

Obsolescing Political Bargains and Institutional Design: Balance in Post-War Institutions

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Some multilateral institutions have extensive design features geared toward the protection of weaker states, while others do not. Why? Existing literatures, both power-based and institution-based, explain these features with reference to underlying power differentials and their derivatives (such as ability to finance). Instead, we argue that, in some circumstances, multilateral institutional design aims to artificially level the playing field, protecting the interests of states that are at greater risk from opportunism by their partners. Through institutional design, states try to prevent “obsolescing political bargains” between powerful states and their weaker counterparts. The expected risk of an obsolescing bargain is higher when cooperation requires one state to invest more upfront than its partners, which is exacerbated if the less-potentially-vulnerable partners have reputations for renegeing on commitments. In these situations, potentially-vulnerable states demand stronger institutional protections upfront, which can take different forms such as exemptions from certain rules, even as relatively more extensive rules limit the autonomy of stronger states. When the gains from cooperation are high enough and all other design options have been rejected, stronger states accept these demands. The American experience in building regimes in atomic energy and trade provide evidence.

I- Introduction

Cooperation offers many benefits to states of different sizes and strength, such as the provision of better information and the reduction of transaction costs (e.g., Keohane and Martin 1995), but states have difficulty cooperating when the results of cooperation can make the relatively more vulnerable side even more vulnerable to exploitation by their partners. This happens in particular when cooperation reduces the value of a vulnerable state's exit option – its ability to walk away from a deal – faster or more strongly than it reduces the value of its partners' exit options. The relative deterioration of its exit option, in turn, puts the relatively vulnerable state in a position where its partner can renegotiate the terms of cooperation after the fact, threatening to quit unless it gets more concessions. Because this can make vulnerable states worse off than they would have been had they never started cooperating in the first place, it gives them an incentive to reject cooperation.

States, however, can overcome this strategic barrier to cooperation by designing multilateral institutions with particular features that *contrive symmetry*, to ensure every party's outside option gets worse at roughly the same rate as cooperation unfolds. Leaders can do this by designing international organizations using a variety of different mechanisms, particularly safeguards that specifically protect more vulnerable sides or increase the investment of less-vulnerable sides to the agreement so as to, respectively, protect and reduce the two sides' exit options. The less vulnerable states concede to contriving symmetry when other cooperation options have been rejected by the vulnerable side due to this side's fear of suffering under the cooperative arrangement. Even if these design features have a side-effect of making institutions less effective than they might otherwise be at advancing the members' common interests, they can be the only way to make cooperation mutually-agreeable in the first place.

International organizations with contrived symmetry can sometimes appear inefficient, or even ineffective, by design. Because contrived symmetry aims to prevent less-constrained states from opportunistically renegotiating cooperation later, they can make governance more cumbersome. Contriving symmetry can also create problems for domestic ratification, if the domestic veto players find the institution tilting too much in favor of other states. The argument here, thus, differentiates between cooperation that successfully produces an agreement and the vitality of the ensuing agreement (on vitality see Gray 2018). For this reason, the benefits of cooperation need to be considerable in order to entice otherwise-unconstrained states – like the USA after World War Two – to join such convoluted organizations.

Contrived symmetry's implications differ from other approaches. Rational Design Theory (RDT) argues that when asymmetry of power among participants is high, “asymmetric control” is more likely to be incorporated into agreement design (Koremenos et al 2001). According to RDT, asymmetry can have different sources, such as a state's ability to financially pay or due to the state being “vital to the success of the institution.” “Control” focuses on procedures and decision-main rules (voting rules in

particular). Putting aside the issue that these definitions may be too broad,¹ RDT essentially holds that greater levels of asymmetry among state participants translate into design features favoring the powerful. This conclusion does not differ radically from the power-based accounts, which expect power to be mirrored in multilateral settings (Kaya 2015).

