The rest of the rational design variables never achieve statistical significance in the bivariate models, and in some cases are also incorrectly signed.

Model 11, as mentioned, includes all the functionalist variables in a single model. Here, the variables *Confidentiality* and *Opportunism* stand out as well. Both are found to be statistically significant, although *Confidentiality* remains incorrectly signed. The rest of the rational design variables still do not achieve statistical significance, and in some cases

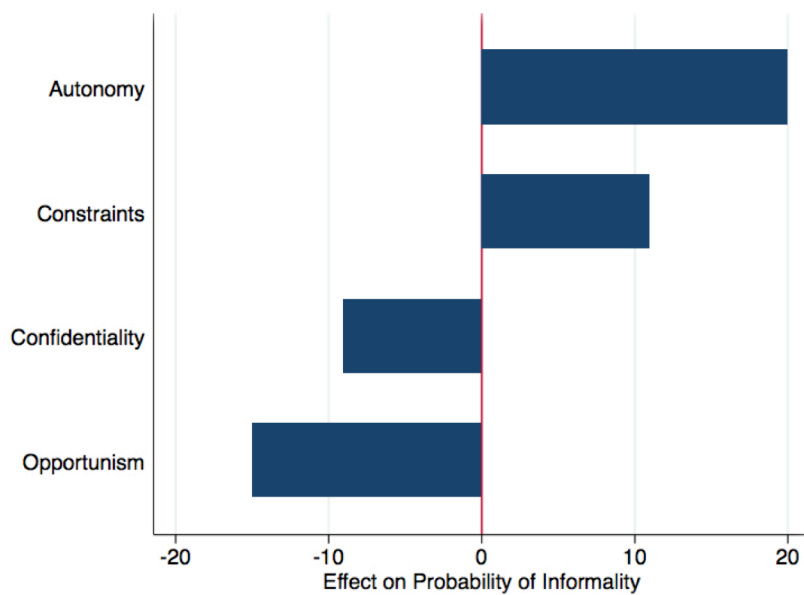
still point in the wrong direction as well given the theoretical expectations outlined above. Overall, we can conclude from this that while some of the variables functionalists deem to be important do play a role, their hypotheses do not perform especially well. Model 12 adds the *Autonomy* and *Constraints* variables back in. Here, *Confidentiality* and *Opportunism* continue to be statistically significant, indicating that aspects of the “situation structure” do have an impact on institutional design. However, the most important finding to be derived from this model is that the situation structure is clearly not all that matters: *Autonomy* and *Constraints* remain important predictors of informality, even here. Both are statistically significant at the 5 percent confidence level or better and the signs on the coefficients indicate that they have a positive relationship with informality, as expected by the theory presented earlier.

Table 2 Bivariate and Multivariate Regressions

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Autonomy	1.214*** (0.302)		1.143*** (0.317)									1.107*** (0.355)
Constraints		1.242*** (0.428)	1.010** (0.474)									1.232** (0.609)
Uncertainty				-0.378 (0.271)							0.016 (0.443)	0.499 (0.559)
Agility					-0.183 (0.191)						-0.107 (0.238)	-0.069 (0.288)
Confidentiality						-0.342* (0.184)					-0.628** (0.271)	-0.557* (0.288)
Opportunism							-0.643*** (0.179)				-0.755*** (0.247)	-0.708*** (0.264)
Heterogeneity								0.005 (0.004)			-0.714 (0.453)	-0.693 (0.490)
Membership									-0.005 (0.005)		-0.013 (0.008)	-0.011 (0.008)
Issue Scope										-0.023 (0.034)	0.008 (0.038)	-0.009 (0.037)
Constant	0.573** (0.264)	0.094 (0.181)	0.792*** (0.305)	-0.052 (0.182)	-0.273* (0.146)	-0.125 (0.146)	0.214 (0.178)	-0.0517 (0.208)	-0.123 (0.179)	-0.144 (0.180)	1.006*** (0.386)	1.810*** (0.529)
Observations	90	90	90	90	90	90	90	90	90	90	90	90

