Globalization and Policy Convergence

Daniel W. Drezner

Globalization is the cluster of technological, economic, and political innovations that have drastically reduced the barriers to economic, political, and cultural exchange. Although its salience is self-evident to policymakers and the public, the vocal protests at the 1999 World Trade Organization (WTO) ministerial meeting in Seattle and elsewhere since highlight the growing interest in it. Protestors were convinced that the WTO was accelerating market integration at the expense of environmental standards, consumer safety, and labor rights. Such clashes are largely about the anticipated but uncertain effects of globalization and the question of whether it will lead to the elimination of state regulation or to a new form of global governance.

An implicit assumption of most policy analysts and some academics is that globalization leads to a convergence of traditionally national policies governing environmental regulation, consumer health and safety, the regulation of labor, and the ability to tax capital. Convergence is the tendency of policies to grow more alike, in the form of increasing similarity in structures, processes, and performances.[1] Some claim that the reduction of transnational barriers to economic exchange forces states to revoke long-standing social contracts that protect their citizens from the ruthlessness of the free market. Globalization leads to a race to the bottom, where concerns about the environment, the treatment of labor, and the health of consumers are sacrificed on the altar of commerce.[2] Others argue that the growth of transnational governance structures leads to a negotiated convergence of ample regulation but also a potential dem-

---

[1] Clark Kerr, *The Future of Industrial Societies: Convergence or Continuing Diversity?* (Cambridge, Mass.: Harvard University Press, 1983), p. 3.

[2] Richard McKenzie and Dwight Lee, *Quicksilver Capital: How the Rapid Movement of Wealth Has Changed the World* (New York: Free Press, 1991); Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997), p. 36.

Published by Blackwell Publishers, 350 Main Street, Malden, MA 02148, USA, and 108 Cowley Road, Oxford OX4 1JF, UK.

ocratic deficit.[3] Does globalization lead to policy convergence in these areas? More generally, does globalization lead to the rollback of regulation or its increase?

These questions are more than intrinsically important. The question of national policy autonomy has triggered the most public anxiety about globalization. Polling data reveal that U.S. citizens believe that the integration of the United States with the rest of the world has greatly constrained U.S. policy autonomy, creating ambivalence about further international integration.[4] This anxiety is even greater in other countries since they are far more dependent on the global economy than the United States.[5] Thomas Friedman characterizes the pressure of globalization as the "Golden Straitjacket," which leaves nation-states the stark choice of "free market vanilla and North Korea."[6] The battle in Seattle and the now ubiquitous protests at meetings of international organizations are only the most noteworthy manifestations of the anxiety about globalization.

Second, the scholarly work on this subject is spread across multiple disciplines, including law, economics, political science, and sociology. This problem leads to a certain redundancy in theory building, as disciplinary boundaries prevent ideas from spreading across fields. This hinders accumulating knowledge. In the long run, the lack of cumulation is dangerous; without rigorous reviews of such arguments, policymakers are prone to accept misperceptions of globalization that are politically expedient.[7]

Third, international relations scholars are debating the claim that globalization represents a structural change in the international system that must be addressed by new theories.[8] Much of the discourse on globalization shows an

---

[3] David Vogel, *Trading Up: Consumer and Environmental Regulation in a Global Economy* (Cambridge, Mass.: Harvard University Press, 1995); Philip Cerny, "Globalization and the Erosion of Democracy," *European Journal of Political Research* 36, No. 1 (1999), pp. 1–26.

[4] Chicago Council on Foreign Relations, "American Public Opinion and U.S. Foreign Policy 1999," pp. 18–20; see also the Pew Research Center's "Public Opinion on Foreign Policy Issues," ⟨http://www.foreignpolicy2000.org/polls/polls.html#trade⟩, accessed July 24, 2000.

[5] See Joel Krieger, "Egalitarian Social Movements in Western Europe: Can They Survive Globalization and the EMU?" *International Studies Review* 1, No.3 (1999), pp. 69–84.

[6] Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Strauss, and Giroux, 1999), p. 86.

[7] See Alan Blinder, *Hard Heads, Soft Hearts* (Reading, Mass.: Addison-Wesley, 1987), ch. 1.

[8] Philip Cerny, *The Changing Architecture of Politics: Structure, Agency, and the Future of the State* (London: SAGE, 1990); David M. Andrews, "Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations," *International Studies Quarterly* 38, No. 2 (1994), pp. 193–218.

attempt to move away from the existing paradigms of international relations theory, arguing that the changes wrought on world politics in the past twenty years overwhelm the assumptions about the state made in traditional theories.[9] If globalization causes an inexorable policy convergence, then this discourse would be substantiated, fusing together the study of international and comparative political economy. If the effects of globalization have been exaggerated, then it should become common knowledge before discourse overwhelms praxis and wastes time and resources.

This reflection and reappraisal will examine the arguments and evidence about how globalization affects the convergence of regulatory policies, in particular the setting of labor and environmental standards. Two conclusions follow. First, theories of policy convergence diverge on whether the driving force is economic or ideational, and whether states retain agency in the face of globalization or are dominated by structural determinants. These divergences mirror the divisions among international relations paradigms. Globalization therefore has not led to the development of new theories of international relations, but merely transported existing theories to new issue areas of the global political economy. Second, the evidence on policy convergence across multiple issue areas suggests that the structurally based theories lack support. Globalization cannot be reduced to a set of deterministic forces. This suggests that the transnational economic and ideational forces commonly cited are not as powerful as previously suggested.

It should be stressed what this essay will *not* cover. No single essay could discuss all of the supposed ramifications of globalization, which range from the end of the nation-state to the end of history. It will not discuss the origins of the recent era of globalization.[10] At this juncture, such a question is primarily of historical interest. It will not discuss the voluminous literature on the gross power of the nation-state and global capital.[11] Although this is an important

---

[9] Beyond the citations in the previous footnote, see Philip Cerny, "Globalization and Other Stories: The Search for a New Paradigm in International Relations," *International Journal* 51, No. 4 (1996), pp. 617–637; Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge, U.K.: Cambridge University Press, 1996); Ian Clark, *Globalization and International Relations Theory* (Oxford, U.K.: Oxford University Press, 1999).

[10] For discussions of this, see Jeffrey Winters, "Power and the Control of Capital," *World Politics* 46, No. 3 (1994), pp. 419–452; Benjamin J. Cohen, "Phoenix Risen: The Resurrection of Global Finance," *World Politics* 48, No. 2 (1996), pp. 268–296.

[11] Kenichi Ohmae, *The End of the Nation State* (New York: Free Press, 1995); Strange, *The Retreat of the State*; Richard Falk, "State of Seige: Will Globalization Win Out?" *International Affairs* 73, No. 1 (1997), pp. 123–136; Linda Weiss, *The Myth of the Powerless State* (Ithaca, N.Y.: Cornell University Press, 1998); Daniel W. Drezner, "Globalizers of the World, Unite!" *Washington Quarterly* 21, No. 1 (1998), pp. 209–225.

question, it presupposes the effect of capital on policy convergence, so the conclusions developed here do have clear implications for this debate. It will not cover the societal effects of globalization, which range from increased inequality within and between countries[12] to the diffusion of new methods of corporate governance.[13] These are important subjects in their own right but beyond the scope of this essay. Finally, the effects of globalization on macroeconomic policies such as monetary policy and exchange rate regimes will be discussed only in brief. These effects have been reviewed in depth elsewhere.[14]

The following discussion is divided into three main sections. The first reviews the various theoretical explanations of how globalization could affect the ability of states to regulate their own economies. The following section reviews the empirical literature on globalization and its effects on labor and environmental standards and examines the performance of the various theories. The concluding section offers some suggestions about future avenues for research.

How Can Convergence Occur?

