

## International Organizations and the Quality of Government: the Common Agency Problem

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## **Introduction**

We cannot fully understand politics and policymaking within countries without considering the linkages between national and international actors (Gourevitch 1978; Putnam 1988; Keohane and Milner 1996; Börzel and Risse 2003; Hooghe and Marks, 2003; Hawkins et al. 2006; Fang 2008; Keohane 2009; Kelley and Simmons 2015). In this paper we focus on the effects of international governmental organizations (IGOs) on the quality of domestic government. In our theoretical framework, membership in multiple IGOs necessitates a trade-off between gains achieved from international cooperation and an inevitable loss of domestic accountability. We build on the idea that IGOs may be viewed as principals or as “would be principals” (Keohane 2003: 140) that increasingly make demands for the attention of domestic politicians. To the degree that IGOs can sanction or reward policy choices of domestic politicians (agents), they compete with citizens and domestic institutions (domestic principals) to hold politicians accountable. We emphasize that such competition provides domestic politicians with greater opportunities to shirk from their responsibilities, to engage in rent seeking, and to act with greater autonomy (Moravcsik 1994; Papadopoulos 2010). We contend that the joint influence of a country's memberships in multiple IGOs generates consistent, unintended, disruptive effects on accountability and, therefore, on the quality of domestic government. In the empirical part of our paper, we demonstrate that, on average, a larger number of IGO memberships is associated with a lower quality of government, other things being equal.

Many studies have emphasized the upside of globalization for domestic government -- that international cooperation usually promotes better government and locks politicians into policies necessary to improve economic and social outcomes (Abbott and Snidal 1998; Moravcsik 2000; Dreher and Voigt 2011; Fang and Owen 2011; Bauhr and Nasiritousi 2012; Von Stein 2016; Vreeland 2003; Carrubba and Gabel 2017). Previous inquiry has also linked the activities of international actors to improved domestic outcomes in a variety of specific policy areas (Waltz 1999; Potrafke 2015). Those policies include better human rights practices (Greenhill et al. 2009; Hafner-Burton 2009; Simmons 2009, Dreher et al. 2012), gender equality (Meyer 2003; Richards and Gelleny 2007; Neumayer and de Soysa, 2011), stricter environmental standards

(Frank, Hironak and Schofer 2000; Young 2011; Spilker 2012), better public health (Clavier and de Leeuw 2013), improved government transparency (Mansfield et al. 2002; Grigorescu 2003), and democratization (Pevehouse 2002; Mansfield and Pevehouse 2006). In all of these studies international actors, multilateralism, and increased global connections are theorized as positively affecting the quality of domestic government at least under some circumstances.

In contrast, some studies highlight potential negative consequences of international cooperation on domestic politics and policy. Recent research argues that it is getting even more difficult for member states to control the bureaucracy of international organizations as the number of IGOs and the complexity of their inter-organizational relations increases (Lipson 2017). There are also dysfunctional effects when international organizations proliferate because they compete with each other and duplicate functions (Drezner 2009). Still others have argued that international organizations can behave in ways that undermine their missions (Barnett and Finnemore 1999, 2004). We contribute to this research stream by highlighting an important and inevitable domestic cost--the loss of accountability of domestic politicians, which we refer to as “domestic accountability.”

Our premise is that politicians prefer greater autonomy, and accountability limits the autonomy of politicians. Accountability induces public officials “to make their actions relatively controllable by their principals, in order to attract resources and support” Ferejohn (1999:133). A higher level of domestic accountability forces politicians to put more personal efforts into performing duties in office, efforts they may prefer to use in pursuit of other objectives. Furthermore, being accountable to domestic actors requires that politicians engage in close monitoring of bureaucrats, which may cause grievances that endanger the politician’s hold on power.

Following Przeworski, Stokes & Manin (1999), we distinguish between government accountability, the focus of this paper, and responsiveness. Responsiveness refers to the degree to which a government enacts policies that faithfully reflect the views of its citizens. Put another way, responsiveness is a measure of how much accountability an institutional structure permits” (Ferejohn 1999:131). Accountability is, a “property of institutional structures, whereas responsiveness is a consequence of interaction within such

structures. An accountable government has institutional structures that ensure responsiveness to citizen demands. There are a variety of institutional and non-institutional factors that shape the level of accountability of politicians to domestic actors (Adsera, Boix and Payne 2003; Bovens, Goodin, and Schillemans 2014). For example, most scholars agree that politicians in proportional representation political systems are more responsive, but not necessarily more accountable than majoritarian systems (Przeworski, Stokes & Manin (1999).

Our theoretical argument is that a country's participation in many IGOs contributes to additional losses in domestic accountability, other things equal.<sup>1</sup> Any decline in accountability undermines the incentives of domestic politicians to devote their efforts towards improving the quality of government. Thus, one empirical implication of our theoretical argument is that more IGO memberships will be associated with indicators showing a lower quality of government. We show this in the empirical part of this paper and leave additional observable implications of the theory for future research.