Contrived symmetry, however, claims that power differentials may actually lead to design that attenuates asymmetries. Since contrived symmetry suggests that underlying power differentials among states may paradoxically lead to provisions that protect the weaker states, it raises questions about asymmetry being reflected in institutional design. This might help illuminate the puzzle in Koremenos (2016: 294)'s extensive analysis that “the findings [in RDT] are mixed with respect to how often power is reflected in institutional design.” Design might need to tame power for the sake of cooperation, not the other way around. This claim is more sympathetic to accounts that argue powerful states give weaker states some concessions as a way to offset either the dominant states' formal or informal power in institutions (Ikenberry 2000; Stone 2011), but nonetheless differs from them. The compensation, at least in some cases, is for asymmetries in the obsolescing bargains, and these asymmetries cannot be satisfied with compensation in formal power.

By the same token, contrived symmetry focuses on the “safeguards for whom” question. The rational design tradition generally expects flexibility mechanisms, including safeguards, in institutions to stem from uncertainty in the domestic or the international political environment (e.g., Koremenos et al 2001; Rosendorff and Milner 2001; Thompson 2010; Koremenos 2016).² As Pelc 2016: 24) notes, this literature commonly explains flexibility provisions as either an insurance mechanism against external shocks, or as a “safety valve” for domestic political uncertainty. We concur with this literature that flexibility provisions help deal with uncertainty and ease the making of agreements, but we suggest uncertainty per se is not the only reason. Rather, differential rates in the obsolescing of the political bargain implies different actors face different types of uncertainty, and the inclusion of safeguards for weaker states differentiates between flexibility provisions for different types of states.

Overall, the paper illuminates the question of why it is that multilateral institutional design contains provisions to protect weaker states: because stronger states contrive symmetry in order to elicit cooperation when other design options have failed. The rest of the paper proceeds in two steps. First, we present the general theory in outline.³ Second, we discuss the American position in the postwar order in broad terms

¹ For a work that critically discusses control see (Graham and Serdaru 2019).

² Koremenos (2016: 37) distinguishes between uncertainty about behavior, uncertainty about preferences, and uncertainty about the state of the world.

³ The idea for this paper originated when we noticed that we were both writing books that were at least partly about American-led postwar institution-building, and that both of our analytic approaches emphasized that the credibility problems the USA faced were more severe than is commonly understood.

and illustrate the argument by contrasting the negotiations around the creation of the International Atomic Energy Agency, a mixed success, with the unsuccessful negotiations around the International Trade Organization, ultimately a failure.

II - Theory

Although cooperation can in principle produce gains for everyone, in some situations cooperation can create an unequal bargain, making some vulnerable states worse off than they would have been, had they never agreed to begin cooperating in the first place. Participating in the cooperative agreement would, then, mean these vulnerable states would live under the “shadow of renegotiation” for the duration of the cooperation—the more powerful side can renegotiate the terms of the agreement after the fact. In this situation, the potentially-vulnerable states decline offers to cooperate unless the cooperative agreement comes with safeguards that offer protection for their exit options and that hence are designed to prevent opportunistic renegotiation.

Essentially two sets of states—the more vulnerable (V) and the less vulnerable (NV)—face different prospects once cooperation begins. Some states are vulnerable because once cooperation has begun their exit options erode faster or more strongly than the relatively less vulnerable ones. If a state has poor outside options before cooperation starts and those outside options are likely to be just as bad after cooperation starts, then the state will not be able to hold out. There is, thus, a difference between weak states and vulnerable states. Indeed, the states that are relatively more vulnerable once cooperation has begun are also the ones that can, before cooperation begins, credibly hold out for their preferred international institutions since they would prefer not to cooperate at all without them. In short, the kind of vulnerability in question here is a deterioration in a state’s exit options that can be expected to occur *after cooperation begins*.

This argument, building on the logic of unequal vulnerability in a different context (see Rector 2010 on states contemplating deeper political integration), proceeds in two steps: first we describe unequal vulnerability as a strategic barrier to cooperation, and, second, we describe some institutional mechanisms that states can use to overcome this barrier.

When States Cooperate

States cooperate with each other all the time, on all different issues. In principle, groups of countries can cooperate in a way that leaves all of them better off than they would have been had they never chosen to cooperate in the first place. Sometimes, two plus two can equal five. Thus, military and diplomatic alliances are commonplace, even if not ubiquitous, trade and investment agreements have proliferated, and states coordinate regulatory policies through international institutions on everything from intellectual property rights to product safety to pollution.