Not surprisingly, scholars studied policy convergence long before the recent wave of globalization came about. In this earlier literature, convergence was postulated to occur through the homogenization of societies via industrialization and modernization.[15] The recent trend toward globalization reinforces the effects claimed by convergence theorists. The ability of ideas to permeate across borders has existed for centuries, but advances in telecommunications and computers have made this process much easier. Similarly, the erosion of capital controls has reinforced the claims about the effect of transnational economic forces on national policy autonomy.[16]

---

[12] Saskia Sassen, *The Mobility of Capital and Labor* (New York: Cambridge University Press, 1988).

[13] Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism* (Ithaca, N.Y.: Cornell University Press, 1996).

[14] Two excellent reviews of this literature are Geoffrey Garrett, "Global Markets and National Politics: Collision Course or Virtuous Circle?" *International Organization* 52, No. 4 (1998), pp. 787–824; Günther Schulze and Heinrich Ursprung, "Globalisation of the Economy and the Nation State," *The World Economy* 22, No. 3 (1999), pp. 295–352.

[15] See Robert Eyestone, "Confusion, Diffusion, and Innovation," *American Political Science Review* 71, No. 2 (1977), pp. 441–453, and David Collier and Richard Messick, "Prerequisites versus Diffusion: Testing Alternative Explanations of Social Security Adoption," *American Political Science Review* 69, No. 4 (1975), pp. 1299–1315.

[16] Robert Keohane and Joseph Nye: *Power and Interdependence* (Boston: Scott Foresman, 1978), and "Globalization: What's New? And What's Not? (And So What?)," *Foreign Policy*, No. 118 (2000), pp. 104–112 and John Brathwaite and Peter Drohos, *Global Business Regulation* (New York: Cambridge University Press). One problem is

The different theories that connect globalization to policy convergence fit into a simple 2×2 schema. The first dimension is whether the theory emphasizes the primacy of structural forces or the power of autonomous agents. Structural approaches stress the environmental conditions affecting political units. The pressures for convergence are external to states, determining their course of action by tightly constraining national policy responses. Agent-centered approaches do not dismiss the power of transnational structures but argue that states can at least choose from among multiple policies that are sustainable outcomes over time.

A clear distinction between structural and agent-based theories is the language used to describe international regulatory regimes. Structure-based theories deal with convergence as the dependent variable and imply that different national policies are homogenized into one global policy. Agent-based theories prefer the term coordination, which is more expansive than convergence. Policy coordination implies some agreement on the acceptable bounds of regulatory policies, but it does *not* mean that all states implement identical rules or regulations.

The second dimension that separates different theoretical approaches is the source of the convergence pressures. One view is that the primary pressure for convergence is economic; the pressure to modify regulatory policies comes from the threat of mobile capital to exit, causing nonconverging states to lose their competitiveness in the global economy. The other possibility is that the pressure is ideational; states alter institutions and regulations because a set of beliefs has developed sufficient normative power that leaders fear looking like laggards if they do not adopt similar policies.

The most prominent of these convergence theories is the "race-to-the-bottom" (RTB) hypothesis, an approach that combines a positive theory of regulation with strong normative disapproval of the predicted outcome. This theory assumes that the pressure for convergence comes from the mobility of trade and capital flows, and that the size of these flows overwhelms the ability of the state to act contrary to market forces.[17] In the past thirty years, capital has become increasingly footloose, to the point where states cannot halt capital mobility, even if they tried.[18] In such a world, capital will seek the location

---

the tendency of scholars to explain any external influence on policymakers as a product of globalization. For a critique of this, see Steven Bernstein and Benjamin Cashore, "Globalization, Four Paths of Internationalization and Domestic Policy Change," *Canadian Journal of Political Science* 33, No. 1 (2000), pp. 67–99.

[17] Though the RTB hypothesis focuses largely on capital flows, traded goods act as a proxy for more efficient capital investments made in other countries.

[18] See John Goodman and Louis Pauly, "The Obsolescence of Capital Controls?" *World Politics* 46, No. 1 (1993), pp. 50–82; Sebastian Edwards, "How Effective Are Capital Controls?" *Journal of Economic Perspectives* 13, No. 1 (1999): 65–84.

where it can earn the highest rate of return. High rates of corporate taxation, strict labor laws, or rigorous environmental protection lower profit rates by raising the costs of production. Capital will therefore engage in regulatory arbitrage, moving to (or importing from) countries with the lowest regulatory standards. States, fearing a loss of their tax base, have no choice but to lower regulatory standards to avoid capital flight.

The RTB hypothesis makes several strong assumptions about the political economy of the nation-state beyond the mobility of capital.[19] First, it assumes that the state responds exclusively to the preferences of capital and not to other constituencies, such as voters, bureaucracies, or interest groups. Second, it assumes that no state has an economy large enough to endow it with market power vis-à-vis global capital. If it did, such a state would be able to set regulatory standards that raise the costs of investment above the market rate, yet still lure capital because of the potential profits from investing in a large market. Finally and most controversially, it presumes that state regulations impose enough of a cost on producers to affect location, regardless of differences in labor productivity. If state regulation of the environment, labor, consumer safety, or taxation do not have an appreciable negative impact on firms, the logic of the RTB hypothesis comes into question.

Concerns about RTB phenomena date back centuries. Adam Smith warned in *The Wealth of Nations* about limits to the state's power to tax mobile factors of production:

> The proprietor of stock is a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was . . . assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business or enjoy his fortune more at his ease. By removing his stock he would put an end to all the industry which he had maintained in the country which he left.[20]

More recently, social scientists have put forward variations of the RTB hypothesis. Economists have extended this hypothesis in models of regional policymaking in a federal state.[21] Political scientists who focus on the struc-

---

[19] These are best summarized in Miles Kahler, "Modeling Races to the Bottom," paper presented at the 1998 meeting of the American Political Science Association, Boston, Mass. See also Paul Hirst and Grahame Thompson, *Globalization in Question*, 2d ed. (Cambridge, Mass.: Polity Press, 1999), ch. 1.

[20] Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1937), p. 800. On other eighteenth- and nineteenth-century fears about globalization, see Samir Amin, "The Challenge of Globalization," *Review of International Political Economy* 3, No. 3 (1996), pp. 216–259; Emma Rothschild, "Globalization and the Return of History," *Foreign Policy*, No. 115 (1999): 106–116.

[21] Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64, No. 5 (1956), pp. 416–424

tural dependence of the state on capital have made similar arguments on the effect of globalization on state policies, echoing Marxist theories.[22] Legal scholars have also used this model to argue against decentralizing regulatory powers to lower-level jurisdictions.[23]

The normative implications of the RTB hypothesis are clearly negative. Karl Polanyi has offered the most eloquent description of its effects. He observed that once the market is permitted to organize some of society, the inevitable result was a society operating as an adjunct to the market.[24] He argued that this inevitably leads to a race to the bottom: "To allow the market mechanism to be sole director of the fate of human beings . . . would result in the demolition of society. . . . Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed."[25]

The predictions of the RTB hypothesis are clear and concise. First, the more exposed a state is to global markets, such as reduced barriers to trade and controls on capital, the more likely its tax and regulatory policies will converge to other states with international exposure. Second, there should be a strong negative correlation between inward capital flows and a country's regulatory standards. Third, this policy convergence will be at the lowest common denominator; in any given regulatory arena, states will gravitate toward the policies of the most laissez-faire country.

RTB predictions about the welfare state more generally are mixed. Scholars like Dani Rodrik, Sven Steinmo, and Peter Katzenstein point out that increased exposure to global markets should generate more demands on the welfare apparatus because of the distributional effects of globalization. This implies that welfare expenditures should be positively correlated with globalization, which is what Rodrik finds. Yet RTB theorists point out that states are constrained from raising the revenue to finance these demands due to a race to the bottom in the taxation of mobile factors of production and the reluctance of capital markets to extend credit to countries that run persistent budget deficits. This makes point predictions difficult since at different stages of this argument state

---

[22] Charles Lindblom, *Politics and Markets* (New York: Basic Books, 1977); Robert Bates and Da-Hsiang Donald Lien, "A Note on Taxation, Development, and Representative Government," *Politics and Society* 14, No. 1 (1985), pp. 53–70; Adam Przeworski and Michael Wallerstein, "Structural Dependence of the State on Capital," *American Political Science Review* 82, No. 1 (1988), pp. 11–29; Michael Wallerstein and Adam Przeworski, "Capital Taxation with Open Borders," *Review of International Political Economy* 2, No. 3 (1995), pp. 425–445.