According to Schedler (1999: 17), "A is accountable to B when A is obliged to inform B about A's (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct." Governments are accountable if domestic actors "can discern whether governments are acting in their interest and sanction them appropriately" (Przeworski, Stokes & Manin 1999:40). The literature has concluded that a high level of accountability is very important, if not necessary, for achieving a high quality of domestic government (Bovens et al. 2014).<sup>2</sup>

Following Fukuyama (2013), we use the term "quality of government" to refer a national government's ability to make and enforce rules. A popular approach is to conceptualize government in a principal-agent framework and, within such framework, "the quality of government is different from the ends

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<sup>1</sup> Besides the loss in domestic accountability, which is our focus, there are many other closely related problems including losses in representation, transparency, cost-efficiency, expediency, public participation in decision-making, the accountability of international organizations and the democratic deficit.

<sup>2</sup> For a review of this literature, see Lederman et al. (2005).

that government is meant to fulfil. That is, government is about the performance of agents in carrying out the wishes of principals, and not about the goals that principals set” (Fukuyama 2013: 350; see also Rothstein and Teorell 2008). The quality of government is improved when there are fewer incentives for politicians to engage in venal, greedy, corrupt, and rent-seeking methods of governing (Bueno de Mesquita et al. 2003: 485).

Our theoretical perspective treats IGOs as independent actors that make demands on their members that undermine domestic accountability. However, there is a longstanding debate over whether to treat IGOs as independent actors or as highly controlled agents of the states that created them (Barnett and Finnemore 1999, 2004; Dreher and Jensen 2007). Most scholars treat states as principals and IGOs as agents. There is a significant literature discussing accountability of international organizations to their members (Grant and Keohane 2005; Copelovitch 2010; Dreher and Vaubel 2011). Alternatively IGOs may be viewed as principals or as “would be principals” (Keohane 2003: 140). Consistent with this perspective, Barnett and Finnemore (1999, 2004) have suggested that IGOs be conceptualized as semi-independent actors with their own bureaucratic goals that could be distinctive even from the goals of the most powerful members. In particular, most international organizations may be created by powerful states but, once established, those organizations do not act as straightforward servants of the states (Bauer and Eckhard 2016).

As noted, we build on the idea that IGOs can act as principals or “would be” principals (Keohane 2003: 140) competing with domestic actors for the attention and accountability of national politicians. A principal is an actor who can make decisions that affect the incentives of an agent to choose among possible actions. How and to what extent a principal can structure incentives for the agent is the central focus of principal agent theoretical framework (Gailmard 2009). The premise of our argument is that, as international organizations become more influential over time, they can more efficiently sanction or reward the domestic policy choices of national politicians.

We conceptualize the effect of IGOs on domestic government as a common agency problem. From a domestic perspective, each IGO membership introduces a new principal or “would be” principal. The “common agency” refers to situations when "the action chosen by a particular individual (the agent) affects not just one, but several other parties (the principals), whose preferences for the various possible actions

typically conflict” (Bernheim & Whinston 1986: 923). The principals are aware of each other, but to the extent principals do not coordinate their transactions with the agent “common agency generally incurs social costs (because of externalities between principals)” (Holmstrom and Milgrom 1988:1). In our case, the competition among the principals creates potential conflicts in incentives for the agent (the domestic government) and increases opportunities for shirking.

We do not argue that international governmental organizations intend to cause harm or take advantage of all or some of their members. We simply emphasize the costs associated with international cooperation. That is, increased activities of IGOs unintentionally make it more difficult for domestic actors to control political incumbents. The negative influence on domestic government we identify is an inevitable externality--an unintended consequence of international actors seeking to influence national governments.

### **Theory and Previous Research**

As noted, the literature acknowledges that, under some circumstances, the activities of international actors and memberships in some IGOs may not contribute to better domestic government because they may distort the incentives of domestic politicians. First, there is the criticism of the effectiveness of foreign aid by prominent economists who argue that aid can undermine incentives for better government in developing nations (Bourguignon and Sundberg (2007). With increases of aid, the political accountability of politicians to their own citizens declines (Knack 2001; Knack and Rahman 2007). Second, the effectiveness of conditionality underpinning international aid packages and development assistance has been called into question (Abouharb and Cingranelli 2007; Smith 2007; Dreher 2009). Third, recent scholarship has concluded that the effects of membership in some IGOs on domestic government could be negative (Mansfield and Pevehouse, 2006; Abouharb, Cingranelli and Filippov 2016). The effects could depend on which other states are members. If the other members of an IGO are democratic and well governed, the effects on new members are likely to be positive. Otherwise, they could be negative (Greenhill 2010; 2016).

We make a more general argument about the costs of international cooperation and the downside of international influence on the quality of domestic government. Drawing upon previous theoretical and

empirical work on the multiple-principals-common-agent problem, we contend that the *joint* influence of a country's memberships in international governmental organizations generates consistent, unintended, and disruptive effects on the quality of government. The more successful international actors are in influencing national governments, and the larger the number of international actors influencing a particular country, the larger the *negative* effect on the quality of domestic government.