States with larger militaries tend to be more secure, but smaller or weaker states can substitute alliances for their own defensive efforts and get just as much security through cooperation, in particular if their alliance commitments to each other are credible (Conrad 2017). For example, Johnson and Leeds (2011) find that aggressors are less likely to target a state if it has a defensive pact, all else equal. Furthermore, countries in credible defensive pacts seem to be able to gain these benefits by pooling their resources even they reduce their individual levels of military spending (Digiuseppe and Poast 2018, Plümper and Neumayer 2015).

There are also advantages to cooperation in economic governance. Larger countries have a built-in economic advantage because a bigger internal market allows more specialization and diversification (Alesina and Spolaore 1997). However, historically, states have been able to get many of the benefits of size simply by engaging in trade agreements with others (Casella 1996). There is, thus, little empirical evidence that size alone makes smaller countries any worse off, by almost any measure, than large ones (e.g., Barro 1998). Those countries that join preferential trade agreements or other economic cooperation zones can recapture many of the potential gains from scale – for example, states that joined the European Union ended up with substantially higher per capita incomes than they would have otherwise (Campos, Coricelli, and Moretti 2018). Similarly, a hegemon may not be necessary to launch an open multilateral trading regime, and a “k group” of states will provide it if they reap enough benefits from its provision (Snidal 1985).

Joint Gains & Outside Options

A state will join an agreement if its leaders expect that the benefits it gets from the agreement as negotiated—that is, its share of the gains from cooperation as the member states have agreed to divide them—leave it better off than it would be if it did not join. The key concept here is an “outside option,” where an outside option is the state’s leader’s best guess about how the state would do in the absence of cooperation. The value of a state’s outside option is simply the value that it would derive from managing its affairs without securing cooperation from a partner.⁴ For example, when the USA contemplated joining NATO in 1949, its outside option was simply to provide for its own security without formal allies; it chose to join in the formal alliance because American leaders calculated that the USA would be more secure at a lower cost by joining than not joining (Baylis 1982).

⁴ This assumes that the good in question is excludable. Where free-riding is possible and free-riders have easy outside options, cooperation as a whole can become unstable (Enquist and Leimar 1993). It also assumes that the value of the good is less than the costs of total war, meaning that for all practical purposes no one state has “conquer the other states in order to get the benefits of enlisting their support” as a realistic option.

Figure 1: Distributing joint gains.

