Helen Milner, *Interests, Institutions and Information,* chapters 1-4

Ch1: Introduction

The Question: When and under what terms are countries able to coordinate their policies in an issue area? Why are certain countries better able to cooperate at certain times? (Looking at variations across countries as well as over time and among issue areas within the same country). Here, cooperation is defined as the process of mutual accommodation of nations' policies involving the pursuit of "want-satisfaction" through behavior that is contingent on the expected response of another. This assumes that an actor's behavior is directed toward some goals and implies that actors receive gains from cooperation.

The Model/Answer: Cooperation among nations is affected less by fears of other countries' relative gains or cheating than it is by the domestic distributional consequences of cooperative endeavors. Milner offers an explicit theory of interaction between domestic and international politics.

General Setup: Political actors and societal actors have independent preferences; they interact strategically and the outcome is the policy. Political leaders are constantly playing in the domestic and international arenas simultaneously and face different (sometimes contradictory) constraints and pressures from each. Milner holds that international politics is anarchic, but takes that most domestic politics takes place in a polyarchic setting (power/authority over decision making is shared, often unequally). Hence politics will be driven by a search for internal compromise.

Dependent Variable: Cooperation, broken down into the probability of international cooperation and the terms of any cooperative deal that is possible.

Independent Variable: The placement of domestic politics of a country along a continuum from hierarchy to polyarchy to anarchy, which depends upon these key variables:

1. Policy preferences of domestic actors (the structure of domestic preferences, meaning the relative positions of the preferences and the distances between them, is the main IV in this theory).
   (a) Political groups (fundamental interest = maximize ability to retain office)
       (1) Executive = rational, unitary (assumptions); worry about both the overall economy and the preferences of interest groups that support them.
       (2) Legislature = rational, unitary (assumptions); focus on the median legislator; represent different/narrower/more parochial constituencies than the executive
   (b) Societal interest groups (fundamental interest = maximize net income)
2. Institutions for power sharing among them (i.e., legislative process)
3. Distribution of information among them:
   (a) Incomplete information leads to inefficient outcomes but also political advantage.
   (b) Usually, the executive has an information advantage.
   (c) Asymmetric information may exist, but actors can and have the incentives to devise strategies to overcome this problem (relying on informed interest groups, for example).

Ch2: Actors' Interests, Policy Preferences, and the Demand for International Cooperation

Political Actors:

- An executive must be worried about divided government = a continuous variable that measures the variation in policy preferences between the executive and the legislature, which applies to both parliamentary and presidential systems. Likelihood of divided government depends on the preferences of the actors as well as institutions (presidential or parliamentary, unicameral or bicameral legislature, party discipline).

- Rational policy makers may choose coordinated policymaking because:
  (a) It allows them to overcome powerful groups' opposition by bringing in additional gains.
  (b) It allows them to lock-in their preferred policies.

- Costs to international policy coordination are:
  (a) Distributional consequences
  (b) Loss of unilateral control over a policy instrument

- There are four types of policy instruments (T, M, E, G). Political actors weight how much benefit he can get out of its unilateral use and how much he pays when other countries use them unilaterally. Each policy differs on the nature (positive/negative) and extent of externalities that other countries' policies can impose on the home country. The effect also varies with the openness of the nation's economy.

- Policymakers' demand for cooperation depends upon:
  (a) openness of a country's economy (amplifies the effects of externalities, reduces the effectiveness of home macroeconomic policy instruments)
  (b) issue area
  (c) partisan orientation (different weights on competing objectives)
  (d) state of the economy

Societal Actors:

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- Role:
  (a) Pressure groups in shaping the preferences of the political actors.
  (b) Information providers to political actors, particularly legislatures.
- Preferences:
  (a) Depends on the distributional consequences of international agreements
  (b) Vary by issue area and the specific policy changes in an agreement
  (c) Depends on whether you are a domestically or internationally oriented economic actor
- Political actors may worry about societal actors because they are voters in the future and the determiners of 'business confidence'.