We make several simplifying assumptions. First, we assume that both domestic actors and international actors have a stake in the actions of domestic politicians. Second, both domestic and international actors can impose certain rewards and costs on domestic politicians. Third, we assume that domestic and international actors have distinctive criteria for evaluating national politicians. Under such assumptions, the control of domestic politicians can be analyzed as a common agency model where an agent (in this case, domestic politicians or a national government)<sup>3</sup> performs multiple tasks while serving multiple principals. Each principal differs in the relative value it places on each task (Bernheim and Whinston 1986; Holmstrom and Milgrom 1991; Dewatripont et al. 2000), and every principal encourages the government to pour its effort into the activities it values the most.

Consider a situation with multiple principals and a common agent, where the agent faces a set of separate contracts, each one designed to align the agent's preferences with those of a specific principal. Each principal compensates the agent for performing certain tasks that are useful to the principal and cost the agent in effort. Since the performance is costly to monitor, and because there is uncertainty and risk, the principal does not observe all the agent's efforts. As a result, no principal ever gets first-best compliance from the agent. Moreover, divergent preferences among multiple principals who *compete* for the attention of the common agent produce bilateral contracts that result in even lower incentives to the agent to completely fulfil any particular contract (Sinclair-Desgagné, 2001:11; Gailmard 2009; Gulzar and Pasquale 2017).<sup>4</sup>

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<sup>3</sup> We use the terms "domestic politicians" and "national government" interchangeably.

<sup>4</sup> Formally defined, in this context, the "lower incentives" mean that the agent's overall payoff would turn out to be relatively insensitive to the outcome (Laffont and Martimort 2009).

A linear reward scheme is an illustration of compensations to the common agent (a domestic government) in return for its performance. Each principal  $i$  gives the agent a fixed benefit  $k_i$  and in addition tries to keep the government “accountable” through provision of a marginal reward or bonus  $m_i$  per unit of  $x_i$  (performance) produced, for a total benefit of  $y(x_i) = k_i + m_i x_i$ . For simplicity, we could assume that each principal  $i$  benefits only from  $x_i$  and rewards the agent only for the effort  $e_i$  aimed to produce the outcome  $x_i$ . Suppose that:

- 1) the outcome  $x_i$  equals the agent's effort  $e_i$  plus a normally distributed error (e.g.,  $x_i = e_i + \varepsilon_i$ , for  $i = 1, 2, \dots, n$ ) and the errors  $\varepsilon_i$  are independent with variance  $v$ ;
- 2) the agent's cost of effort is quadratic (e.g.,  $C(e_1, e_2, \dots, e_n) = (1/2c e_1)^2 + (1/2c e_2)^2 + \dots + (1/2c e_n)^2$ ); and
- 3) the principals are all risk-neutral but the agent's risk aversion is  $r$ .

As Dixit (2002) demonstrates such a linear reward scheme is optimal (the Nash equilibrium) when the sum of the marginal payment coefficients  $m_i$  is equal to:

$$m = 1 / (1 + Ncr)$$

Thus, the existence of several principals ( $N$ ) could significantly reduce overall incentives (accountability) of a risk-averse agent (government). By extension, when states participate in multiple international agreements there will be additional agency loss for domestic actors, because participation in each new IGO introduces a new principal with a new set of obligations.

The connection between accountability and the quality of government is well established in the literature (Adsera et al. 2003; Gailmard 2009; Laffont and Martimort 2009). The theory emphasizes the crucial role of informational asymmetries between citizens and policymakers. Government officials always have incentives to engage in various forms of rent-seeking, because their actions are only partly observable by the citizens. The lower the political accountability the more attractive and widespread the rent-seeking becomes, thus reducing the quality of government (Bovens et al. 2014; Fortunato and Panizza 2015; Mauro 1995; Pellegrini 2011; Treisman 2000; Rothstein and Teorell 2008).

The quality of government is expected to be higher in democratic regimes, because elections help



hold politicians accountable to their citizens. Relying on a principal-agent model, Adsera, Boix, and Payne (2003) demonstrate that the quality of government is a function of the degree of domestic accountability in both democratic and authoritarian regimes. But the costs of overthrowing a dictator are much higher than the costs of removing a leader through democratic elections, so the quality of government is expected to be higher in democracies. They also argue that quality of government should be higher in wealthier countries (Adsera et al. 2003: 448). In addition, a number of structural and political factors also could promote or reduce political accountability and, therefore, contribute to better government (Adsera et al. 2003).

It is also widely understood that more transparency about government decision-making increases the quality of government. So it is not surprising that many IGOs, including the World Bank, are making efforts to increase transparency of the governments of developing countries. Information about the actions of governments is important to hold politicians accountable. Government officials have less opportunity to shirk from their responsibilities when citizens have more precise knowledge about why officials adopted policies and how they plan to implement them. It follows that factors reducing citizens' knowledge about the policymaking process decreases the level of domestic accountability. In a seminal article, Powell and Whitten (1993) argue that complex governmental and institutional structures could distort the clarity of political responsibility, thus making it more difficult for citizens to blame and sanction their governments for poor performance. In subsequent work, scholars moved towards a more general understanding of how complexity of government undermines domestic accountability (e.g., Anderson 2006; Tavits 2007; Hellwig & Samuels 2008; Hobolt et al 2013). We contend that IGO membership complicates government, reduces transparency about government decision making, undermines domestic accountability, and, therefore, reduces the quality of government.