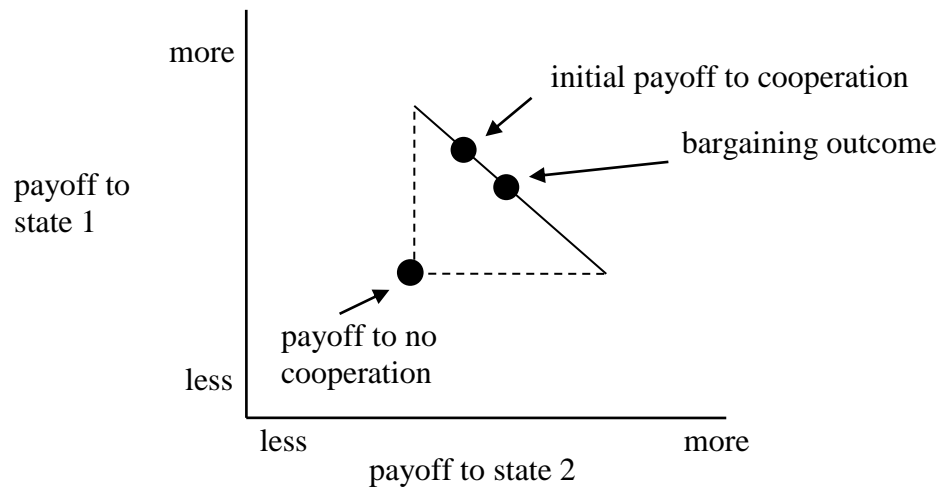


Figure 1 illustrates how states bargain over the gains from cooperation. Our assumption is that states will cooperate if they can get more from cooperating than they can get by not. The horizontal and vertical axes represent the payoffs to a state 1 and its partner, state 2. If they do not cooperate at all, they end up at the point labelled “payoff to no cooperation.” Cooperating, however, can make both better off – by working together, they can achieve the point labelled “initial payoff to cooperation” in which state 1 can get more by cooperating than not, so it moves to a payoff that is higher along the vertical axis, and the same is true for state 2 on the horizontal axis. Because 1 and 2 can redistribute the gains from cooperation among themselves, they can achieve any payoff along the 45-degree line. If the transfer is negotiated at the same time that the states decide whether or not to work together, the two states must simultaneously decide whether to cooperate or not and, if they do cooperate, how they will divide the gains.

If we make the most minimal assumption possible about how the states choose an agreement *within* the range between their two outside options (the points along the 45-degree line that are the equal, for each state, to what it would get by not cooperating at all), we have them split the difference, choosing a point halfway between their two minimally-acceptable outcomes. In Figure 1, the point labeled “bargaining outcome” shows the policy that the states choose when they agree to split the difference. Splitting the difference is (in this case) the Nash Bargaining Solution, the division the states would reach in the most commonly-modeled forms for non-cooperative bargaining (Watson 2002), such as an Osborne-Rubinstein bargaining game in which discount rates approach zero (Osborne and Rubinstein 1990). This assumption is used commonly in studies of

international cooperation (such as Milner 1997) as well as in models of contract negotiation designed to ask questions that are similar to the one here (Hart 2007).

Unequal Outside Options & Bargains

The side with a better outside option will need a more favorable division of the benefits in order to entice them to cooperate, since they are in a better bargaining position (Gehlbach 2006, Hirschman 1970).⁵ However, outside options also matter during the life of the cooperation – i.e. once the cooperative arrangement has been launched. As states' outside options change, states have an incentive to adjust the distribution of benefits among them in order to rebalance the division of gains. If a state's outside option improves over time, the bargaining range will get smaller and it will need to get a better division from cooperation in order to induce it to continue cooperating.⁶

That states would seek to renegotiate agreements to better suit themselves - at the expense of their partners - is not particularly surprising, as the stakes to many of these kinds of agreements can be high. Indeed, a growing literature shows situations in which states have tried, and often succeeded, in renegotiating agreements mid-stream, specifically in order to shift the distribution of benefits in an agreement (e.g., Carnegie 2014; Haftel and Thompson 2017; Lipsky 2017). The bottom line is when states have improved outside options, they can use a variety of different tools in order to win, from their partners, a greater share of the benefits of cooperation.⁷

Obsolescing Bargains

One predictable way in which cooperation can lead to differential erosion or strengthening of outside options is differential investment in relationship-specific assets.

⁵ The importance of outside options for divisions of gains is well-understood (Raiffa 1982) and is a core feature of models of cooperation in the study of international organizations, in which states that have better outside options bargain harder and receive more concessions (for example, Conceição-Heldt 2013, Lipsky 2017, Schneider 2011; Stone 2011). Outside options affect bargaining outcomes in a variety of other contexts from marriages (Mumcu and Saglam 2008) to animal communities generally (Aktipis 2004).

⁶ The renegotiation of voting shares in the International Monetary Fund, in which China got more say in governance as its exit options improved, illustrates this (Kaya 2015, Kastner, Pearson, and Rector 2018, Lipsky 2017).

⁷ Discussing fully how improved outside options could be strategized by states is outside of the scope of this work, but other work proposes four basic strategies: threatening exit, holding up reforms, shirking on day-to-day cooperation, and creating alternate institutions (Kastner et al 2018).