[23] William L. Cary, "Federalism and Corporate Law: Reflections upon Delaware," *Yale Law Journal* 83, No. 4 (1974), pp. 663–705.

[24] Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944), p. 57.

[25] Ibid., p. 73.

expenditures are increasing, then budget deficits are increasing, and then welfare expenditures are declining.[26]

Neoliberal institutionalism differs from the RTB hypothesis by downplaying the magnitude of structural economic factors. States are assumed to have some market power in their relationship with capital.[27] Even if the state imposes regulatory burdens that raise the cost of production, firms will still have an incentive to comply with those rules because of the potential profits of servicing a large market. The neoliberal hypothesis also factors in the costs of changing regulatory standards. National regulation is embedded within a historical framework that constrains political actors. Acting to change this framework incurs costs in social and institutional disruption.[28] In altering these assumptions, the neoliberal approach presents a more conventional picture of the global political economy. States must cope with the externalities of the internationalization of production and need to cooperate to create global public goods (or reduce "public bads"). As a result, the range of possible equilibrium outcomes is greater than a race to the bottom.

Neoliberals argue that convergence is the result of the conscious policy coordination of nation-states, predicting several factors that contribute to cooperative outcomes. Neoliberals predict coordination if there are relatively few actors that are bargaining, if monitoring is easy, and if there are international institutions to enforce the outcome.[29] Therefore, coordination is more likely to occur under the rubric of international organizations than without, and under international organizations with enforcement capabilities than without. Consistent with theories of collective action, an asymmetry of size and power should also contribute to more cooperation. Furthermore, neoliberals would also pre-

---

[26] See Rodrik, *Has Globalization Gone Too Far?*; Sven Steinmo, "The End of Redistribution? International Pressures and Domestic Tax Policy Choices," *Challenge* 37, No. 6 (1994), pp. 9–17; Peter Katzenstein, *Small States in World Markets* (Ithaca, N.Y.: Cornell University Press, 1985).

[27] Vogel, *Trading Up*; George Shambaugh, *States, Firms, and Power* (Albany, N.Y.: SUNY Press, 1999).

[28] Stephen Vogel, *Freer Markets, More Rules* (Ithaca, N.Y.: Cornell University Press, 1996); Kal Raustiala, "Domestic Institutions and International Regulatory Cooperation: Comparative Responses to the Convention on Biological Diversity," *World Politics* 49, No. 4 (1997), pp. 482–509; Susana Aguilar Fernandez, "Convergence in Environmental Policy? The Resilience of National Institutional Designs in Spain and Germany," *Journal of Public Policy* 14, No. 1 (1994), pp. 39–56. More generally, see Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organization* 51, No. 4 (1997), pp. 513–553.

[29] Robert Keohane, *After Hegemony* (Princeton, N.J.: Princeton University Press, 1984); Robert Axelrod and Robert Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions," *World Politics* 38, No. 1 (1985), pp. 226–254; Kenneth Abbott and Duncan Snidal, "International 'Standards' and International Governance," unpublished manuscript, University of Chicago, February 2000.

dict convergence to be stronger among regional institutions than global ones because of the reduced number of actors.

Because of the possibility of multiple equilibria, neoliberal institutionalism is fuzzier about the location of the convergent policies. Neoliberals accept the neorealist assumption that more powerful actors are more likely to have their preferences realized.[30] Unlike neorealists, a liberal approach would predict some accommodation by hegemonic powers to other states' concerns to foster cooperation. Therefore, neoliberals would predict an outcome that varies somewhat from great power preferences. Generally, the predicted outcome is a compromise between laissez-faire and interventionist states, with a strong tilt toward the preferences of the more powerful states. Given that the Organization for Economic Cooperation and Development (OECD) countries are the most powerful in the international system and given that societal preferences in these countries are for strict regulatory standards, this implies a more interventionist bent.

The world society approach eschews the material aspects of globalization, focusing instead on the spread of models and ideas through global cultural and associational processes.[31] In this approach, policy convergence is driven not by capital mobility but rather the development and spread of abstract concepts and the need for nation-states to conform to an ideal of the rationalized bureaucratic state. Once a dominant idea emerges, alternative models and policies lose their legitimacy. This leads to a strong degree of institutional isomorphism. Laggard states emulate the practices of global leaders, causing a convergence of regulatory policies in the process. As with the RTB hypothesis, structure dominates agency. In this case, the structure is global culture rather than the global economy.

The world society model predicts policy convergence, but convergence to which point? The answer here appears to be in favor of more regulation. This permits the "expansive structuration" of the state and the development of new bureaucracies to regulate both society and economy. The structuration process has an implied feedback mechanism; as the state expands, the number of transnational interstate interactions increases, leading to a greater demand for world society integration. As John Meyer and his coauthors observe, "Holding constant the functional pressures of size, resources, and complexity, in recent decades nation-states . . . have clearly expanded inordinately across many different social

[30] A realist approach would presume that the agreed-upon standard would represent the interests of the most powerful actors. See Kenneth Waltz, "Globalization and Governance," *PS: Political Science and Politics* 32, No. 4 (1999), pp. 693–700; Lloyd Gruber, *Ruling the World* (Princeton, N.J.: Princeton University Press, 2000).

[31] John W. Meyer, John Boli, George Thomas, and Francisco Ramirez, "World Society and the Nation-State," *American Journal of Sociology* 103, No. 1 (1997), pp. 144–181; Martha Finnemore, *National Interests and International Society* (Ithaca, N.Y.: Cornell University Press, 1996).

domains. This is precisely the period during which world society has been consolidated."[32] It would be hard to reconcile the structuration phenomenon with a convergence toward antistatist policies.

This school of thought is vague on the processes through which convergence occurs, making falsification tests difficult.[33] The literature discusses multiple processes through which states agree on desired policy outcomes. The first is the growth of a global scientific discourse. Once a particular issue area acquires the mantle of scientific inquiry, metanorms governing the discourse are established. This makes it far easier for common models to be developed and emerge.

Second, the establishment of international governmental organizations (IGOs) facilitates the teaching of new policy models and helps less developed countries modify their governance structures to these policies. According to the world society approach, diffusion will be most rapid between like units. IGOs create the image of all states as homogenous units, accelerating the spread of common practices between them.[34] Globalization thus accelerates policy convergence through the proliferation of international organizations, in particular the expansion of the U.N. system.

Third, states act mimetically to copy the forms and policies of successful nation-states.[35] In the current context, this implies the adaptation by other countries to policies that have been instituted in the United States. It also implies that states on the periphery (i.e., non-OECD countries) will be as willing, if not more so, to adopt convergent policies. Other core states may also converge toward a particular policy, but since these states have a better track record of success, they are likely to resist policies that contravene domestic norms.

The elite consensus approach to policy convergence shares with the world society paradigm the importance of ideational factors in determining convergence but gives a greater role for the agency of states and individuals. This

---

[32] Meyer et al., "World Society and the Nation-State," p. 156.

[33] Even adherents to this view acknowledge this. See David Strang and Patricia Mei Yin Chang, "The International Labor Organization and the Welfare State," *International Organization* 47, No. 2 (1993), p. 237.

[34] David Strang and John Meyer, "Institutional Conditions for Diffusion," *Theory and Society* 22, No. 4 (1993), pp. 487–511; Finnemore, *National Interests in International Society*, ch. 1.