### **Examples and Qualifications**

The European Union is the most discussed case of international cooperation having strong influence on the domestic politics and policies of member states. Various versions of the common agency argument have been used to explain the decline of accountability of politicians to their citizens because of increasing

influence of the European Union (Hix 2002; Dehousse 2008; Gustavsson et al. 2009; Lindstädt et al. 2012; Scharpf 2013). More generally, Papadopoulos (2010) argues that the trend towards greater international cooperation and the rise of multi-level government can have negative consequences for domestic democratic accountability. In the case of the European Union, Mair (2013: 145) noted that the national governments as “agents may sometimes even be persuaded that they owe a greater duty of accountability to these ‘external’ principals than to their own domestic principals.” Domestic politicians, especially in the executive branch, are subject to increasing pressure and demands from institutions of supranational or international bodies that have a right to be heard and, indeed, the authority to tell members what they must do (Mair 2013).

Other very powerful international organizations include the World Trade Organization (WTO), the World Bank, and the International Monetary Fund (IMF). In particular, politicians in developing countries depend on financial assistance provided by the IMF and World Bank, often on a negotiated, and, therefore, conditional basis. According to Keohane (2003), increased efforts to expand the benefits that poor countries receive from globalization have created an influence effect, making it easier for donor IGOs to hold recipient governments accountable for their actions. Keohane (2003: 140) also made an important clarification when he differentiated between principals and “would be principals.” He referred to the actor holding an agent accountable as a “principal” when the accountability relationship had been institutionalized. In contrast, he referred to the actor *seeking* to hold an agent accountable as a “would-be principal”.

Many international organizations are still mere “would-be-principles” *vis-à-vis* national governments, but the global trend is towards the increasing relevance of external actors for domestic political choices. And the developing institutions of multilateralism already hold nation states accountable on some issues (Keohane 2003). International organizations may hold nations accountable through formal legal mechanisms and by using soft instruments of influence. International actors can also hold nations accountable by establishing metrics to evaluate the compliance of states with their norms and obligations (Abbott et al. 2015; Broome and Quirk 2015; Kelley and Simmons 2015; Merry et al. 2015). Creating and disseminating numerical indicators comparing states, as many IGOs do, constitutes an exercise of social power that rewards and punishes states based on whether they conform with international norms (Kelley and Simmons 2015; Merry et al. 2015).

Even the United States sometimes finds it difficult to resist the rulings of powerful international governmental organizations. For example, former President Bush made a number of protectionist promises to the steel industry and its workforce in swing states like Ohio, Pennsylvania, and West Virginia (Sanger and Kahn 2002). Pursuant to these promises, in March 2002, Bush levied tariffs on imports of foreign steel into the US market. One year later the WTO ruled against those tariffs, and the Bush administration complied with the ruling (Tran 2003). Celebrating this outcome, EU Trade Commissioner Pascal Lamy boasted that the WTO provides “a mechanism respected by the biggest of elephants” (Ackman 2003).

While we emphasize the unintended negative effects associated with a large *number* of IGO memberships, we recognize that each country’s *mix* of memberships may be important too. Some IGOs are more able to affect the policies and priorities of domestic politicians than others. However, it is difficult to determine objectively which IGOs have the most influence on domestic politicians. Nearly all national governments are members of the most influential IGOs such as WTO, the IMF, and the World Bank, so the effects of these memberships on the quality of domestic government is difficult to isolate statistically. For the purposes of the empirical analysis we adopt the assumption that, on average, the proportion of more and less influential IGOs each state joins is constant.

The governing bodies of IGOs are more than simply one of many actors that influence the policy choices of domestic politicians. Unlike domestic and international interest groups and lobbies, IGOs have explicit and public contracts with member states. Those contracts stipulate rules for member states within one or more domains of policy. To varying degrees, they can legitimately constrain member governments' domestic policy choices. Altogether, they increasingly hold governments accountable through sanctioning or rewarding mechanisms.

International organizations may target national governments, civil society, and private actors (Abbot et al. 2015). When they seek to influence and evaluate the domestic priorities of national governments, they create an unintended, negative externality for the quality of government. When they only seek to influence civil society or private actors, there is no reason to expect such negative externalities. Thus, IGO memberships are likely to have the most disruptive effects on domestic accountability, and, therefore, on the

quality of government. In the empirical part of the paper, we focus on the potential negative consequences of the activities of international *governmental* organizations, the type of international organization that is likely to focus on controlling the domestic priorities of national governments. We hypothesize that joining a greater number of international governmental organizations (IGOs) will have a negative impact on the quality of government.