This can happen because cooperation sometimes requires states to make investments in relationship-specific assets. Allies build militaries that are more effective when used in conjunction with their partners and less effective when used independently, and firms invest in economic sectors that are profitable when they have access to particular markets but that are less valuable without such access. If the relationship ends, states have to re-adjust in order to become self-sufficient again; they suffer losses that go beyond simply the benefits of cooperation forgone and must pay the costs to make up the functions the ally or market partners had previously served (Lake 1999). Established procedures, joint training, and informal contacts between militaries are all relationship-specific assets, or complementary goods, that raise the costs of losing a partner (Wallander 2000, Weber 1997). Similarly, trade patterns in a common market that make a state dependent on its trading partners (McLaren 1997), economic assets related to trade such as mines (Frieden 1994) or pipelines (Yarbrough and Yarbrough 1992) are costly to construct but have value that depends on continued cooperation with a partner.

If two states entering into a cooperative relationship *both* must make equally costly, relationship-specific investments, then ending it would create extra losses for both. Oliver Williamson shows that when external contract enforcement is uncertain or costly, mutual specificity of this sort can make cooperation more stable even in an uncertain environment (Williamson 1994).⁸

However, when cooperation is likely to require one state to make a highly relationship-specific investment while a partner makes an investment that is much less specific, one side becomes unequally vulnerable. In choosing whether or not to enter into cooperation, the state with a higher potential level of relationship specificity is more vulnerable than its partner. A foundational study by Klein, Crawford, and Alchian (1978) discusses the “appropriable quasi-rents of specialized assets” when two firms engage in joint production where one of the firms makes a greater initial investment in specialized assets than the other. A number of classic studies clarify the risks to vulnerable partners in contractual relationships (Grossman and Hart 1986, Hart and Moore 1990, Williamson 1985).

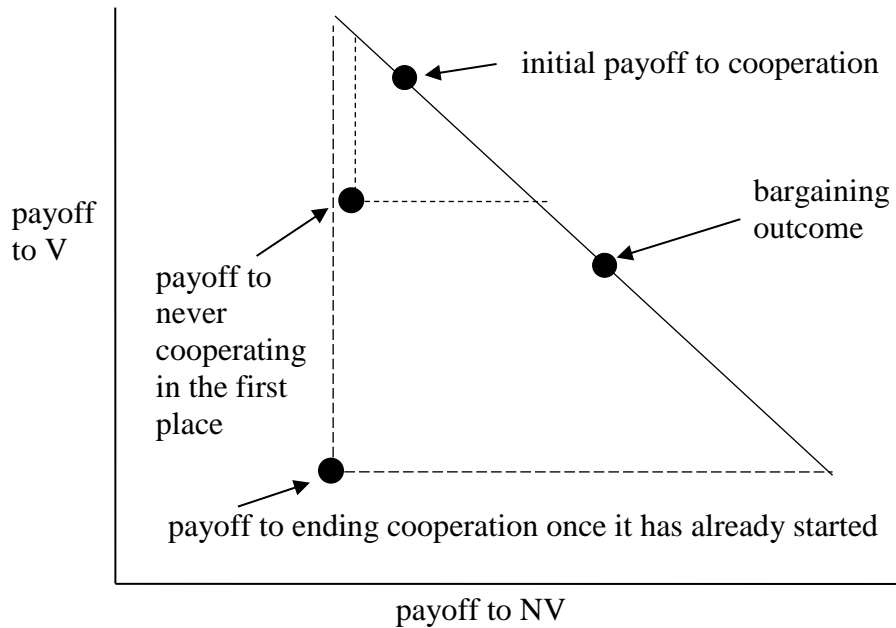
The investment in political terms should not just be understood merely as what the state (which is making the larger investment) provides in the cooperative arrangement, but also what the state forgoes elsewhere in order to participate in the arrangement, which is essentially also an investment in the cooperative arrangement. The upshot is that the side that makes a greater investment, all else equal, experiences a greater relative deterioration in its outside options.