Endogeneity of Preferences: Because preferences are shaped by the extent of economic openness, they may be endogenous to the model.

Ch3: A Model of the Two-Level Game

I don't think I could summarize in any less words than she used without a good chunk of math and so I only present the main findings here.

Basic Set-Up: Foreign country (F) which is a unitary actor, Domestic Executive (P), Domestic Legislature (C), and Domestic Interest Groups (E) which act as endorsers. Each wants policy closest to its "ideal point," represented by *f, p, c,* and *e* respectively.   Assume: policy is one dimension and a player's utility decreases linearly and symmetrically as the implemented policy deviates from the idea. F and P are agenda setters, then there is the domestic (formal or informal) ratification model. C votes up or down, resulting in the agreement point *a* or the status quo (no agreement point) *q*.

Moonhawk's point: Milner uses NBS in her basic model, a non-cooperative situation, which is bad. Then she takes this model which has changes in the structure of domestic preferences built into it and then varies the distribution of information.

International Negotiation without Domestic Politics: No cooperation is frequently the outcome in the complete information setting. When *q* is not between *p* and *f,* agreement is possible. As the distance between *p* and *f* grows, the area of no agreement grows and the constraint exercised by the status quo grows.

Domestic Politics and Complete, Symmetric Information:
(a) International agreement is less likely when domestic politics is involved.
(b) Preferences of C have an impact on the nature of the international agreement when $c<q<(2c-p)$
(c) As the status quo moves further and further from *c,* C's influence over the negotiations weakens.

Divided Government and Complete, Symmetric Information: The more divided the government, the less likely cooperation becomes. If agreement does occur, the terms will more likely reflect C's preferences.

Domestic Politics with Asymmetric Information: P and F are fully informed, but C is not sure about the nature of the agreement or F's preferences with certainty. This makes cooperation even less likely.

Domestic Politics with Asymmetric Information and an Endorser: C listens for the endorsement of another actor (E, who has complete information about the agreement, but is not P), obtains information from this signal and then casts a vote.
(a) In the presence of asymmetric information, international agreement is more likely with an endorser than without.
(b) This is true even when compared to the full information domestic game.

Divided Government with Asymmetric Information and the Endorser:
(a) If E's preferences change with divided government, then agreement becomes less likely and P becomes more powerful.
(b) If *e* moves with *c,* then C may do better under more divided government.

Multiple Endorsers and Asymmetric Information: The endorser nearest the status quo exerts the greatest influence over the median legislator (smallest preferred-to set, so signal most meaningful).
(a) Ratification will not occur without at least one, and often two, endorsements.
(b) The legislature is able to use both pieces of new information to improve knowledge about the agreement and to obtain one closer to its ideal point.

Ch4: Political Institutions and International Cooperation

Question: What happens to the agreement when the legislative powers of decision making are distributed differently between the executive and the legislature?

Elements, which may vary over issue area:
(a) Initiate and set the agenda (model in ch.3)
(b) Amend any proposed policy - No longer a vote between *a* and *q,* but between *a* and the amendments. Holding both initiation and amendment power is redundant for an actor. Power to amend after agreement by C may mean collapse of the bargain.
(c) Ratify or veto policy - Amendment and ratification/veto power is redundant.

(d) Proposal public referenda - Public becomes the ratifier and takes on C's role.

(e) Side Payments - may be sequential/simultaneous, implicit/explicit, transfers can be in different "currencies", may be promises/threats.

Conclusions:

(a) The probability of a successful cooperative agreement is highest when decision-making power is concentrated in the most dovish domestic political actor.

(b) The dispersion of legislative powers from the executive to the legislature alters the terms of cooperation, making them more favorable to the legislature.

(c) P and C's preferences bound any equilibrium outcome in the game, no matter what the distribution of powers.

(d) Ability to change the distribution is really important. Conflict over policy is also often conflict over institutions. Since P acts with a given ratification procedure in mind, when that is changed, the agreement may be scuttled; so domestic opponents of an agreement often attack the ratification procedures. So the choice of ratification procedures becomes endogenous to the game.