As in most cases, our hypothesis is subject to criticisms of reverse causality. Instead of membership in additional IGOs leading to a decrease in the quality of government, it could be that states with a low quality of government join IGOs to credibly commit themselves to better government. States might want to commit themselves to win support from constituents who do not trust the current government or to satisfy conditions placed on them by the international community. There are no easy solutions to this endogeneity problem. To address questions about possible endogeneity and directional causality, we lag the main independent variable by five years. This use of a five-year lag is admittedly *ad hoc*, it is the same lag used by Bueno de Mesquita et al. (2005) and Bearce & Bondanella (2007). In the latter case, a five-year time lag was used to assess the effects of IGO membership. Using a three-year lag does not change our substantive results.

## **Research Design**

*Sample and Time Period:* The sample for this study consists of up to 129 countries--all of the countries for which we have data for all variables for the period 1985-2005. The unit of analysis is the country-year. In the selection of the time period and the countries, we are constrained by the availability of data for our main independent variable, the total number of IGO memberships.

*Dependent Variable:* Empirical research on the quality of government has employed numerous and diverse indicators, and we use five of quality of government indicators in our empirical tests.<sup>5</sup> Regressions using each of the five indicators produce similar results supporting our hypothesis. The first indicator we

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<sup>5</sup> See "Measuring the Quality Of Government and Subnational Variation" by the Quality of Government Institute: [http://www.qog.pol.gu.se/digitalAssets/1358/1358344\\_final-report---parts-1-3.pdf](http://www.qog.pol.gu.se/digitalAssets/1358/1358344_final-report---parts-1-3.pdf)

employ is a widely used metric designed to capture the overall quality of government--the *Quality of Government Index*.<sup>6</sup> It is computed as the average value of three ICRG variables: *Corruption*, *Law and Order*, and *Bureaucracy Quality*. It is scaled from 0 to 1 with higher values indicating a higher quality of government (Quality of Government Institute Dataset 2016).

The *Quality of Government Index* (provided by the ICRG) has a number of advantages over other indicators of the quality of government. It covers the longest period of time and comes from a single source, which minimizes over-time variation in the meaning of the scale. Other studies have used the ICRG data as indicators of the quality of government, making the results of our analysis comparable with theirs (Knack 2001; Knack and Rahman 2007; Charron and Lapuente 2010; Fortunato and Panizza 2015; Sundell 2015; Heller et al. 2016). We expected that the total number of IGO memberships held by each country would be negatively associated with the *Quality of Government Index*.

We also employ four other indicators of the quality of government.<sup>7</sup> Two of these--the *Control of Corruption Index* and *Government Effectiveness Index* come from the World Bank's Worldwide Government database and have been commonly used in previous research. They are based on several hundred individual variables measuring perceptions of the quality of government. The *Control of Corruption* index measures perceptions of corruption, defined as the exercise of public power for private gain. The *Government Effectiveness* index combines variables measuring perceptions of the quality of the bureaucracy and other characteristics of government required for efficient government policies. These survey-based measures range from -2.5 to 2.5, with higher scores representing higher quality of government. They have observations for a shorter period of time: 1995-2005. We expected that the total number of IGO memberships held by each country would be negatively associated with both the *Control of Corruption Index* and *Government Effectiveness Index*.

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<sup>6</sup> This index is included in the *International Country Risk Guide* (ICRG). <https://www.prsgroup.com/about-us/our-two-methodologies/icrg>

<sup>7</sup> These indicators are provided by the QOG Institute (2016).

Finally, we employ two relatively new indices from the data set assembled by the Variety of Democracy (V-Dem) Project—the *Political Corruption Index* and the *Public Sector Corruption Index*. Those indices are based on country expert answers to questions about the pervasiveness of political corruption in a variety of government institutions and activities.<sup>8</sup> They have observations for the entire period of our analysis. We expected that the total number of IGO memberships held by each country would be positively associated with both of these measures of corruption. Descriptive statistics for our dependent and independent variables are included in our online appendix (Table 1A).

*Our main independent variable* is the *Total Number of IGO Memberships* held by each country in each year. This variable was calculated based on Pevehouse et al. (2004). To address potential problems of endogeneity, we lag the main independent variable by five years. Using a three-year lag does not change our substantive results. There was considerable variation in our main independent variable, *Total Number of IGO Memberships* held by each country in each year. The mean number of IGOs in which a country participated during the time period of our analysis was 49 (SD=23.6).

*Control Variables:* Our control variables include several factors found to be important in previous studies of the quality of government. Factors found to be positively associated with the quality of government were the level of *Institutionalized Democracy* (LaPorta 1999), the logarithm of *GDP per capita*, *British Legal Origin* (Treisman 2000), and *Economic Globalization*<sup>9</sup> (Dreher et al. 2007). Previous studies have found that *Total Natural Resources Rents* (LaPorta et al. 1999; Aidt 2003; Pellegrini and Gerlagh 2008) and *Ethnic Fractionalization* (Mauro 1995) were associated with lower quality of government. In our data there is only a weak correlation

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<sup>8</sup> Varieties of Democracy Dataset (V-Dem) is a collaboration among more than 50 scholars worldwide which is co-hosted by the Department of Political Science at the University of Gothenburg, Sweden; and the Kellogg Institute at the University of Notre Dame, USA. For more details see [http://www.qogdata.pol.gu.se/data/qog\\_std\\_jan17.pdf](http://www.qogdata.pol.gu.se/data/qog_std_jan17.pdf). Regressions using other measures of corruption compiled by the V-Democracy Project as dependent variables produce similar results.