Figure 2 provides a simplified schematic illustration of these points. Here, we label the states as a vulnerable state V and a non-vulnerable state NV. The two states are contemplating cooperation. If they choose not to cooperate at all, they receive the payoff labeled “payoff to never cooperating in the first place.” If they cooperate, they produce a joint gain labeled “initial payoff to cooperation,” just as in Figure 1. In this case, however, cooperation requires both sides to invest in some relationship-specific assets, so

⁸ On the logic applied to security institutions, see Verdier (2015).

that if they cooperate but then end their cooperation, both are worse off than they would have been had they never started cooperating in the first place—the point labeled “payoff to ending cooperation once it has already started.” Relationship-specific assets change the alternatives each state has to cooperation, thereby changing the outcome of bargaining over the division of benefits. But, V’s relationship-specific investment is much bigger than N’s. So, while the payoff to ending cooperation once it has already started is bad for N, it is much worse for V. Cooperation has changed the outside options, with V’s becoming much worse than N’s.

Figure 2: Distributing joint gains with unequal relationship-specific investments



How does this affect the nature of the cooperation between V and NV? Since V has more to lose than NV (by assumption), when V and NV bargain over the division of gains from cooperation, V is willing to accept a deal that benefits NV greatly while making V worse off than it would have been had it never agreed to cooperate in the first place – the lower right end of the diagonal line – since even this unpleasant bargain is better than ending cooperation entirely. If the states split the difference as before, they end up with a bargaining outcome that N would be happy with but would cause V to regret ever having cooperated in the first place. In other words, unless V gets a little extra in return cooperating, it may not cooperate at all.

This dynamic was described by Raymond Vernon (1971) in the context of direct investment agreements between multinational firms and host governments. Before a firm builds a facility in a particular country it has a strong outside option – it can simply choose to build the facility in a different country. However, once the firm has already built the facility, its outside options are worse, since it is more costly to move a factory after it has been built than it is to move it before it has been built. So, when a firm negotiates with a host government about whether to build a facility, it knows that after the deal is implemented the balance of bargaining leverage will shift away from it, in favor of the host country. It can therefore reasonably expect that the host country will seek to renegotiate terms in a way that disfavors the firm. Faced with this prospect, the firm may decide not to invest at all in the country, or it may demand specific protections (Tarzi 1991).⁹

In our terms, state V, which knows it faces a higher rate of obsolescing in the bargain, may decline to cooperate in the first place, or may ask for special treatment. Because our focus is on predictable changes in bargaining power that stem from relationship-specific investments, the argument differs from others that focus on informational (Koremenos 2001) or psychological (Rathbun 2011) dimensions of mistrust. Specifically, the problem here is *not* that states or their leaders lack information. The problem is that cooperation leads to a shift in exit options which leads to a shift in bargaining power, the V state has to live under the shadow of renegotiation. Anticipating all this, the vulnerable states rejects cooperation at the outset.

IB – Balanced cooperation through contrived symmetry

The previous section explained that international cooperation could be difficult in contexts where cooperation itself leads one side to lose bargaining leverage over time due to an asymmetry in relationship-specific investments. This outcome is perverse—the potential partners would all be better off if they could find some way to maintain, or at least attempt to maintain, the same balance of bargaining leverage after implementing an agreement as before.¹⁰ We suggest creative leaders try to indeed *contrive symmetry*

⁹ We acknowledge mixed empirical evidence in support of Vernon’s theory (see e.g. Korbin 1987). This does not mean the theory is incorrect, however. Possibly, firms anticipate obsolescing bargains and so underinvest in those host countries that are riskiest in the first place, which makes it difficult to provide support for the theory. Indeed, a recent wave of empirical studies suggest some kinds of renegotiation risk might deter foreign direct investment, but this can be remedied through institutions (Allee and Peinhardt 2010).

¹⁰ This does not suggest they have equal bargaining leverage; rather, it means they would reserve the outside options they had to begin with, or equalize the rates in the obsolescing of their political bargain.

through multilateral institutions, i.e. ameliorate the gaps in different states' rates of obsolescing of the political bargain.

There are two kinds of general mechanisms they can use: those that reduce the net value of the specific investments that V makes, and those that increase the specific investments NV makes.

One way to reduce V's investments is to provide V with exemptions. Exemptions allow a member to refrain from some aspect of cooperation before it starts.

