Interview with Robert Keohane

On November 6, 2007, Robert Keohane, a professor at the Woodrow Wilson School of Public and International Affairs at Princeton University, sat down with YJIA Editors Sooan Vivian Choi and Kathrin Daepp to discuss some themes raised in his recent lecture series, “Institutional Design and Power”, given at Yale University.

How did you begin your work on institutions? Why are institutions important?

I’ve always been interested in institutions. I did my Ph.D. thesis on the UN General Assembly and how the institution mattered for bargaining and negotiation. But I think where this really began was with looking at the politics of economic interdependence in the 1970s in the book that I coauthored with Joseph Nye, *Power and Interdependence*. In the book, we talk about international regimes, ways of governing interdependence, and we talk about different ways of interpreting them: one in a realist way, as a reflection of power; one in simply a functionalist way, you do what is necessary; one in an organizational way, the effects of the nature of the organization set up. But after that book, there was kind of a black box. It seemed that institutions were really important, but I didn’t have a theory of why institutions existed at all. You can’t really understand the politics of interdependence without seeing what the impact is of institutions on international regimes.

As I started to think more about institutions, it raised an anomaly, because I was also thinking about realist international relations. Kenneth Waltz seemed to have the most powerful theory going on in international politics at that time. Waltz’s book was published in 1979 and the article on which he bases his book was published in 1975. It was a realist theory, which ignored institutions entirely. I did a paper in 1981, published in 1983, which was basically an analysis of Waltz’s argument – now known as neorealism. I came to the
negative critique that Waltz was ignoring institutions, and more importantly, he was ignoring information. It was all about interest and power. He assumed that people knew everything they had to know. There was no conception of variation in information and it seemed to me that this was the key flaw, and I still believe that. In Waltz’s theory, states should not invent multilateral institutions because they will put constraints on states, and states are autonomy-seekers. Here was the anomaly, because we see these institutions. One possibility, as John Mearsheimer argued later, is that these institutions are not important at all. But that didn’t seem right to me about the IMF or the World Bank or the GATT. However, the institutions are not imposed on states; there is no sign that the state is withering away. So it must be the case that if these institutions are important, it is the states that see some purpose in setting them up for their own interest. They reduce transaction costs by having a forum, a set of rules; more importantly, they reduce uncertainty. My critique of Waltz, which was that he ignores information, dovetails with my theory of institutions.

The realization that institutions fill this important information and transactional cost role actually came largely out of my readings on economics. I was teaching at Stanford at that time in 1979 and I had a friend named James Rosse who was an associate dean who taught microeconomics and industrial organization. He gave me a syllabus, and after going through some readings on the list I thought, “Here are some analogies.” At about the same time I was at a conference in 1978—this is where serendipity matters—where I met the economic historian Charles Kindleberger. He was talking about the Coase Theorem, which I had never heard of before, so I asked him what it was. Coase says that if certain conditions are met, such as well-defined property rights and zero transaction costs, then there will be an efficient outcome. Well, none of these are met in anarchic international relations. So I thought, maybe what institutions are doing is developing situations that are closer to Coase’s conditions than we would have otherwise.

All these factors came together: Power and Interdependence, Waltz’s theories, and my attempt at trying to read, in a layman’s way, contemporary economic history and industrial organization theory to get some ideas that weren’t now in political science literature. The three came together in developing a theory of why and when we have institutions.

And how did you move from developing a theory of institutions toward prescribing policies on institutional design?

It’s a natural move—first, if we think we have a theory of why we have institutions, and we also think that incentives are very important, one should
ask if we can now understand how states design institutions. That’s the main thrust of the book I am now working on. For example, under what conditions do institutions build in provisions for flexibility? If the general theory is any good, it ought to tell you something about that as well. Second, there is the policy leap, and that’s probably because I’m at a policy school. Furthermore, it’s more of a time-of-life issue. If this theory is valuable it should tell us something about what we should do and not do, so policy design is a way to test out the theory. A lot of theories in social science are hot air. They’re talking to each other and there are different ways of phrasing an issue but when you push on, it doesn’t really tell you very much about what to do. So this would be a good test to see if there’s really something worth knowing. Also, I think I was influenced by the climate change debate. I’m a strong environmentalist. I have thought for a long time that climate change is a significant problem, ever since I worked in the 1990s on environmental regimes. If someone came and asked me, “How should we design a climate change regime?” I don’t want to be tongue-tied. I want to be able to say something intelligent, I want to be able to say, “This is what we should do and this is how we should design it.”