<sup>9</sup> This variable is a component of the KOF Index of Globalization.

between the main independent variable, the *Total Number of IGO Memberships*, and the control variables, including the Polity IV Score for Democracy. The correlation matrix of all independent variables is reported in our online appendix in Table 2A. Overall, the estimated coefficients of the control variables in our regression analyses either are statistically insignificant or are consistent with previous findings.

## Results

In Table 1, we focus on our first dependent variable, the *Quality of Government Index*. Here, we demonstrate the negative effect of membership in IGOs using four alternative statistical models. All models in Table 1 produce similar results that fully support our theoretical expectations. We start with two time-series cross-sectional fixed effects regressions. The fixed effects estimation reduces the likelihood of omitted variable bias since it controls for the possible effects of both observable and unobservable time-constant variables. However, because of that, in fixed effects models the time-invariant explanatory variables must be excluded. Model 1 with no control variables, incorporates information from 138 countries for the period of 1985—2005. Model 2 includes all time variant control variables - the level of *Institutionalized Democracy*, and the logarithm of real GDP per capita, the degree to which the economy depends upon the extraction of natural resources, and the degree of economic globalization. The independent variable of main theoretical interest, as noted above, is the *Total Number of IGO Memberships* of each country. The sign of the *Total Number of IGO Memberships* is negative and is statistically significant as expected in both fixed effects regressions.

--Insert Table 1 Here--

Next, to control explicitly for various combinations of variables identified in the literature as important, we supplement the fixed effects analysis with random effects time-series cross-sectional estimation (Model 3). We add controls for variables that are time-invariant in our sample: ethno-linguistic fractionalization, British legal origin, and the dummy indicators for the world's regions. We also add a year counter as a way to control for trends in the independent variable. Finally, we estimate a GLS regression with correction for panel-specific AR(1) autocorrelation and heteroskedastic error structure, while including all control variables (Model 4).

The results of all four regressions presented in Table 1 are fully consistent with our theoretical expectations. The sign of the *Total Number of IGO Memberships* variable is always negative and statistically significant. The signs of the estimated coefficients of the control variables are consistent with the results reported by previous studies and are statistically significant in almost all cases.

Figure 1 helps to evaluate the substantive effects of the number of IGOs in which a nation participates on the quality of government and compares those effects with the effects of democracy (based on Model 4). As noted above, many previous studies have shown that more democratic countries score higher on all metrics of the quality of government. The Figure 1 shows that when the number of IGO memberships increases by approximately 23.6 (e.g. by one standard deviation) the decline in the in the quality of government is about equal to the effect that would be produced if the level of democracy declined by 3 points (on the ZERO to TEN scale).

--Insert Figure 1 —

Table 2 presents the GLS estimations for the full model (including all control variables) for four other indicators of the quality of government (Models 5-8). As noted above, the first two, *Control of Corruption* (Model 5) and *Government Effectiveness* (Model 6), are widely used, survey-based measures taken from the World Bank's Worldwide Government Indicators. The other two, the *Political Corruption Index* and the *Public Sector Corruption Index* are more recently created, expert-based indices created by the Variety of Democracy (V-Dem) Project. Though these four additional indicators of quality of government capture different dimensions of government, the results for all four models regarding the effect of greater numbers of IGO memberships are all statistically significant and in the expected directions. Once again, the signs of the estimated coefficients of the control variables are consistent with the results reported by previous studies and with the results reported in Table 1.

--Insert Table 2 Here—

We test the robustness of our results for less democratic and less economically developed countries. It is possible that in these types of countries, domestic accountability is relatively low anyway. Therefore, the demands of international organizations may not matter much. Table 3 presents the GLS estimations of the



*Quality of Government Index* for four subsets of countries electoral democracies (Model 9), non-democracies (Model 10), OECD countries (Model 11) and Non-OECD countries (Model 12). In all subsets, the relationship between the number of IGO memberships and the *Quality of Government Index* is negative as hypothesized.

--Insert Table 3 Here--

## **Conclusion**

Rapid economic, political and social globalization has led to an increase in the scope and intensity of international pressures on all nations. This is a fact of modern life, but there is debate over whether it is a good or bad thing for most of the world's citizens. Though there are dissident voices, the prevailing account in the literature is that international collaboration encourages domestic politicians to adopt policies that lead to a wide variety of good outcomes including improved domestic government (Bauhr and Nasiritousi 2012).

We have presented a more nuanced picture by noting that a particular type of international cooperation—an increasing membership in international organizations—is likely to have a mix of good and bad consequences for member states. On the positive side, it helps member states to solve coordination problems and to deal with rapidly changing global demands and expectations in important policy areas such as technology, the economy, and the natural environment. International organizations also help transmit international norms and standards. They may also provide resources that improve the capacity of a participating state. Yet, as we have shown, increasing embeddedness in international organizations also has a disruptive effect on domestic government.