Exemptions, when given, will be selective, for three reasons. First, states that are not vulnerable or at risk of becoming vulnerable will not be given exemptions. That is, if the non-vulnerable state – NV – gets exempted from a provision of the agreement that worsens exit options, then NV's exit option, already strong, will become even better, making the international organization even more unbalanced than before. Second, states whose initial outside options, even before cooperation begins, are relatively poor will be unlikely to receive exemptions; these states will be vulnerable in an agreement but they would be just as vulnerable outside the agreement, and so cannot credibly hold out for a special exemption. Third, exemptions can also reduce the effectiveness of cooperation, making them costly – as we detail below, American negotiators felt that the initial exemptions they eventually ceded to their partners in the IAEA and the ITO reduced the overall value of those agreements.

The dilemma is that reducing V's investments in relationship-specific investments inevitably reduces the benefits from cooperation in the first place. This is because gains from cooperation typically stem from specialization, which itself can directly contribute to vulnerability. If necessary to make any cooperation possible in the first place, though, the states may find that reducing V's specialization is better than having no cooperation at all.

The other way to contrive symmetry, in principle, is to artificially boost the investment from NV. One way to do this is simply by choosing, if possible, a form of cooperation that requires NV to make large investments in assets that will be useful only as long as the particular cooperative relationship with V persists. Military bases in fixed locations, multinational firms invested in conforming to specific international regulations, and firms dependent on particular international supply chains are all examples.

In summary, when cooperation would lead to unequal investments in the relationship, leading one state to become more vulnerable than its partner as cooperation deepens, V will refuse to begin cooperating in the first place unless an institutional design ensures better balance of their exit options as cooperation unfolds. The NV state would ideally prefer to cooperate without these additional provisions to contrive symmetry especially because as the more powerful state, it is less likely to specialize in cooperation. Yet, V's threat will be credible because it knows that it will be worse off accepting unsafeguarded cooperation than simply going at it alone. All in all, we predict: *in situations of unequal potential vulnerability, institutions will contrive symmetry because the vulnerable states will hold out, refusing to accept cooperation unless that cooperation comes with exemptions or safeguards to prevent its position from eroding.*

II – The US in the Era of Postwar Institution-Building

This theory of IOs suggests that in cases where cooperation requires large differences in investments in relationship-specific investments, thereby creating V and NV states through the cooperation, IOs can be a tool for balancing the distribution of gains among members, rather than (or in addition to) enhancing the effectiveness of cooperation. In these situations, contriving symmetry may be a necessary part of any inter-state agreement to come to fruition. Further, we have suggested that contriving symmetry may mean increasing the NV's relationship-specific investment or reducing the V's such investment, and that inclusion of specific safeguards or exemptions for the V would be a way to achieve the latter.

The presence and distribution of relationship-specific investments depends largely on the particular context of any proposal for cooperation among a given set of states, so large-sample comparisons are unlikely to be suitable to this kind of analysis,¹¹ especially since we are particularly interested in how specific safeguards may have come about to reduce the investment of V states or how certain provisions boost the investment of NV states in particular negotiations.

We can, however, compare how a country in a relatively privileged international position, thus with stable exit options, handled problems in establishing cooperation in different issue areas at the same time. By examining the USA in the early postwar period, and comparing different issues, we can hold constant the structure of the international system as well as other factors such as ideology, partisanship, the nature of specific working international relationships, and so on. The overall American early postwar experience is broadly consistent with most standard theorizing about international organizations. In the late 1940s the USA and its allies valued the joint gains that would come from cooperation, and Washington was willing to pay the costs of constructing formal regimes that would coordinate that cooperation. Transactions costs arguments therefore predict, and find, an explosion of institution-building in the early postwar period as the USA and its allies made their cooperation more effective and more efficient through formal international organizations.