We’ve learned about your ten precepts for institutional design. In a perfect world all ten would be met, but being far from it we must assume that there is a trade-off. So which ones do you think are absolutely necessary? Is there a hierarchy?

I don’t think there’s a hierarchy; I think there are trade-offs everywhere. It wouldn’t make sense to maximize on one of these without considering the trade-offs. Consider for example the precepts of deferring to powerful states and having, insofar as possible, rules that seem fair. Those are at clear odds with each other. It would be foolish to say, “Forget about fairness entirely; all that matters in the last march is to get a little more support even if it means sacrificing a lot of fairness”—you wouldn’t want to do that. Vice versa, I don’t want to say, “Make sure it’s fair; who cares if everything falls apart.” I think about this trade-off in a way you learn in the first undergraduate economics course. You want to be maximizing the marginal returns. Suppose you have these two precepts. If you have all fairness you don’t have very high value, but if you take all deference there won’t be much value either. There will be some point at which you have the right balance, where having more of either would reduce the total value. So I think there are trade-offs all around.

But in very practical terms, say you were an advisor for a new climate change negotiation, what advice would you give to a very small country, as opposed to what you would say to a very big country, such as the United States?
First of all, I would say to them both that we need some system in which the powerful states will find it in their interest to participate, so you need to give special attention to the peculiarities of American policy. You could perhaps ignore those of a smaller country, but in the American case, if you need to meet certain demands in order to get them on board, then you have to meet those. Second, I would say to the smaller country that you have to defer a little more than you would like to here, and to the Americans I would say that you have to worry about the credibility of your promises. Others aren’t going to agree with your plans if they think you can easily renege on them. The disadvantage of being powerful in this case is that you can renege. Small states could also renege but they would not achieve much by doing so—they would shoot themselves in the feet—so small states are credible precisely because they are not very powerful. Large states, however, can walk away and distort the regime afterwards, renegotiating unilaterally. Then everybody else gets the short end of the stick. Realizing this in advance, other states will not find large states’ promises so credible. So the question the American government should ask is, how are we going to ensure that others are willing to negotiate with us given that we have inherent credibility problems? I would advise the United States, “You’d better make a substantial offer up front, as opposed to a promise of action dependent upon others’ behavior.”
Those promises aren’t terribly credible from a powerful state. So there are asymmetries in terms of what I would advise to each of the states.

**So you would summarize the trade-offs between efficiency and legitimacy as maximizing marginal returns?**

First of all, I would say there are some absolute thresholds. If you’re confronted with an institution that is systematically violating human rights, I think that’s unacceptable and illegitimate regardless. But apart from that kind of threshold, you have to make a balancing test between the net value of the institution and the next best alternative. In some easy cases, it will be clear that having the institution is better on the grounds of efficient outcome and procedural legitimacy. On the other hand, if there are better results but the procedures are questionable, then you have to make a balancing test judgment. It’s not a science; it’s a matter of making a judgment about which is, on balance, more important.

It will depend a lot on what the issue is. If we have an institution that will reduce by half the danger of nuclear terrorism, but in doing so we have to be efficacious by having rather non-transparent procedures, which do not fully meet high standards of due process and human rights, you might have to accept that. Whereas if it was something where the gains are much less, such as the ICC, we might say that we’re going to be purer in terms of legitimacy—because, what are you losing? You’re losing arresting a few people the U.S. government doesn’t want to have in jail. So the outcome measure is very different. And you have to weigh them in this respect. We make balancing test judgments in everyday life, and we have to do it in public policy decisions.

**Why is legitimacy so important? Why is it only a necessary condition and not a sufficient condition—shouldn’t efficacy create legitimacy to a certain point?**

Efficacy does not create legitimacy. Being simply efficacious can violate deeply held principles of fair process, and it can create precedents that we don’t want. For example, if efficacy in a criminal justice system consists of having a very high ratio of guilty people behind bars to innocent people behind bars, and a high ratio of guilty people behind bars to guilty people not behind bars, you might find that efficacy can be maximized by a process that
involved keeping people from seeing attorneys for a while after they were arrested. The police could get a lot of information out of them when they’re still stressed and no one advises them not to confess. That would probably be more effective in getting more people behind bars, getting them while they are still sleep-deprived or stressed by the crime they just committed. Yet in the United States we say no, we think that’s unfair, and we think there are some rules we want to follow, like the Miranda rules, even if we realize that they reduce efficacy. So I think the analogy is the same here. But once again that’s also a trade-off. Some people might think we give people in the U.S. criminal justice system too many rights, or that there are not enough rights or enough access to legal counsel. We don’t say fascism was a good thing because Mussolini made the trains run on time.

