
Chapter 3
**Collaboration and Co-ordination in
Global Political Economy**

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Lecture Plan

- Globalization
- The Need for International Cooperation
- Game Theoretic Approach
 - The Prisoners' Dilemma
 - The Stag Hunt
 - Battle of the Sexes
- Solutions for Cooperation
- The Formation of Institutions
- Institutional Design

Globalization

- Global interdependence, or mutual dependence, arises when there are costly effects or high benefits to interaction among states
- With increasing interdependence, questions of collaboration and coordination become increasingly important

The Need for Intl Cooperation (1)

- There are economic benefits to the integration of world markets
- BUT the domestic cost of adjustment can be an obstacle or opposition to global integration
- Governments may be tempted to free ride, or adopt protectionist policies, depending on
 - Political insulation of governments from lobbying
 - Flexibility of economy to adjust

The Need for Intl Cooperation (2)

- Governments may experience “inhibiting fear”
 - economic liberalization may lead to economic instability and subsequently political instability
- Coordination is required to negotiate the distribution of gains and losses from international cooperation (the “where to meet” problem)

Game Theoretic Approach

- Useful analytical tool to examine interdependent decision-making
- Typical problems of international cooperation can be modeled by different “games”
- “Games” describe
 - Choices available to actors/players
 - Actors evaluations of potential outcomes
 - Information actors have when they make choices
- Many types of games

The Prisoner's Dilemma (1)

Figure 3.1 Prisoner's Dilemma game (ordinal form)

		Player Beta	
		<i>S1</i>	<i>S2</i>
Player Alpha	<i>S1</i>	3, 3	1, 4
	<i>S2</i>	4, 1	2, 2

Note: Nash Equilibrium in bold type

The Prisoner's Dilemma (2)

- Key point: actors face a structure of interaction that prevents them from reaching a cooperative solution even though such a solution would be optimal for all actors
- IPE examples:
 - Reciprocal trade liberalization
 - Collective management of resources

The Stag Hunt (1)

Figure 3.2 Assurance game (Stag Hunt)
(ordinal form)

		Player Beta	
		S1	S2
Player Alpha	S1	4, 4	1, 3
	S2	3, 1	2, 2

Note: Nash Equilibria in bold type

The Stag Hunt (2)

- Key point: actors share a single most-preferred outcome but have difficulty in reaching such an outcome due to the anticipation of possible mistake or unintentional move by other actors
- IPE example:
 - Financial globalization

Battle of the Sexes (1)

Figure 3.3 Co-ordination game (Battle of the Sexes) (ordinal form)

		Player Beta	
		S1	S2
Player Alpha	S1	4, 3	1, 1
	S2	1, 1	3, 4

Note: Nash Equilibria in bold type

Battle of the Sexes (2)

- Key point: there are two equilibrium outcomes that are Pareto-superior to other outcomes. Coordination is required in order to reach either outcome
- IPE example:
 - International coordination of macroeconomic policies
 - Choice of international monetary system

Solutions for Cooperation (1)

- Cooperation may not arise or fail due to:
 - Actors' incentives to cheat
 - Actors' sensitivities to distribution issues
 - Lack of confidence in the other actor's behaviour
- Repeated games/interactions may increase chances of individual actors cooperating
 - May be undermined by
 - Low expected net value of cooperation
 - High expected costs of defection by others
 - Difficulty in gathering information

Solutions for Cooperation (2)

- Institution or regimes for cooperation
 - Consists of
 - “Meta-regime”: principles and norms
 - Regime: rules and procedures
 - Not the same as an international organization
 - 3 major functions
 - A channel for the enforcement of agreements
 - Help states craft and choose among different responses
 - Facilitate cooperative behaviour

The Formation of Institutions (1)

- Neo-realists
 - Regimes and international institutions have no significant role in international relations
 - Collaboration only sustainable if states highly value future interactions, have symmetric resources and are highly interdependent

The Formation of Institutions (2)

- Neo-realist Institutionalists
 - Institutions have distributional consequences
 - Institutions can help control actors' behaviour
 - Role of hegemonic powers in the development of institutions
 - Overemphasize tensions arising from the differences in the distribution of benefits between actors
 - Downplay the possibility that actors might prioritize absolute over relative gains

The Formation of Institutions (3)

- Neo-liberal Institutionalists
 - Institutions can lower costs of choosing, organizing, negotiating and entering into an agreement
 - Actors create institutions because they are useful
 - Existing institutions may constrain future institutional developments

The Formation of Institutions (4)

- Cognitivists
 - Emphasizes the role of expert consensus and the interplay of experts and politicians
 - New knowledge and cognitive understandings may affect the calculation of interests
- Radical constructivists
 - Norms and values are dominant causal forces
 - Institutions can alter how actors conceive their basic interests and thus constrain their behaviour

Institutional Design (1)

- Institutions can be characterized by:
 - Membership
 - Stringency of rules
 - Scope
 - Extent of delegation of power from member states to institutional bodies
 - Centralization of tasks within the institution

Institutional Design (2)

- Variation of institutional design along these dimensions affected by:
 - Type of problems that institutions should address
 - Potential participants (the number of these actors, their relative power, their financial and “social” capital)
 - Information and knowledge available to actors
 - Outside or pre-existing institutional context