[35] Ibid.; see also Paul Dimaggio and Walter Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review* 48, No. 2 (1983), pp. 147–160. In this respect, the world society approach is akin to structural neorealism. Kenneth Waltz, in discussing globalization, asserts great power autonomy but acknowledges that states will adopt the best practices of other states, leading to policy convergence. See Waltz, "Globalization and Governance," p. 697.

approach borrows considerably from the literature on economic ideas[36] and emphasizes the role of epistemic communities in bringing about policy convergence.[37] An epistemic community is defined as a network of policy experts who share common principled beliefs over ends, causal beliefs over means, and common standards of accruing and testing new knowledge. These actors play an important role in issue areas where state leaders are uncertain about the consequences of different policy options and where interdependence demands coordination. Under those circumstances, transnational epistemic communities can mold state preferences over various regulatory options, making negotiations easier and more likely to lead to a harmonization of policies.

The causal processes of the elite consensus approach are similar to those of the world society approach. As with the world society view, the development of expert communities in and out of government is a key pathway to elite consensus. Peter Haas argues that "the expansion and professionalization of bureaucracies and the growing technical nature of problems have fostered an increase in the deference paid to technical expertise and, in particular, to that of scientists."[38] Also similar to the world society and neoliberal paradigms, the elite consensus model emphasizes the role of international institutions in forging and promulgating an epistemic community.

There are a few key differences. The elite consensus approach has a relational rather than structural story of convergence. Interdependence is a necessary antecedent to policy coordination.[39] The world society paradigm presumes that states will converge to particular policies regardless of material factors.[40] The elite consensus model argues that before there can be policy coordination, states must at least recognize the existence of policy externalities. Only at this stage can the normative consensus of an epistemic community guide states toward convergence to a particular point. In this way, this approach shares more with the neo-

---

[36] Peter Hall, ed., *The Political Power of Economic Ideas* (Princeton, N.J.: Princeton University Press, 1989); Judith Goldstein and Robert Keohane, eds., *Ideas and Foreign Policy* (Ithaca, N.Y.: Cornell University Press, 1993); Ngaire Woods, "Economic Ideas and International Relations: Beyond Rational Neglect," *International Studies Quarterly* 39, No. 1 (1995), pp. 161–180.

[37] Peter Haas, "Introduction: Epistemic Communities and International Policy Coordination," *International Organization* 46, No. 1 (1992), pp. 1–35; Paul Wapner, "Politics beyond the State: Environmental Activism and World Civic Politics," *World Politics* 47, No. 3 (1995): 311–340.

[38] Haas, "Introduction: Epistemic Communities and International Policy Coordination," p. 11.

[39] Ibid., pp. 3–4.

[40] Strang and Meyer, "Institutional Conditions for Diffusion."

liberal paradigm than the world society model. Epistemic communities might contribute to policy convergence, but they are not a sufficient condition.

The two approaches also disagree on the convergence point. The preferred point of convergence depends on the normative bias of the epistemic community; it is not automatically in favor of stricter regulation. It is possible, for example, for there to be an epistemic community of economists that argues for reduced state regulation. Histories of globalization argue that it was the spread of neoclassical economics that led to the waves of globalization in the nineteenth and twentieth centuries.[41] Therefore, in policy dimensions where free market economists have expertise, policy coordination would be predicted, but structuration does not necessarily occur.

Comparing and contrasting the theories of regulatory policy reveal familiar parallels. Each of these approaches uses ontological givens, limiting assumptions, and causal mechanisms derived from preexisting paradigms of international relations. The RTB hypothesis resembles Marxism in modeling a world of economic determinism. The neoliberal approach is merely an extension of the neoliberal institutionalist paradigm developed by Robert Keohane and his disciples. World society theory borrows from the constructivist and English school of international relations. These approaches posit a world where an ideational structure dominates individual agency.

The typology developed here corresponds closely to Alexander Wendt's typology of current international relations theory.[42] This suggests a disconnect between the broader discourse on globalization and the "middle-range" theories of policy convergence discussed here. Despite claims in the broader literature that globalization requires completely new paradigms of international relations theory, the approaches described correspond to preexisting theories. Once scholars try to explain specific issues, the "transformative" character of the globalization discourse disappears.

Another interesting factor is the emphasis placed on international organizations as a means of ensuring policy convergence. Except for the RTB hypothesis, they play an important role in the policy convergence models.[43] In the neoliberal model, international institutions reduce the transaction costs of bargaining and enforcement. The elite consensus and world society approaches proffer a different role for regimes–the provision of norms and discourse that

---

[41] Polanyi, *The Great Transformation*; Daniel Yergin and Joseph Stanislaw, *The Commanding Heights* (New York: Simon and Schuster, 1997).

[42] Alexander Wendt, *Social Theory of International Politics* (Cambridge, U.K.: Cambridge University Press, 1999), p. 32.

[43] Not surprisingly, neorealism and Marxism, the paradigms similar to the RTB hypothesis in the emphasis on material incentives, also discount the role of international institutions.

govern international behavior. Again, these functions correspond to those discussed in the broader literature on international institutions.[44]

A comparison of these theories shows that the structural models (RTB and world society) have the comparative advantage of elegance, in that the causal mechanisms and predicted outcomes are clear. This makes these approaches more conceptually elegant and easier to falsify. The structural approaches are also more parsimonious because the key variables are hypothesized to overwhelm all other explanatory factors. The agent-oriented models (neoliberal institutionalism and elite consensus) permit multiple possible outcomes. This makes these approaches potentially more realistic but more difficult to falsify.

The Empirical Evidence on Policy Convergence

Beyond its paucity, the empirical literature on policy convergence has several flaws. One problem that carries over from the theories is the difficulty in separating normative agendas from an analytic appraisal of the evidence. These normative biases can be crude, such as nongovernmental organization (NGO) publications intent on painting globalization as an unmitigated bad[45] or an unmitigated good.[46] They can also be subtler, such as scholarly work designed to support corporatist governing structures or particular social movements.[47]

Another difficulty is that few empirical studies genuinely compare the different convergence hypotheses. The lack of empirical work on structural approaches usually limits data to surveys of the advanced industrial states of the OECD. This empirical limitation is unfortunate since the world society approach predicts more dramatic effects in the developing world.[48] Those empirical studies focusing on agent-oriented approaches to policy coordination have frequently used comparative or case-study approaches. Such a dichotomy of empirical work is not surprising. It is significantly easier to develop statistical measures for the structural factors used in the RTB and world society hypotheses. Agent-oriented approaches necessarily allow more contingency in their predictions, and their independent variables are tougher to code across issue areas.

---

[44] Stephen D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983); Andreas Hasenclever, Peter Mayer, and Volker Rittberger, *Theories of International Regimes* (Cambridge, U.K.: Cambridge University Press, 1997).

[45] Lori Wallach and Michelle Sforza, *Whose Trade Organization? Corporate Globalization and the Erosion of Democracy* (Washington, D.C.: Public Citizen, 1999).

[46] Edward Hudgins, ed., *Freedom to Trade: Refuting the New Protectionism* (Washington, D.C.: Cato Institute, 1997).

[47] Geoffrey Garrett's corpus of work stands out in particular. See also Brathwaite and Drohos, *Global Business Regulation.*

[48] This is less problematic for the RTB hypothesis since the biggest effects should be in the most regulated countries—i.e., the OECD countries.

The incommensurate nature of the empirical work makes it difficult to evaluate competing hypotheses, which raises troubling questions. How can the different theories of policy convergence be evaluated against each other? Is it possible to control for omitted variable bias? The answers largely rest on the power of the theories. Omitted variable bias is less problematic with more accurate and complete theories of policy convergence.[49] The empirical work can therefore be judged on whether the hypotheses tested receive any support. If an argument receives weak empirical support *without* controlling for alternatives, it suggests at best that other theories have significant explanatory power, and at worst it suggests the argument being tested is false.

Another potential problem is that much empirical work on globalization and policy formulation focuses more on the direction of policy trajectories and less on whether policies across countries are actually converging. Attempts to show convergence are often poorly conceptualized or merely assumed.[50] This is a surmountable roadblock because the paradigms discussed above make additional predictions about the direction and location of policy convergence under globalization. These predictions are useful for evaluating the explanatory power of the different theories.