The loss of domestic accountability we identify is a negative externality that inevitably arises when international actors try to influence national governments. Even if joining any particular organization is beneficial, the competing demands of organizations would still undermine domestic accountability. What we emphasize is the cost aspect to such benefits: increased activities of international organizations unintentionally make it more difficult for citizens to control political incumbents. The decline in accountability is likely to contribute to a decline in the quality of government, and our empirical analysis supports this theoretical expectation.

All nations face a trade-off between the advantages of international cooperation and the negative influence of adding international principals (or would be principals) on domestic accountability. Our findings show that there are negative effects for more and less economically developed countries as well as for electoral democracies and non-democratic countries. Still, it is possible that the “internationalization of domestic politics” affects the policies of countries differently depending upon institutional contexts that affect the incentives of politicians (Gourevitch 1978; Keohane and Milner 1996; Hawkins et al. 2006; Fang 2008). Future research could explore differences in the effects of international cooperation on the quality of government depending upon the type of country and type of policy.

Our argument and findings do not imply that international cooperation will have net negative consequences on every *policy* outcome. The strength of the disruptive effect on specific policy outcomes depends on the balance of costs and benefits, which are likely to vary for different policy areas and types of countries. We have emphasized the costs of international cooperation, which, depending upon the policy area, may or may not outweigh the benefits. Thus, our contentions are consistent with previous research showing both positive and negative effects of international cooperation. Examples of positive effects include stopping the spread of epidemic disease, providing better sanitation and improving environmental quality (Frank, Hironak and Schofer, 2000; Spilker 2012; Clavier and de Leeuw 2013). For other policy areas such as improving human rights practices and stimulating economic development (Abouharb and Cingranelli 2007; Bourguignon and Sundberg 2007; Knack and Rahman 2007) the findings are less conclusive, but some studies show negative consequences. After more findings accumulate, we can refine the theory to better anticipate the characteristics of policies and types of nations where the negative externalities of international cooperation are greatest.

It is likely that states will continue to join IGOs and that the demands of IGOs will endure. Thus, the undermining of domestic accountability is likely to continue. As long as international organizations focus on controlling governments rather than on influencing civil society and private actors, they will undermine the influence of citizens over their own politicians. International organizations should increase their efforts to influence governments indirectly by targeting citizens, corporations, and other domestic actors and lessen

their focus on holding governments accountable.<sup>10</sup>

International organizations also should put more efforts into making it more difficult for domestic politicians to shirk their responsibilities to their own citizens. First, major IGOs like the IMF, World Bank, and World Trade Organization should step up their efforts to promote transparency within their member states. Other IGOs should follow suit. However, the current transparency efforts of IGOs are designed mainly to require that national governments reveal more information about their own activities. National governments also should disclose NGO demands. International Organizations could also promote domestic policies designed to create or enhance domestic accountability mechanisms. In general, international organizations should adopt measures specifically designed to make it harder for national politicians to blame globalization for their own lack of efforts to improve the quality of government.

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<sup>10</sup> One such approach--enlisting intermediary actors on a voluntary basis, by providing them with ideational and material support, to address target actors in pursuit of IGO government goals—has been termed “orchestration” (Abbott al. 2015). Orchestration is both indirect and soft, while traditional hierarchical government addresses targets directly through hard instruments.

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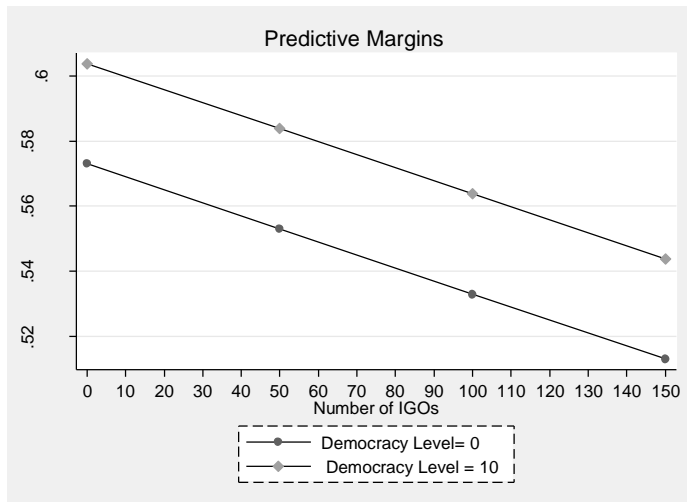
**Table 1. Dependent Variable: ICRG Indicator of Quality of Government. Cross Section Time Series Models 1985-2005**