The main standard of efficacy would be the existence of a comparative benefit. How do we recognize comparative benefit? Even if we can actually see it, wouldn’t it be open to subjective perception?

There’s no doubt that it’s open to subjective perception. But it seems to me that we can ask first if we have a democratic judgment of that. For example, the democratic polity may have decided that it wants to have greater national income, and that more open trade increases income. Thus the polity has given a standard of efficacy, after which we can ask, which of these trade regimes will open trade in such a way as to increase national income? That will be a relatively unproblematic case. Now, you could have a situation that is more contested, where there are disagreements on whether something is actually good for society. In a democracy, I think these judgments are and should be made by the democratic polity. They may not be the experts and they may not know how to achieve the benefit, but they should decide what the benefits are. Take the question of abortion, for example. To me that’s a proper question for democratic consideration. One value is protecting choice for women and the minimization of any health complications of abortion. That speaks strongly for the pro-choice argument for lawful abortions. The other value is, with a certain view of when life begins, that a life is sacred, that abortion is equivalent to murder, and we don’t allow murder even if it were in pursuit of other interests. I don’t think you can resolve this question objectively. It is a proper judgment for the polity to make. That judgment of what the benefit is ought to be made by some democratic process.

But isn’t this assuming that it’s not the state elites who would make that judgment call? What about authoritarian states that does not have a democratic polity?
I am assuming that, ideally, democracies make these judgments. To make it simple, suppose that you have one autocracy and one democracy in this world. The democracy is making judgments on rules about privacy and due process, and you have a similar country but under authoritarian rule, with the elites of these countries saying that our values are different. My instinct is to assume that if the people in the authoritarian state had the ability to make these decisions, they would be somewhat similar to what the democracy would decide. And that is also Amartya Sen’s view on Asian values. The Chinese government says that Asian values are pro-authoritarian. This sounds much too self-interested to me; that’s the elite saying so. It is easier to assume that their values are probably not that distinct. If they become democratic then whatever values they want is fine. If they are different from ours, that’s fine; that’s their judgment. But as long as you are not democratic and your people cannot voice their judgment, we should have other ways of assessment. You cannot accept at face value the elite’s claim that their self-interested judgment is actually reflecting the public’s opinions. It is more likely that people under authoritarian regimes would prefer values similar to people elsewhere who can express themselves through a democratic process.

Who is your target audience for this work? You’ve said before that you are disappointed when policymakers don’t incorporate ideas from scholarship into their work. Do you have an idea about how to make them incorporate these precepts for institutional design?

My target audience is not only elites, but also citizens of democratic countries. This includes mainly the more informed public—arguably a small portion of the public—which pays attention to international affairs, and some of whom might serve in government at some point in their career. I think that our academic work has much more impact on younger people outside of government who have more time to read and think, and who later have some influence in government. I could imagine, for example, that a natural scientist working on climate change who participates in the future version of the IPCC, through which he actually can influence policy design, might recall some principles of institutional design he had been exposed to during his education, and this might help him in designing rules for the new climate change regime. I think that, as a basic principle, rules have to be incentive-compatible. In this sense, we can only hope that people who propose what they think is a good and fair rule take the time to reflect on it and consider whether this rule is actually going to work. It might sound great from a moralistic point of view, but if it runs against the interests of a lot of powerful groups, it won’t be adopted. So I would hope that decision makers think in terms of how they can frame this rule differently, build a different time
horizon, and attract support from self-interested groups.

Does this imply that you do not expect current policymakers to be receptive to your ideas about institutional design?