The policies that have been discussed most frequently in terms of convergence include labor standards, environmental regulation, taxation, antitrust issues, consumer health and safety, and the protection of intellectual property rights. Space constraints prevent an exhaustive review of all of these areas; the following sections focus on labor standards and environmental protection.

Labor Standards

Labor standards are broadly defined as the humane treatment of workers by firms and governments. What this means in practice varies. There is a general distinction between "core" labor standards and additional provisions to protect workers' rights.[51] Core standards consist of protections against forced labor, slavery, and child labor; nondiscrimination in employment practices; the right to unionize; and the right to engage in collective bargaining. Additional worker standards include health and safety conditions in the workplace, minimum wages, government provision of unemployment insurance, old age and survivor benefits, and health care.

---

[49] On this question, see Gary King, Robert Keohane, and Sidney Verba, *Designing Social Inquiry* (Princeton, N.J.: Princeton University Press, 1994), pp. 168–176.

[50] Colin Bennett, "What Is Policy Convergence and What Causes It?" *British Journal of Political Science* 21, No. 2 (1991), pp. 287–306; Robert Seeliger, "Conceptualizing and Researching Policy Convergence," *Policy Studies Journal* 24, No. 2 (1996), pp. 287–306.

[51] On the distinction, see Brian Langille, "Eight Ways to Think about International Labour Standards," *Journal of World Trade* 31, No. 4 (1997), pp. 27–53.

Policy journals are replete with claims that globalization causes downward pressure on wages and a race to the bottom in labor standards.[52] If this hypothesis were true, one would expect to find worsening labor standards in those countries most exposed to trade and foreign investment. The effect should be especially pronounced in export processing zones (EPZs). These are geographically bounded areas established in less developed countries to attract foreign investment. To invest in these areas, governments offer inducements such as duty-free imports and exports, infrastructure investment, and reduced regulatory interference. This could include exempting the EPZ from any labor legislation. If there is a race to the bottom, it should be most pronounced in EPZs.

There is little empirical evidence to support the RTB hypothesis, but there are anecdotal examples of corporations moving production to countries because of cheap labor and, implicitly, lax labor standards.[53] Yet a 1996 OECD report reviewing the issue concluded: "There is no evidence that freedom-of-association rights worsened in any of the countries that liberalized trade. . . . The strongest finding shows a positive correlation between successfully sustained trade reforms and improvements in core standards."[54] Statistical tests support this assertion. Dani Rodrik regressed textile exports (as a measure of labor-intensive activity) against an array of labor and human rights standards, as well as several control variables. He found that labor standards had no consistent effect on the pattern of exports.[55] Later studies have also demonstrated a weak to nonexistent correlation between labor standards and export patterns.[56] The relationship between foreign direct investment (FDI) and labor standards is strongly positive, given that in the past decade more than 90 percent of FDI took place in OECD countries, which have the highest labor standards.[57]

---

[52] Kathleen Newland, "Workers of the World, Now What?" *Foreign Policy* No. 114 (1999), pp. 52–65; Ethan Kapstein, "Workers and the World Economy," *Foreign Affairs* 75, No. 3 (1996), pp. 16–24.

[53] See, for example, International Confederation of Free Trade Unions, "Behind the Wire: Anti-Union Repression in the Export Processing Zones," ⟨http://www.icftu.org/english/tncs/etnexpzo.html⟩, accessed January 26, 2000, or Alan Tonelson, *The Race to the Bottom* (Boulder, Colorado: Westview Press, 2000).

[54] Organization for Economic Cooperation and Development, *Trade, Employment, and Labour Standards: A Study of Core Workers' Rights and International Trade* (Paris: OECD, 1996).

[55] Dani Rodrik, "Labor Standards in International Trade: Do They Matter and What Do We Do about Them?" (Washington, D.C.: Overseas Development Council, 1996).

[56] Cees van Beers, "Labour Standards and Trade Flows of OECD Countries," *The World Economy* 21, No. 1 (1998), pp. 57–73.

[57] OECD, *Trade, Employment, and Labour Standards*; Hirst and Thompson, *Globalization in Question.*

The data on EPZs also fail to support the image of a race to the bottom. Some countries–Pakistan, Bangladesh, Panama, and Zimbabwe–exempt their EPZs from regulation covering core labor standards. Contrary to the RTB hypothesis, this has failed to put pressure on other countries to relax labor standards in their EPZs. Several countries, including the Dominican Republic and the Philippines, reversed course in the mid-1990s, introducing labor standards in their EPZs where none previously existed. An International Labour Organization (ILO) report reveals no evidence that countries with strong trade union presence have suffered any investment loss in their EPZs.[58] A World Bank survey notes a strong positive correlation between higher occupational safety and health conditions and foreign investment in EPZs. Furthermore, a comparison of wages in EPZs relative to the rest of the host country reveals that wages are on average higher in the EPZ.[59]

Similarly, the world society approach also finds limited support. As noted, there has been a secular increase in government commitment to labor standards, which supports the structuration hypothesis. In contrast to the world society approach, the effect has been more pronounced in core countries than in those on the periphery. David Strang and Patricia Mei Yin Chang examine whether states adopting ILO conventions increase welfare expenditures that are included in the expanded category of labor standards.[60] They find that ILO ratification has a positive and significant effect on eighteen OECD countries, even when trade exposure is included as a control for external exposure. This result suggests the power of ideational factors relative to the material effects of globalization. Yet there is no effect of ILO ratification on welfare expenditures in less developed countries, which is where the world society paradigm would predict the greatest effects. The limited area of policy convergence on labor standards supports an elite consensus explanation more than a world society view.

Neoliberalism has only limited success in explaining the pattern of convergence. If Strang and Chang are correct, then the source of convergence among OECD countries is the ILO, an organization that has no sanctioning power. A variant of neoliberalism would argue that the ILO's extensive monitoring abil-

---

[58] International Labour Organization, *Labour and Social Issues Relating to Export Processing Zones* (Geneva: International Labour Organization, 1998).

[59] Dorsati Madami, *A Review of the Role and Impact of Export Processing Zones*, World Bank Policy Research Working Paper No. 2238, November 1999, p. 49. RTB advocates counter that the average wage measure obscures a greater variance of wages in EPZs.

[60] Strang and Chang, "The International Labour Organization and the Welfare State," pp. 235–262.

ities suffice to ensure compliance.[61] The neoliberal paradigm can explain the U.S. inability to convert its preferences into global policy convergence by connecting labor standards to trade issues. From the Eisenhower administration onward, the United States has been unsuccessful in its attempts to add labor issues onto the international trade agenda.[62] Less developed countries resist this attempt because they prefer that the issue be handled by the ILO and not impair access to First World markets. The U.S. effort to move the monitoring of labor standards from the ILO to the WTO, with its more powerful enforcement mechanisms, is consistent with neoliberal theory. Yet the United States has also been willing to circumvent the ILO, applying unilateral economic sanctions to force developing states to tighten their labor standards.[63] This behavior is harder to square with neoliberal institutionalism.

Evidence from regional institutions is also mixed. The mere existence of supranational labor standards in the European Union and North American Free Trade Association (NAFTA) suggests international organizations can foster the harmonization of labor standards. Whether these standards have any effect is another question. A comparison of social insurance policies in Europe shows a secular increase in these policies across the board, but it also shows greater convergence among countries not in the European Union than those within it. This study's data ended in 1985, before Maastricht, but they still cast significant doubt on the neoliberal hypothesis.[64]

In the aggregate, the picture of labor standards is one where there has been a convergence in the OECD countries toward strict standards, while among developing countries there is a slow drift toward the enforcement of core labor standards. This pattern is inconsistent with either structural approach and fits uneasily with the neoliberal hypothesis. The elite consensus model would pre-

---

[61] See Paul Milgrom, Douglass North, and Barry Weingast, "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs," *Economics and Politics* 2, No. 1 (1990), pp. 1–23.

[62] Steve Charnovitz: "The Influence of International Labour Standards on the World Trading System: A Historical Overview," *International Labour Review* 126, No. 4 (1987), pp. 565–584, and "Promoting Higher Labor Standards," *Washington Quarterly* 18, No. 3 (1995), pp. 167–190.