This analysis indicates that *Autonomy* and *Constraints* still have a positive effect on the probability of an organization being informal, even after we take other potential explanations into account. However, we might still wonder about the size of these effects. Even if *Autonomy* and *Constraints* do influence the outcome, this would be much less interesting if their impact was relatively small. Yet it appears this is not the case. Consider Figure 4, which shows, for each variable that achieved statistical significance in Model 12, the effect of a one-standard-deviation shift from each variable's mean on the probability that an organization will be informal. This reveals that *Autonomy* and *Constraints* have quite large effects on the probability of informality—indeed, *Autonomy* proves to have the largest effect overall among the variables considered. For the average IGO in the dataset, for instance, a one-standard-deviation shift from the mean for each of these variables raises the probability that an organization will be informal by about 20 percent and 13 percent, respectively. These effects are broadly similar to—at the very least—those of the two functionalist variables that achieve statistical significance, *Confidentiality* and *Opportunism*. Among them, *Opportunism* has the largest effect: a one-standard-deviation shift in the potential for opportunism lowers the probability that an IGO will be informal by about 15 percent. Increasing the need for *Confidentiality*, in turn, appears to reduce the likelihood that an organization will be informal by roughly 9 percent.

Figure 4 Average Marginal Effects on Informality



Overall, the results presented strongly support the theory presented in Section 3. Both *Autonomy* and *Constraints* are positively correlated with an organization's level of informality. Further, compared to relevant functionalist "rational design" variables, they also appear to have quite a large impact on the probability that an organization will be informal. Still, we might wonder whether these results are robust across different specifications of the model or different ways of measuring the key explanatory variables. They are. Table 3 presents a number of different models that provide additional estimates of the results, include alternative measures of relevant variables described above, and test several additional arguments that scholars might be expected to put forward. Models 13 and 14, for example, include the same variables at Model 12 but estimate the results using logit and OLS estimators, respectively. The results show that there is no major difference in the results. All of the key variables maintain their signs and significance levels. The only new finding is that *Membership* achieves significance in Model 14. The negative

sign indicates that organizations with a larger number of actors involved are less likely to be informal. Models 15 and 16 use the alternative measures of preference heterogeneity described in the previous section. The first uses the difference between the maximum and minimum levels of GDP for all the countries involved in creating an organization; the second uses a Gini measure of inequality. In both cases, the key variables again maintain their signs and significance levels, with the exception of *Confidentiality*, which does not reach standard levels of statistical significance in Model 15. Finally, Model 17 uses the alternative measure of the size of an organization's membership—specifically, membership at the time that an organization is created. But, again, this does not change the main results.

Model 18 presents estimates from a regression that is in all respects the same as Model 12, but includes a new variable, *Past Participation*. This variable measures the total number of informal organizations that a founding group has been involved in creating in the years prior to the creation of each new organization in the dataset. The purpose of including it is to test whether there is an isomorphic effect that leads states that have engaged in informal organizations in the past to develop a new governance repertoire that is then applied to new problems and issue areas. Interestingly, this variable turns out to have statistically significant effect in the expected direction, which suggests that this kind of mechanism may play a role. However, the effect is substantively quite small compared to the others considered thus far. Further, when we include *Past Participation*, the other variables in the models maintain their effects and significance levels. Finally, Model 19 includes a dummy variable, *Great Powers*, which tests whether the presence of the US,

France or United Kingdom in the negotiations to establish an IGO influences the probability of informality. This may be because particular powerful states may be hypothesized to have a strong preference for more informal varieties of cooperation under certain conditions.⁷⁷ However, it does not prove to have a statistically significant effect.

Table 3 Robustness Checks

VARIABLES	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Autonomy	1.922*** (0.692)	0.282*** (0.069)	1.111*** (0.347)	1.175*** (0.352)	1.268*** (0.372)	0.756** (0.355)	0.993*** (0.369)
Constraints	2.121* (1.136)	0.229* (0.127)	1.094* (0.561)	0.985* (0.593)	1.156* (0.601)	1.178* (0.609)	1.424** (0.593)
Uncertainty	0.755 (0.985)	0.090 (0.128)	0.680 (0.623)	0.462 (0.549)	0.463 (0.537)	0.493 (0.587)	0.665 (0.590)
Agility	-0.157 (0.524)	0.007 (0.069)	-0.059 (0.313)	-0.0755 (0.285)	-0.046 (0.271)	-0.215 (0.304)	-0.113 (0.302)
Confidentiality	-1.090* (0.586)	-0.148* (0.077)	-0.444 (0.283)	-0.527* (0.288)	-0.588* (0.313)	-0.557* (0.285)	-0.500* (0.277)
Opportunism	-1.240** (0.502)	-0.191*** (0.071)	-0.811*** (0.288)	-0.782*** (0.266)	-0.733*** (0.266)	-0.670** (0.270)	-0.728** (0.284)
Heterogeneity	-1.289 (0.848)	-0.140 (0.135)			-0.822 (0.564)	-0.820* (0.494)	-0.352 (0.608)
Membership	-0.017 (0.016)	-0.002* (0.001)	-0.008 (0.008)	-0.005 (0.007)		-0.016 (0.010)	-0.012 (0.009)
Issue Scope	-0.005 (0.062)	-0.003 (0.009)	-0.0197 (0.036)	-0.0144 (0.039)	-0.004 (0.038)	-0.011 (0.038)	-0.0102 (0.038)
Gini			0.712 (1.438)				
Inequality (Max-Min)				0.984 (0.810)			
Early Membership					-0.063 (0.040)		
Past Participation						0.007** (0.003)	
Great Powers							0.501 (0.507)
Constant	3.171*** (1.011)	0.924*** (0.104)	1.121 (0.766)	1.083* (0.555)	2.315*** (0.708)	1.271** (0.553)	1.238 (0.770)
Observations	90	90	89	90	90	90	90
R-squared		0.403					