I think that people who are in policy positions are generally much too busy fighting fires to think about abstract ideas or how they apply to current policy issues. Everyone who gets into government enters endowed with some intellectual capital and uses it up. As a result, you cannot really expect the current secretary of state, whoever she is, to spend her time reading academic papers. Most of them are of no practical value to her and she simply has too many things going on. Stephen Krasner, who was the policy-planning head under Condoleezza Rice for two years, recently gave an interesting talk at Princeton in which he argued that it is very difficult to see a one-to-one relationship between some academic work and some policy. The academic work can sometimes have an indirect effect by shaping how people think about certain issues such as sovereignty or failed states. But its effects tend to be attenuated, and this is probably especially true for my work, which is not composed of hard data and therefore harder to feed into the system.

Now, on the other hand, Robert Zoellick is a former undergraduate student of mine, and while he is a conservative Republican, he is also a committed multilateralist. I do not take any credit for this, but it is possible that ideas he was exposed to in his undergraduate education made him incorporate the values of multilateralism into his thinking. If he had had a different teacher influenced by the realist school of thought in IR, he could have come out thinking that institutions are total nonsense. I do hope that we, as academics, have some impact in this diffuse way on policymakers, or that our ideas will at least filter down. My dean, Anne-Marie Slaughter, is very good at making policy arguments, so my arguments might have some effect on her, and she can use them afterwards in a persuasive way for policymakers. I see this as an indirect effect. Recently, I received a call from a former student who is now the deputy chief of staff of the secretary-general of a multilateral institution. Her institution was thinking about ways to increase its effectiveness in concert with other international organizations. So she contacted me, and I sent her a memo. Who knows, the memo might have no effect at all, as I do not know this organization very well, and I am not familiar with the particular agenda the secretary-general might have. But I spent a few hours on it, trying to extract useful propositions based on my ten precepts that should be workable.

Having said this, my memo might very well end up in the garbage can. Michael Cohen and James March wrote a brilliant article in 1972 called “A
Garbage Can Model of Organizational Choice.”^5 They argue that policy is
not tailor-made for a particular problem that requires a solution, but that
politicians face a stream of problems, as well as an independent stream of
solutions, like two conveyor belts. Social science may develop a set of solu-
tions that may have been devised for one particular problem, but they were
simply not relevant and no one was using them at that time—solutions such
as the general precept that actors involved in rule-making will be more co-
operative. Then Zoellick argues in a speech while he was Deputy Secretary
of State that China should be a responsible stakeholder. That may have
not been influenced by academic work at all, but some social science ideas
might have filtered in. But again, this is an example of a solution looking
for a problem. This general precept was not developed for China, yet it was
applied to a new model of engaging China in world affairs.

You assume that institutions solve common problems. Once these insti-
tutions are set in place and have a civil service, they might get their own
agenda, and we could expect to see some feedback process in which the
institution changes the participants’ perceptions of common problems,
either through their interactions or because the work of the international
civil servants frames problems in a specific way. How would you respond
to that?

I think what you are pointing to is that organizations develop their own
distinctive norms and practices. As a result, over time, the institution can
move in a certain direction not anticipated or desired by all the principles.
The European Commission, for example, arguably tends to be more su-
pranational than its founders wanted it to be. This is probably true of most
secretariats and is certainly true of courts. An alternative way of thinking
about the impact of institutions is by examining the changing situation.
Institutions can then take on new functions that they themselves devised in
order to guarantee their survival. So there are several ways to answer the
question of how institutions can have an independent impact, even though
they are created by states.

Do states then have the chance to change the institution and take away
some autonomy?

The question is then to what extent can they do so. Take the European Com-
misson, which has a range of views of how activist, how dirigiste Europe
should be. The Commission could probably never be more dirigiste than the
French want it to be. On the other hand, if they are less dirigiste than what
the French want, but more dirigiste than what the British want, the British
may not be able to stop it. As a result, we might wind up with more rules than the British have agreed to.

Then, even though you assume institutions should be a reflection of power relationships, the institution may evolve to change that.

Institutions should reflect power relations, and they can only operate within the bounded scope of power relations. But as we have discussed previously, institutions might explore some room for maneuver so that over time they do not purely reflect power relations any more. Consider for example the Appellate Body of the WTO, which made a number of decisions the governments would never have agreed upon. In some sense, the Appellate Body is filling in the gaps in the existing body of rules. No state appears to be willing or able to stop it from doing so. But it is not possible anymore to argue that the rules reflect what governments agreed on in 1994, since they have been modified party by the Appellate Body.