[63] Drusilla Brown, Alan Deardorff, and Robert M. Stern, "International Labor Standards and Trade: A Theoretical Analysis," in Jagdish Bhagwati and Robert Hudec, eds., *Fair Trade and Harmonization: Economic Analysis* (Cambridge, Mass.: MIT Press, 1996); Peter Dorman, *Worker Rights and U.S. Trade Policy* (Washington, D.C.: U.S. Department of Labor, 1989).

[64] Ingalill Järensjö Montanari, "Harmonization of Social Policies and Social Regulation in the European Community," *European Journal of Political Research* 27, No. 1 (1995), pp. 21–45.

dict this outcome, given the extent of ideational interaction among the OECD nations. To date, there has been no study to see if epistemic communities play a causal role in determining labor standards. Another interesting test for the future would be whether new OECD members that are still developing, such as Mexico, Poland, or South Korea, start to converge toward the OECD norm.

Environmental Protection

Issues that fall under the environmental umbrella range from the protection of endangered species to the prevention of global warming. As with the literature on labor standards, the structural explanations are more commonly tested using statistical evidence while agent-based paradigms rely more on case studies.

There are examples of countries, such as Ireland, purposefully lowering environmental standards in order to attract dirty industries. This example appears to be anomalous because there is no evidence that other countries have adopted this strategy in response to Ireland's success.[65] Nancy Birdsall and David Wheeler, examining the bivariate relationship between trade openness and environmental pollution in Latin America, conclude that the pollution-intensive industries were more likely to be located in the most protectionist countries.[66]

Statistically, two categories of tests have been tried. The first type seeks to determine if environmental regulations adversely affect trade patterns. If this is true, it would support one leg of the RTB hypothesis—i.e., that strict environmental standards weaken the competitiveness of industry. The second type tests whether firms choose their investment locations based upon environmental regulations. James Tobey tests data from the 1970s to see if environmental regulations affected trade patterns in both the developing and developed world. Controlling for factor endowments, he finds the regulations to have no significant effect.[67] A more recent study, using 1992 data with similar controls, finds that environmental regulations show a statistically significant effect on the pattern of exports of OECD countries.[68] This would suggest the potential for strict

---

[65] H. Jeffrey Leonard, *Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage* (Cambridge, U.K.: Cambridge University Press, 1988); Candice Stevens, "Do Environmental Policies Affect Competitiveness?" *OECD Observer*, No. 183 (1993), pp. 22–25.

[66] Nancy Birdsall and David Wheeler, "Trade Policy and Industrial Pollution in Latin America: Where Are the Pollution Havens?" *Journal of Environment and Development* 2, No. 1 (1993), pp. 137–149.

[67] James Tobey, "The Impact of Domestic Environmental Policies on Patterns of World Trade: An Empirical Test," *Kyklos* 43, No. 2 (1990), pp. 191–209.

[68] Cees van Beers and J.C.J.M. van der Bergh, "An Empirical Multi-Country Analysis of the Impact of Environmental Regulations on Foreign Trade Flows," *Kyklos* 50, No.1 (1999), pp. 29–46.

regulations to affect investment decisions. Yet tests of investment decisions suggest otherwise. Arik Levinson conducts the most rigorous study at the U.S. state level. Levinson looks specifically at whether the extent of environmental regulation affects the location of new plants, finding that strict regulations minimally deter investment.[69] Increases in regulation by one standard deviation leads to at most a 1.8 percent decline in investment. Investigations at the country level confirm the absence of an RTB dynamic in explaining firm decisions.[70] Looking at EPZs, a World Bank study concludes that EPZ environmental laws are roughly consistent with host country legislation.[71] In a separate review essay, Levinson summarizes: "The conclusions of both the international and domestic studies of industry location are that environmental regulations do not deter investment to any statistically or economically significant degree."[72]

The world society approach receives greater support in this arena than for labor standards. Two empirical studies, one by David John Frank and one by John Meyer and his coauthors, argue that the growth of the U.N. system, the rationalization of scientific discourse, and the growth of national bureaucracies can explain the explosion of international environmental regulation during the past century.[73] The authors construct their independent variables while analyzing the factors of a plethora of colinear variables.[74] Their results show a consistent growth in the number of environmental associations, treaties, and organizations, to the point where the structuration of the global environmental regime reduces the need for new organizations.

---

[69] Arik Levinson, "Environmental Regulations and Manufacturers' Location Choices," *Journal of Public Economics* 62, No.1 (1996), pp. 5–29. There has been no test of the relationship between investment and environmental regulation at the international level. Given that the predominance of FDI is within OECD countries, it would be hard to extract a result that favors the RTB hypothesis.

[70] Gordon Clark, "Global Competition and the Environmental Performance of Australian Mineral Companies: Is the 'Race to the Bottom' Inevitable?" *International Environmental Affairs* 5, No. 3 (1993), pp. 147–172.

[71] Madami, *A Review of the Role and Impact of Export Processing Zones*, p. 50. It should be noted that these countries are far from paragons of environmental protection.

[72] Arik Levinson, "Environmental Regulations and Industry Location: International and Domestic Evidence," in Jagdish Bhagwati and Robert Hudec, eds., *Fair Trade and Harmonization: Prerequisites for Free Trade?* (Cambridge, Mass.: MIT Press, 1996).

[73] John W. Meyer et al., "The Structuring of a World Environmental Regime, 1870–1990," *International Organization* 51, No. 4 (1997), pp. 623–651; David John Frank, "Science, Nature, and the Globalization of the Environment, 1870–1990," *Social Forces* 76, No. 2 (1997), pp. 409–437.

[74] For example, Meyer et al.'s measure of the rationalization of scientific discourse is created from a factor analysis of the cumulative number of official scientific unions, the number of international scientific NGOs, and the number of nation-states with national parks.

The evidence is compelling but, as the authors acknowledge, incomplete. First, it is an open question whether these results demonstrate correlation or causation.[75] It is not shocking that the growth of scientific unions is correlated with the growth of environmental associations, but it is unclear which causes which. Second, the dependent variable of international agreements masks the fact that these agreements often impose different regulatory standards on different countries. The Montreal Protocol on stratospheric ozone, or the Kyoto Protocol on global warming, imposes far more rigorous regulatory limits on the developed countries.[76] Even if there is policy coordination, there is not necessarily convergence. Third, far less care is taken by the authors to test their theory against alternative hypotheses.[77] Variables consistent with alternative explanations–growth in global GDP, the rate of urbanization, the growth of international trade, the distribution of power, changes in communication technologies–are not included in the regressions.

The elite consensus argument also tests its hypotheses on the forces behind multinational agreements to regulate the environment. Instead of statistical evidence, the empirical works focuses on case studies of regimes governing environmental issues such as deforestation or stratospheric ozone. Peter Haas argues that an epistemic community, based in the United Nations Environmental Program, elite research institutes, and national governments, was responsible for persuading governments to agree to cooperate on the Montreal Protocol on stratospheric ozone. In particular, Haas focuses on the epistemic community's ability to persuade an ideologically hostile Reagan administration, as well as the DuPont Corporation, of the connection between chlorofluorocarbons (CFCs) and the ozone layer. The elite consensus approach uses a similar narrative to explain the international whaling regime and the 1992 summit on biodiversity in Rio de Janeiro.[78]

There remain significant criticisms of this narrative. Lawrence Susskind argues that the preconditions necessary for epistemic communities to play a role are rare: "A review of most of the international treaties negotiated since the

---

[75] Another statistical flaw is that in both of the articles, one-tailed t-tests are used to determine significance. If two-tailed tests are used, many of their significant results drop below the 95 percent confidence threshold.

[76] Other issue areas, such as deforestation or endangered species protection, place disproportionate regulatory burdens on developing countries.

[77] The Frank study includes only world population and carbon dioxide emissions as alternative explanatory variables; the Meyer et al. study includes only population.

