Gov. 2710, Wk. 7: Gourevitch, "The Governance Problem in International Relations"

Framework: Governments recognize that institutions benefit cooperation by providing order and information, lowering transaction costs, and reducing chances for opportunism. They also recognize that different governance structures may grant different actors different relationships, privileges, expectations, and procedural knowledge, which alters the strategic environment and so can influence the distribution of benefits. When actors have investments in certain governance structures through these elements, the cost of change can be high. Thus, although there may be several pareto-optimal outcomes, governments will fight to create institutions that increase their leverage. They will challenge existing institutions if the potential benefits of change outweigh the costs of a challenge. This cost-benefit calculation depends on assessments of an institution's strength, the vested interest of other actors, and the 'reversion point' – what outcome will prevail if discussions collapse and no agreement is reached.

Elements that affect how a Governance Dispute is Resolved:

1. Strong Institutions: The standard story: 'preferences plus political resources refracted by institutions equals policy outputs.' Actors may demand changes in the rules but accept the existing rules as the proper procedure for considering the change (biasing those already more powerful). Example: US fast-track authority in congress/exec. Relationship setting.

2. Weak Institutions: Their processes are not able to be decisive in shaping the outcomes of any dispute, and discussions resemble bargaining by fully independent actors. With this more fluid strategic setting, the factors of military/economic power, population, signalling skills, ideological biases, etc. becomes more important. Examples: WTO creation negotiations, OPEC. The EU provides an intermediate case.

3. Collective Action and Joint Product: States have shared interests that lead them to want an institution, but a state (or several) may also have individual interests in an institution in addition to those shared by others (a situation called joint product). Joint product provides this state individual incentives to pay for the overcoming of collective action costs; it is thus more likely to affect the specific features of the institution. Examples: UK and the Gold Standard, U.S. and free trade regime.

4.Information Costs and 'Priors': Actors design institutions that are most likely to meet their goals over time, but it is hard to know what would be best given all the cause and effect possibilities of strategic interaction. As such, ideas and interests interact to allow actors to simplify the information requirements for designing institutions. If the initial institutional setting weak, ideas and interests will play an even larger role.

NB. Gourevitch expect that over time, institutions will have some feedback affect in that they may affect actors' preferences and beliefs. Similarly, the disintegration of institutions may alter preferences and beliefs (ie. in civil war) or act as the 'tipping point' that leads to major action based on pre-existing causes.