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

⁷⁷ Vabulas and Snidal 2015.

4.2 Addressing Selection and Endogeneity Concerns

One complexity that has not been discussed in detail thus far has been the possibility of selection and endogeneity problems, especially regarding the impact of *Autonomy*. The key issue is that some of the other variables may be important not simply as controls. Instead, they may actually determine when certain actors are likely to “lead” cooperation as well. In other words, maybe states are more willing to let autonomous domestic actors lead cooperation when there is little chance of opportunism, less need for confidentiality, or higher domestic constraints, and vice versa. Obviously, this possibility complicates hypothesis testing. If true, the quantitative analysis undertaken above could plausibly show that there is a significant relationship between levels of actor autonomy and an organization’s level of informality but the relationship would not be a causal one. Instead, the situation structure would simply make it more likely that we would see higher levels of autonomy *and* make it more likely that an organization will be informal.

With observational data, one of the most powerful ways of addressing this issue is through “matching” methods, which can help to mitigate such concerns by partially endogenizing the likelihood that autonomous actors will be present in any given situation. The logic of matching strategies is to approximate a controlled experiment, where a “treatment” is assigned at random. In a real experimental situation, we are able to control for all of the other factors that may influence the outcome because randomization means that the treatment is not correlated with any other explanatory factors. Obviously, this is not possible with observational data. However, using matching methods, we can compare cases that are similar, or “matched,” in every possible respect except for the fact that in

some (the “treatment” group) the explanatory variable is present and in others (the “control” group) it is not. Once this is done, we can then re-estimate the causal effect of the explanatory variable by examining the difference in outcomes across these groups. The estimate will be better—and can help to mitigate selection and endogeneity concerns—because the matching procedure explicitly accounts for the different theoretically relevant factors that could also be driving the likelihood that a particular case received the “treatment” in the first place.

One of the most widely used matching methods relies upon propensity scores.⁷⁸ This approach begins by using the variables believed to determine the likelihood that a case receives a treatment as regressors in a logit model with a dichotomous “treatment” variable as the outcome. This procedure generates a propensity score for each case in the sample, which tells us the probability that it receives the treatment, given the values of the other variables. We then use each case’s propensity score to match observations in the treatment group with others in the control group. Each set of matched observations then has an equal probability of having received the treatment, but the individual cases actually differ with respect to whether or not they have in fact received the treatment. Following this we can then perform a number of “balance” diagnostics to verify the degree of similarity between the treatment and control groups. Finally, we can then use the matched sample to re-estimate the causal effect of the treatment variable.

⁷⁸ Guo and Fraser 2010; Stuart 2010.

In order to employ this approach, I have dichotomizing the “treatment” variable, *Autonomy*, since it is not a binary variable. I have done so by recoding *Autonomy* to equal 1 if a value is above the mean and 0 if a value is below the mean. Using a logit model, I then estimate the propensity scores for each case in the sample, which tell us the probability that the new “treatment” variable, *Autonomy2*, will take a value of 1. To do so, I have used the rational design variables *Confidentiality* and *Opportunism*, as well as *Constraints*. I have dropped the others from this model because they are substantively unimportant or statistically insignificant in nearly all of the models presented thus far. In order to undertake matching, I have adopted a three “nearest neighbor,” with replacement, matching rule. This means that each of the observations in the treatment group can be matched with three (weighted) observations in the control group, and that once a case has been used as a match it continues to be available for further matches afterwards. I also apply a “caliper” of .05, which restricts the “radius” or range of the “potential” matches in the control group to those that lie within at least 5 percentage points of the observation in the treatment group. Finally, the range of possible matches is also restricted to those that fall within the “common support.”