[78] M.J. Peterson, "Whalers, Cetologists, Environmentalists, and the International Management on Whaling," *International Organization* 46, No. 1 (1992), pp. 147–186. More generally, see Wapner, "Politics Beyond the State," and Ann Marie Clark, Elizabeth Friedman, and Kathryn Hochstetler, "The Sovereign Limits of Global Society," *World Politics* 51, No. 1 (1998), pp. 1–35.

1972 Stockholm conference shows that scientific evidence has played a surprisingly small role in issue definition, fact-finding, bargaining, and regime strengthening."[79] Regarding the Montreal Protocol, Haas overestimates the role that scientific norms had to play in DuPont's decision to back successively tighter restrictions on CFCs. Other observers have noted that DuPont had a substantial economic incentive to be the market leader in environmentally safe CFC substitutes.[80] The incentives for large multinationals to gain a competitive advantage in environmentally safe products has led to a series of "baptist/bootlegger" coalitions, somewhat undercutting the importance of epistemic communities.[81]

Another problem is the potential marginalization of the epistemic community over time. Analysis of the various U.N. conferences reveals that over time states have become adept at excluding various NGO groups from key bargaining sessions.[82] The inclusion of other professional groups, including economists and corporate officers, also undercuts the power of the environmental epistemic community.[83] Finally, this approach overlooks the role that domestic politics plays in implementing environmental accords. Case studies suggest that countries adhere to environmental accords as much as their domestic political institutions permit.[84]

---

[79] Lawrence Susskind, *Environmental Diplomacy: Negotiating More Effective Global Agreements* (Oxford, U.K.: Oxford University Press, 1994), p. 64; quoted in Michael Zürn, "The Rise of International Environmental Politics," *World Politics* 50, No. 4 (1998), pp. 617–649.

[80] See Kenneth Oye and James Maxwell, "Self-Interest and Environmental Management," in Robert Keohane and Elinor Ostrom, eds., *Local Commons and Global Interdependence* (London: SAGE, 1995).

[81] Elizabeth DeSombre: "Baptists and Bootleggers for the Environment: Explaining the Origins of United States Unilateral Sanctions," *Journal of Environment and Development* 4, No. 1 (1995), pp. 53–75, and *Domestic Sources of International Environmental Policy: Industry, Environmentalists, and U.S. Power* (Cambridge, Mass.: MIT Press, 2000).

[82] Clark, Friedman, and Hochstetler, "The Sovereign Limits of Global Society." See also Kal Raustiala, "States, NGOs, and International Environmental Institutions," *International Studies Quarterly* 41, No. 4 (1997), pp. 719–740.

[83] See Margaret Keck and Kathryn Sikkink, *Activists beyond Borders* (Ithaca, N.Y.: Cornell University Press, 1998), p. 161; Miles Kahler, *International Institutions and the Political Economy of Integration* (Washington, D.C.: Brookings Institution, 1995); Jennifer Clapp, "The Privatization of Global Environmental Governance: ISO 14000 and the Developing World," *Global Governance* 4, No. 3 (1998), pp. 295–316.

[84] Raustiala, "Domestic Institutions and International Regulatory Cooperation"; Xinyuan Dai, "Compliance without Carrots or Sticks: How International Institutions Influence National Policies," Ph.D. dissertation, University of Chicago, June 2000.

The neoliberal approach argues that policy coordination is determined by the number of actors, the power of international organizations, the amount of available information, and how much convergence has distributional consequences. For environmental issues, the neoliberal hypothesis holds up well. Policy convergence on stratospheric ozone depletion has been assisted by the power of the Montreal Protocol to permit the sanctioning of noncompliant states, as well as the ability of the Global Environment Facility to proffer carrots to reluctant states. Observations show a similar process to explain the degree of environmental cooperation in the European Union and NAFTA.[85] The uneven pattern of success in deforestation prevention correlates directly with the extent of World Bank leverage over recipient countries.[86] The lack of progress on global warming is also consistent with the neoliberal hypothesis. Objections in the United States about the Kyoto Protocol's costs of implementation, the distribution of costs, and the lack of enforcement measures have made implementation unlikely.[87]

The neoliberal paradigm also receives support from the effect of the WTO on environmental policy. The WTO represents a classic case of a cooperation outcome, in which each party sacrifices a little to obtain the larger benefits of cooperation. The benefit for the WTO was freer trade. The developed world has paid for this by having to curtail environmental regulations that are deemed as restricting trade. Examples include WTO rulings against U.S. environmental laws such as the Marine Mammal Protection Act, the Clean Air Act, and the Endangered Species Act. The WTO has also been used to alter EU policy on leg-hold traps.[88] This has drawn considerable ire from antiglobalization activists who claim that the WTO will force a reduction of environmental standards. Although this claim is exaggerated, the reaction supports the neoliberal hypothesis that strong international organizations can drive policy convergence.[89]

---

[85] Vogel, *Trading Up*, chs. 3 and 7; Joel R. Paul, "Free Trade, Regulatory Competition, and the Autonomous Market Fallacy," *Columbia Journal of European Law* 1, No. 1 (1994/95), pp. 29–62.

[86] Keck and Sikkink, *Activists beyond Borders*, ch. 4.

[87] Scott Barrett: "Montreal versus Kyoto: International Cooperation and the Global Environment," in Inge Kaul, Isabelle Grunberg, and Marc Stein, eds., *Global Public Goods* (New York: Oxford University Press, 1999), and "The Political Economy of the Kyoto Protocol," *Oxford Review of Economic Policy* 14, No. 4 (1998), pp. 20–39.

[88] Wallach and Sforza, *Whose Trade Organization?*, ch. 2.

[89] International lawyers have pointed out that even a more environmentally sensitive WTO would have ruled against the developed countries on these cases. See Samuel Barkin and Elizabeth DeSombre, "Domestic Sources of International Trade and Environmental Conflicts," paper presented at the International Studies Association annual meeting, Los Angeles, Calif., March 2000; Jeffrey Dunhoff, "Reconciling International Trade with Preservation of the Global Environment: Can We Prosper and Profit?" *Washington and Lee Law Review* 49, No. 3 (1992), pp. 1407–1454.

The pattern in environmental regulation mirrors that of labor standards. There is an upward convergence among OECD countries and a slow and erratic upswing toward more protection in the developing world. The key difference from the story about labor standards is that the divergent trends in environmental regulation are codified by international regimes. This suggests that the neoliberal paradigm may have more explanatory power for environmental issues than the elite consensus model.

CONCLUSIONS

Most discussions of globalization stress two facets. The first is the magnitude of private economic forces such as capital flows and traded goods. The second is the deterministic quality of the phenomena; once states decide to lower their barriers to exchange, a Pandora's box is unleashed that cannot be reversed. A review of the policy convergence literature suggests both claims have been exaggerated. Although globalization has increased the size of transnational economic flows, it has not forced a race to the bottom in regulatory standards. Ideational forces have played an equally significant role in determining the rate and location of policy convergence on labor and environmental standards. Where harmonization has occurred, it has been a conscious choice of states made under the aegis of an international organization.

The lack of support for the RTB argument is striking. This absence of supporting evidence continues if one looks at other issue areas. Most econometric studies show that increased capital mobility has not constrained the ability of states to tax capital.[90] One comes to a similar conclusion with regard to the regulation of consumer health and safety.[91] Even in macroeconomic policy, an area commonly thought to provide the strongest support for the RTB hypothesis, the empirical evidence is debatable.[92] Repeated studies show that domestic institutions, interests, and political parties have a significant effect on fiscal and monetary policies.[93] This sort of variation is inconsistent with a race to the bottom.

[90] Garrett, "Capital Mobility, Trade, and the Domestic Politics of Economy Policy," *International Organization* 49, No. 4 (1995), pp. 627–657; Duane Swank, "Funding the Welfare State: Globalization and the Taxation of Business in Advanced Market Economies," *Political Studies* 46, No. 4 (1998), pp. 671–692; Sven Steinmo and Duane Swank, "The New Political Economy of Taxation," paper presented at the 1999 American Political Science Association annual meeting, Boston Mass.