Exploring the idea of institutions as “mirrors” of power relations, let’s touch up on some contemporary issues, beginning with the example of China. How will China’s rise to a world power impact international institutions? Do you either see institutions becoming less important or amended to reflect China’s rise?

I think that for multilateral institutions to operate effectively, China has to be involved in them as a responsible stakeholder. And while it may not become the new hegemon, it is going to be one of the crucial actors, so the principle of deference to powerful actors will imply more deference to China. As a consequence, the Chinese will have more weight on such issues as the good governance agenda in Africa, which will probably be more difficult to implement. But the choice here is really between maintaining less and less relevant multilateral institutions with the Chinese trying to obstruct or at least limit them, and attempting to restructure institutions in a way in which the Chinese will be supporters of them. And I do think that there are lots of common interests, but it will certainly mean concessions on the part of the West. Most likely, areas where concessions will be essential are unfortunately human rights and good governance. So I expect that to be a struggle.
Another example is the reform of the Security Council. The problem there is that states would have to agree to give up part of their power. Is it bound to perish without reform?

I am very skeptical about the likelihood of a reform. I think that the failure of that reform is an indication of how difficult it is to reform when there is no strong incentive to do so. In the case of the Security Council, none of the five permanent members has an incentive to dilute its power significantly. Furthermore, there is not enough confidence on the part of developing countries in the integrity of the UN administrative structure, so they will not be willing to delegate more authority to the Secretary-General, because they fear that he is in the U.S.’s pocket. The result is a deadlock in which nobody has an incentive to move. So it may be the case that there is no mutually beneficial bargain. And if there is one, it would require some increase in confidence in the credibility of promises we do not see. The total collapse of UN reform under Kofi Annan was a very sobering experience and made me concerned about the future of multilateralism.

I wouldn’t go as far as to say that the Security Council is bound to perish, but its sociological legitimacy is certainly challenged because the countries whose populations think they should be represented in the Security Council are bound to view the organ as less legitimate without them. India, Brazil, South Africa, and Japan are especially offended by this. I wouldn’t be surprised to see a fall in Japanese financial support for the UN, for example.

How about the WTO? You refer to it often as an example of a successful institution. How does the lack of progress of the Doha round affect your evaluation?

I think that the WTO has been very successful, in particular the Appellate Body. It is true, however, that the legislative structure of the WTO is entirely blocked by a system that requires a consensus, which makes breaking deadlock almost impossible. Furthermore, there are strong incentives for participants to hold out for a better deal for themselves or their block. The deadlock cannot be broken because there is no concentration of authority.

Wrapping up, let’s zoom out and go back to theories of IR. International relations as an academic discipline suffers currently from a lack of theoretical innovation. Where do you see possible avenues for theoretical approaches in international relations?

I think you are right. I would roughly date the wave of innovation in IR
theory from the publication of Kenneth Waltz’s article in 1975 to Alexander Wendt’s article “Anarchy is what States Make of it” in 1992. There has been much elaboration, but little innovation. I think one reason for this is that the assumption of states as units with given interests really limits how much we can say about international politics. Much of the most theoretically interesting and innovative work has been at the boundary of comparative politics and IR. How do we understand the impact of international relations on different configurations and shifts in domestic institutions and power relationships? The boundary has been blurred considerably. And I think the best young people have been working at this boundary. There has also been interesting work on diffusion, such as Beth Simmons’s research on policy diffusion, which is again research on the boundary of domestic politics and IR. James Fearon’s work on private information is also very interesting, and it implies that Waltz’s book could not be written anymore today.

So do you have any last advice to future scholars?

Think about the relationship between domestic and international politics, obtain a sound understanding of how institutions work, get to know some set of domestic societies well and acquire the tools to analyze them. Then ask interesting questions about how state activities are influenced by multilateral institutions and by their location in the international system, and how these state activities feed-back into the international system. In other words, follow the lead of Peter Gourevitch in his article almost thirty years ago on “the second-image reversed.” How does variation across these countries interact with international negotiations; how do we understand the relationship between the two? Some interesting work has been done recently on foreign aid and its impact on domestic politics in the recipient country. How does foreign aid vary with the nature of domestic politics and also with the sector in which the aid is given? Whether foreign aid helps states is not a very interesting question. A more practical question is whether foreign aid in a certain sector in a state with certain governmental arrangements promotes development. It is in questions like this that I see the most fruitful research likely to arise.

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