In order to ensure that “balance” has been achieved, I have then performed a number of diagnostics. First, I have examined the standardized difference in means of each covariate, as well as their variance ratios, in both the “raw” and “matched” samples. These can be seen in Table 4, which shows that the standardized difference of each covariate across the treatment and control groups are significantly reduced in the matched

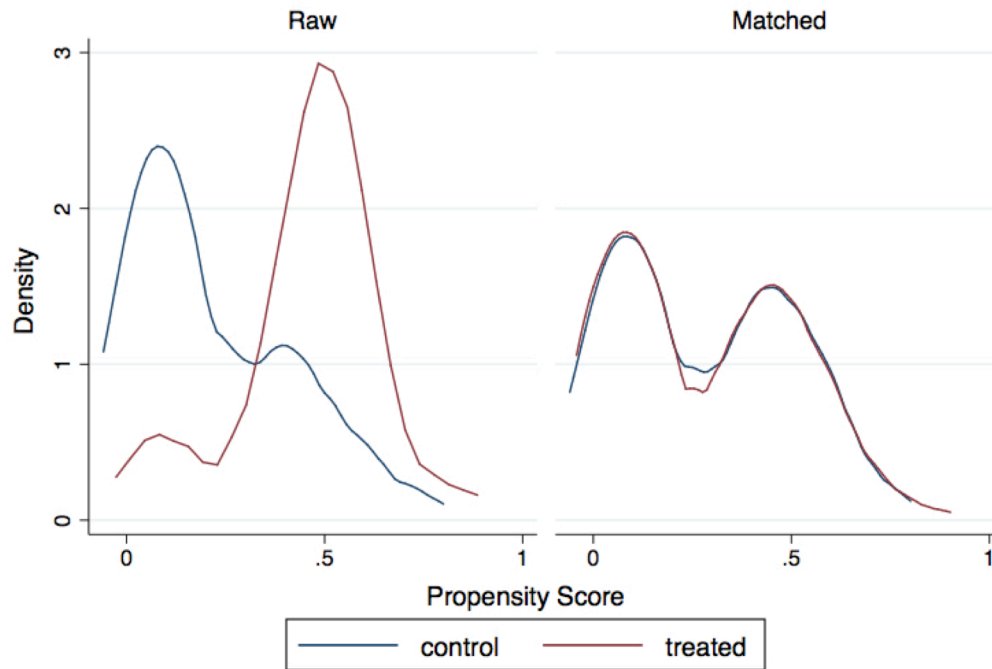
sample, and well within conventional bounds.⁷⁹ Likewise, the variance ratios are much closer to unity in the matched sample, and, again, well within conventional bounds. Second, t-tests for each variable then also confirm that the matching procedure has removed any statistically significant differences across the treatment and control groups. Finally, we can see the overall improvement in balance by examining a density plot of the propensity scores across the raw and matched samples. This is shown in Figure 5, which allows us to compare, visually, how similar the propensity scores are across these two groups. Again, this reveals that the cases in the “matched” sample on the right are much more alike in terms of their probability to have received the treatment than those in the analogous “unmatched” sample on the left.

Table 4 Balance Diagnostics

VARIABLES	Standardized Differences		Variance Ratios	
	Raw	Matched	Raw	Matched
Constraints	0.433	-0.189	1.245	1.125
Confidentiality	0.382	-0.035	0.543	1.098
Opportunism	-1.109	-0.138	0.311	0.680

⁷⁹ See Rubin 2001; Stuart 2010.

Figure 5 Balance Density Plot



Together, these diagnostics indicate that while balance across the treatment and control groups is not perfect, it is significantly better than in the raw sample. We can, therefore, be reasonably confident that relevant factors that may drive autonomous actors to lead cooperative efforts are held constant across the two groups. Given this, we are now in a position to re-estimate the effect of *Autonomy2* by examining the difference in means across the treatment and control groups. Doing so confirms that the autonomy of the actors leading cooperation has a substantively and statistically significant effect on the likelihood that an organization will be informal (see Table 5). The results indicate that the average treatment of effect of *Autonomy2* is roughly 0.35, which appears to be in line with the average marginal effects presented earlier. To reinforce this analysis, I have utilized a range of additional approaches. For instance, by using inverse-probability

weighting and coarsened exact matching methods it is possible to correct some of the known problems with propensity score analyses, such as a high degree of model dependence.⁸⁰ Both of these methods significantly improve matching across the treatment and control groups, as well, and their estimated causal effects are reported in Table 5. However, none of these other techniques produce substantially different findings from those reported above.