[91] Vogel, *Trading Up*; Brathwaite and Drohos, *Global Business Regulation*, Chapter 16.

[92] Garrett, "Global Markets and National Politics."

[93] Geoffrey Garrett, *Partisan Politics in the Global Economy* (Cambridge,U.K.: Cambridge University Press, 1998); Carles Boix, *Political Parties, Growth, and Equality* (Cambridge, U.K.: Cambridge University Press, 1998).

This result is not particularly surprising when put in historical perspective. The current era shows a pattern similar to the previous era of globalization. In the late nineteenth century, there was an enormous increase in the flows of capital, goods, and labor among countries in the Atlantic basin. Several scholars argue that the degree of market integration in the nineteenth century surpasses the present era.[94] Despite the magnitude of these flows, states responded to the trend toward globalization by increasing tariff and immigration barriers; initiating regulatory standards for consumer safety, labor, and the environment; and developing regional institutions (including a predecessor to the European Central Bank) to cope with the vicissitudes of financial markets.[95] The process of globalization did not constrain states from making autonomous policy choices.

Economic determinism can be rejected as an explanation for international regulatory regimes; where does that leave us? Most immediate is the need for more refined theories and better empirical work because good theories can be easily falsified. If the structural approaches have less empirical support, it is partly because their predictions are more precise and thus easier to falsify. The agent-based approaches to policy convergence must be able to predict the location of policy convergence better. Empirically, tests need to be developed that compare multiple theories of policy convergence against each other.

One theoretical possibility is the elimination of the agent-structure ontology as a way of crafting new theories about the state. Ian Clark argues that much of the debate about globalization has been misdirected because of squabbles about whether the primacy of the state has been threatened.[96] Instead, globalization must be understood as a phenomenon that simultaneously affects states directly and international relations through reconstitution of the state. Such an approach mirrors the repeated calls from international relations scholars to move past the agent–structure debate to a more integrative approach.[97] Given the ambiguous empirical support for existing theories of convergence, this is a promising way of improving causal inferences. To date, this call for changing the ontology of international relations theory has produced some tren-

---

[94] Hirst and Thompson, *Globalization in Question*; Bob Sutcliffe and Andrew Glyn, "Still Underwhelmed: Indicators of Globalization and Their Misinterpretation," *Review of Radical Political Economics* 31, No. 1 (1999), pp. 111–132.

[95] Kevin O'Rourke and Jeffrey Williamson, *Globalization and History* (Cambridge, Mass.: MIT Press, 1999); Polanyi, *The Great Transformation*; Luca Einaudi, "From the Franc to the 'Europe': Great Britain, Germany and the Attempted Transformation of the Latin Monetary Union into a European Monetary Union," working paper, Centre for History and Economics, King's College, Cambridge University.

[96] In Clark, *Globalization and International Relations Theory*.

[97] Alexander Wendt, "The Agent–Structure Problem in International Relations Theory," *International Organization* 41, No. 3 (1987), pp. 335–370; Ian Clark, *Globalization and International Relations Theory*.

chant criticisms but little in the way of positive theorizing. The failure of the discourse on globalization to propose a genuinely new set of ontological givens suggests that these divisions are more difficult to overcome than previously thought.

Another possible research avenue comes from the recognition that globalization does not eliminate international political economy theories as much as find new issue areas for their application. There is a parallel here between the political economy of regulatory policy and that of macroeconomic policy coordination. Michael Webb argues that the removal of capital controls did not lead to the collapse of exchange rate coordination. Rather, it forced states to coordinate fiscal and monetary policies to manage exchange rates.[98] The elimination of capital controls forced a deeper level of policy coordination. The reduction of tariffs and quotas has similarly led to a change from negotiating over tariffs to negotiating over regulatory policies that can act as trade barriers. Globalization has altered the international political economy through the generation of a new set of contentious global issues that were previously purely national. This has led to new arenas of bargaining, not a new global politics.

Looked at in this way, an approach with its foundations in realism might prove to be useful. A realist theory of policy convergence would assume that states retain policy autonomy and that they can use their market power and access as a tool for negotiating and coercing.[99] Bargaining occurs when regulatory convergence increases the size of the economic pie but also redistributes benefits toward states with domestic regulations close to the agreed-upon standard.[100] Regional trading agreements are a strategy for expanding the domain of a state's regulatory standards and increasing leverage in global negotiations. Such an approach would also highlight something missing from existing empirical work: the use of economic coercion by the great powers to force other states to accept their regulatory standards.[101] To date, realists have either ignored

---

[98] Michael Webb: "International Economic Structures, Government Interests, and International Coordination of Macroeconomic Adjustment Policies," *International Organization* 45, No. 3 (1991), pp. 309–342, and *The Political Economy of Policy Coordination: International Adjustment since 1945* (Ithaca, N.Y.: Cornell University Press, 1995).

[99] DeSombre, *Domestic Sources of International Environmental Policy*; Shambaugh, *States, Firms, and Power.*

[100] Stephen D. Krasner, "Global Communications and National Power: Life on the Pareto Frontier," *World Politics* 43, No. 3 (1991), pp. 336–366.

[101] See DeSombre, *Domestic Sources of International Environmental Policy*; Susan Sell, *Power and Ideas: North–South Politics of Intellectual Property and Antitrust* (Albany, N.Y.: SUNY Press, 1998); Daniel W. Drezner, "Outside the Box: Explaining Sanctions in Pursuit of Foreign Economic Goals," *International Interactions*, forthcoming 2001.

the globalization phenomenon or minimized its importance.[102] An approach that concedes the significance of globalization but asks how states try to maximize their relative advantage in such a world might be fruitful.

The absence of a race to the bottom also suggests more research on the question of why the power of capital is constrained. The absence of private firms influencing the pace and location of policy convergence suggests that something has been overlooked in the firm–state dynamic. Firms might be more constrained in their economic decisionmaking than previously supposed. This could be due to the market power of states,[103] or the dependence of multinational firms upon the institutions developed in their home countries.[104] Another possibility is that the economic effects of globalization vary sectorally. In industries where asset specificity is minimal and labor costs are an important component of production, races to the bottom may be more likely to exist.[105]

Finally, the study of globalization needs to be rescued from the pop commentators.[106] As noted in the introduction, one reason the globalization phenomenon is important is the perception by many scholars and policymakers that it transforms international politics. The evidence to date rejects this perception. Globalization is not deterministic; there is no single predicted location for policy convergence. The ability of states to cooperate and their ability to agree on norms of governance determines the extent of policy convergence. These factors are at the core of the principal theories of international political economy.[107] Globalization has led to the emergence of new issues to be analyzed by international relations scholars; it does not imply that new paradigms are needed to explain these issues.

---

[102] Waltz, "Globalization and Governance"; Janice Thomson and Stephen D. Krasner, "Global Transactions and the Consolidation of Sovereignty," in E.O. Czempiel and James Rosenau, eds., *Global Changes and Theoretical Challenges* (Lexington, Ky.: D.C. Heath, 1989).

[103] Shambaugh, *States, Firms, and Power.*

[104] Paul Doremus et al., *The Myth of the Global Corporation* (Princeton, N.J.: Princeton University Press, 1998).

[105] See, for example, Mark Aspinwall, "Globalism, Exit, and Free Social Riders: A Dysfunctional Integration Theory," *European Journal of Political Research* 33, No. 3 (1998), pp. 323–346.

[106] Benjamin Barber, *Jihad vs. McWorld* (New York: Times Books, 1995); Paul Krugman, *Pop Internationalism* (Cambridge, Mass.: MIT Press, 1996); William Greider, *One World, Ready or Not: The Manic Logic of Global Capitalism* (New York: Simon and Schuster, 1997); Friedman, *The Lexus and the Olive Tree.*

[107] Peter Katzenstein, Robert Keohane, and Stephen D. Krasner, eds., "Exploration and Contestation in the Study of World Politics," *International Organization* 52, No. 4 (1998), pp. 645–686.