VARIABLES	(1) Fixed Effects Model I	(2) Fixed Effects Model II	(3) Random Effects Model	(4) GLS Model AR(1)
Total Number of IGO Memberships, 5-year Lag	-0.0008*** (0.0001)	-0.0005** (0.0001)	-0.0009*** (0.0002)	-0.0004*** (0.0001)
Institutionalized Democracy		0.003** (0.001)	0.005*** (0.001)	0.003*** (0.0008)
GDP per capita (constant 2005 US\$), log		0.06*** (0.02)	0.07*** (0.008)	0.06*** (0.005)
Total natural resources rents (% of GDP)		-0.002*** (0.0005)	-0.002*** (0.0004)	-0.0008*** (0.0002)
Economic Globalization		-0.0005 (0.0004)	0.001** (0.0004)	0.0005** (0.0002)
British Legal Origin			0.02 (0.02)	0.04** (0.01)
Ethnic Fractionalization			0.01 (0.05)	-0.01 (0.03)
Year			-0.004*** (0.0006)	-0.003*** (0.0005)
Dummies for Global Regions			Included	Included
Constant	0.6*** (0.006)	0.1 (0.1)	8.1*** (1.1)	5.1*** (1.0)
Observations	2,650	2,111	2,079	2,077
R-squared	0.019	0.030		
Number of Countries	138	118	115	113

Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.05, \* p<0.1

Note: The dependent variable ranges from ZERO to ONE. Higher scores indicate better government performance. In our sample, the mean of the *Quality of Government Index* is .56; SD = .23.

**Figure 1 Fitted Values of the Quality of Government Index**



Note: The dependent variable ranges from ZERO to ONE. Higher scores indicate better government performance. In our sample, the mean of the *Quality of Government Index* is .56; SD = .23. The mean number of IGOs in which a country participated during the time period of our analysis is 49 (SD=23.6).

**Table 2. Four Alternative Dependent Variables: Cross Section Time Series Models, GLS AR(1)**

VARIABLES	(5) Control of Corruption World Bank 1996-2005	(6) Government Effectiveness World Bank 1996-2005	(7) Political Corruption V- Dem Index 1985-2005	(8) Public Sector Corruption V-Dem Index 1985-2005
Total Number of IGO Memberships, 5-year Lag	-0.002** (0.0006)	-0.001** (0.0005)	0.0002*** (0.00004)	0.0002*** (0.00003)
Institutionalized Democracy	0.03*** (0.004)	0.03*** (0.003)	-0.006*** (0.0005)	-0.008*** (0.0005)
GDP per capita (constant 2005 US\$), log	0.3*** (0.01)	0.3*** (0.01)	-0.08*** (0.004)	-0.07*** (0.003)
Total natural resources rents (% of GDP)	-0.009*** (0.0010)	-0.01*** (0.0008)	0.001*** (0.0001)	0.0009*** (0.0001)
Economic Globalization	0.01*** (0.0010)	0.008*** (0.0008)	-0.0008*** (0.0001)	-0.0003*** (0.00008)
British Legal Origin	0.02 (0.03)	0.08** (0.03)	-0.08*** (0.006)	-0.04*** (0.007)
Ethnic Fractionalization	0.03 (0.08)	0.2** (0.05)	0.1*** (0.01)	0.04** (0.02)
Year	-0.02*** (0.002)	-0.01*** (0.002)	0.004*** (0.0002)	0.004*** (0.0002)
Dummies for Global Regions	Included	Included	Included	Included
Constant	35*** (4.7)	20*** (4.3)	-7.4*** (0.5)	-6.5*** (0.5)
Observations	875	875	2,295	2,295
Number of Countries	129	129	125	125

Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.05, \* p<0.1

**Table 3. Dependent Variable: ICRG Indicator of Quality of Government in Four Subsets, Cross Section Time Series Models, GLS AR(1)**

VARIABLES	(9) Democratic Regimes (Electoral Democracy)	(10) Non- Democratic Regimes	(11) OECD	(12) Non-OECD
Total Number of IGO Memberships, 5-year Lag	-0.0003** (0.0001)	-0.001*** (0.0002)	-0.0002* (0.0001)	-0.001*** (0.0002)
Institutionalized Democracy	0.003 (0.002)	0.0006 (0.0008)	0.009** (0.004)	0.002** (0.0009)
GDP per capita (constant 2005 US\$), log	0.09*** (0.007)	0.03*** (0.007)	0.2*** (0.02)	0.04*** (0.006)
Total natural resources rents (% of GDP)	-0.0004 (0.0004)	-0.0007*** (0.0002)	0.0003 (0.0007)	-0.0008*** (0.0002)
Economic Globalization	0.001*** (0.0003)	0.0009*** (0.0003)	0.0007* (0.0004)	0.0006** (0.0003)
British Legal Origin	0.06*** (0.01)	0.04** (0.02)	0.06*** (0.02)	0.03** (0.01)
Ethnic Fractionalization	0.08** (0.03)	-0.006 (0.05)	-0.06 (0.04)	0.01 (0.04)
Year	-0.005*** (0.0006)	-0.002** (0.0006)	-0.006*** (0.0008)	-0.002** (0.0006)
Dummies for Global Regions	Included	Included	Included	Included
Constant	8.7*** (1.2)	3.4** (1.2)	11*** (1.5)	3.6** (1.3)
Observations	1,268	805	580	1,497
Number of Countries	81	59	32	81

Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.05, \* p<0.1