Table 5 Estimation Results

VARIABLES	Propensity Score Matching	Inverse-Probability Weighting	Coarsened Exact Matching
Autonomy2	0.350* (0.203)	0.267** (0.116)	0.267* (0.140)
Robust standard errors in parentheses; ***p<.001, **p<.05, *p<.1			

4.5 Conclusion

Informal IGOs are an increasingly prominent feature of the global landscape, yet they have thus far remained relatively poorly understood. Existing efforts to explain their emergence have, to a significant extent, been grounded in a rational design approach. However, this article has provided reasons to doubt that this explanation is sufficient, and argues that the reason for this lies in their relative neglect of domestic politics, conflict and power. It advanced an alternative theory that builds upon this existing approach but attempts to incorporate these variables. It has also undertaken the first systematic effort to evaluate these two theories. The analysis began by identifying a sample of 90 IGOs that serves as the study's dependent variable. It then developed two explanatory variables that

⁸⁰ Imai and Ratkovic 2014; Iacus, King, and Porro 2012.

measure: a) the extent to which the actors leading cooperation in politically relevant states involved in creating an IGO are autonomous, and b) the level of domestic constraints. Both factors are hypothesized by my theory to impact an organization's level of formality. The paper then developed a number of variables aimed at testing the main rational design conjectures. These hypotheses were then evaluated through a multivariate analysis, which indicated that rational design theories do indeed have some validity. In particular, it suggested that the level of confidentiality that an issue requires and the scope for opportunism affect the probability of informality. However, the results also indicated that, while this was true, domestic constraints and the autonomy of the actors leading cooperation still have powerful effects on informality—indeed, they appear to have some of the largest effects among all the variables considered. The analysis therefore provides considerable support for the theory that I advance in this paper.

Extrapolating from these results, the paper has a number of important implications. First, it suggests that the rise of informal IGOs may have little to do with the changing nature of the problems that states face. While there is, certainly, evidence that this might be the case, the analysis indicates that the growing prominence of informal IGO may also have been driven by important changes within the domestic political arenas of powerful states. Specifically, we can hypothesize that informal IGOs may be appearing as a result of two significant shifts: first, growing domestic gridlock that makes it challenging to pursue more formal varieties of cooperation; and, second, the growth of independent regulatory agencies, which have a preference for varieties of cooperation that preserve the autonomy and authority they possess. Certainly, there is considerable evidence of both trends

already.⁸¹ The analysis therefore indicates how major changes in the international system may be caused not by systemic factors—such as levels of interdependence and the complexity of the problems states face—but by domestic ones at a different level of analysis that have been projected outwards to shape the international system itself.

Second, the paper’s findings have important policy implications. Over the past twenty years there has been significant debate over the right approach to managing contemporary global challenges. Some have argued strongly in favor of informal solutions and criticized formal IGOs as ineffectual, rigid, and generally inappropriate for managing many of today’s most important issues.⁸² Others, by contrast, have argued that informal IGO are often unhelpful and unaccountable, undermining prospects for effective global governance.⁸³ Rational design theories, if correct, would seem to support the optimists. If informal IGOs arise primarily because they offer the best solution to the particular kind of problems that states face, then there is good reason to think that their growth is a “good thing.” But this paper has shown, contrary to past research, that rational design theories do not fare as well as we might hope, and that informality is often chosen for less salutary reasons. The theory would imply, however, that there is no necessary relationship between the kind of problem states face and the form of an IGO. While it is possible that an informal IGO may be successful and well suited to a particular cooperation problem, nothing guarantees this outcome. Ultimately, therefore, we should be much more skeptical about the more optimistic claims made on the behalf of many informal IGOs.

⁸¹ Elgie 2001; Pollitt et al. 2005; Binder 2003.

⁸² Slaughter 2004; Eilstrup-Sangiovanni 2009; Bradford 2011; Brummer 2014.

⁸³ Verdier 2009; Verdier 2013.

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