The transactions cost approach dovetails here with explanations emphasizing the role of hegemonic states follow from the logic of collective action. Since organizations provide diffuse benefits and creating IOs in the first place is costly, states only successfully create IOs when one state has some combination of a disproportionate

¹¹ Carnegie 2014, however, demonstrates that joint WTO membership has the biggest positive effect on trade for countries that have conflictual foreign policy goals, hypothesizing these states are the ones most likely to hold-up cooperation in exchange for other concessions. The case study of the IAEA below, however, demonstrates that there can be substantial hold-up problems even among close allies.

interest in the benefits from cooperation, relative resistance to the domestic adjustment necessitated by cooperation, and a disproportional ability to organize a regime. Typically, only unusually powerful states fit the bill, so greater international cooperation is likely to take root during periods in which power is concentrated in a smaller number of states.¹²

There were, however, a number of failures. Given the immense structural power of the USA, and its particular dominance in atomic science and in trade, the creation of the International Atomic Energy Agency (IAEA) and the International Trade Organization (ITO) should have been relatively unproblematic. As it happened, the USA failed to implement the systems it wanted, and only managed to secure institutionalized cooperation at all by sacrificing many of its key priorities and including particular, substantial exemptions through the IAEA and the General Agreement on Tariffs and Trade (GATT).

So, while conventional approaches explain well the bulk of post-war multilateral institution building, they leave some key questions unanswered. Why did the USA concede to institutional design that did not reflect its preferences? This is a puzzle from a power-based perspective that would expect US preeminence (which was both political and economic) to extract concessions from weaker parties. While rational design perspectives also generally expect asymmetries to be reflected, as discussed earlier, they do not find good evidence for this (Koremenos 2016). Even more a host of rational perspectives expect that the stronger the exit options of a state – arguably, no state has had better exit options than the USA at the end of the war – then the state could bargain to its advantage. Nonetheless, rational design could argue that the USA would agree to design that is not along its preferences because it was more efficient. Specifically, for instance, rational design approaches would argue, if the future or the issue area was defined with more than less uncertainty, then flexibility provisions, such as safeguards, would be built into the agreement.

Although this may be the case for the bulk of the agreements, it overlooks a number of key issues. If we assume all design against the wishes of the preeminent power to be for the sake of efficiency, then we would be making a highly generalized statement that overlooks variation across context. Further, if efficient design is a *general* equilibrium, which reflects the preferences of various actors, then we cannot always assume different actors would face similar types of uncertainty that results in generalized safeguards. Moreover, such a conclusion would overlook the fact institutional design can be cumbersome, thus inefficient (much input for little output). All in all, existing approaches – even though they do explain aspects of the post-war order well – leave some questions unanswered.

The rest of the paper focuses on two cases from two different issue areas to answer this question. The first case on atomic energy displays a situation in which the USA ended up designing the multilateral institution three times, getting others states on board only at the third way. The IAEA was originally envisioned as a central repository for all fissile material and a global source of nuclear energy, but the USA was for a

¹² Gilpin 1981; Krasner 1976; Waltz 1979.

decade unwilling to accept the kinds of provisions its partners demanded as the price of their agreement until finally it settled for the IAEA as negotiated. Why is this the case? The second case on the multilateral trading system looks at the International Trade Organization. The ITO was originally expected to join the International Monetary Fund and the World Bank as the third major institution of the post-war multilateral economic system. Although 54 states signed the ITO Charter in Havana in March 1948, the American Congress never ratified the Charter (Kaya 2016).

The ITO was originally expected to join the International Monetary Fund and the World Bank as the third major institution of the post-war multilateral economic system. Although 54 states signed the ITO Charter in Havana in March 1948, the American Congress never ratified the Charter (Kaya 2016). The IAEA was originally envisioned as a central repository for all fissile material and a global source of nuclear energy, but the USA was for a decade unwilling to accept the kinds of provisions its partners demanded as the price of their agreement until finally it settled for the IAEA as negotiated.

Although these two cases are puzzling from the perspective of most conventional approaches to international organizations, we show in the following section that contrived symmetry and its underlying dynamics can account both for the difficulty in securing an initial agreement as well as the contours of the eventual settlements.

IIA – Atomic Energy

The USA proposed three different international regimes to regulate nuclear technology after World War Two. The first was the Baruch Plan; when that failed to win approval the Americans launched Atoms for Peace initiative, which after several major revisions became the proposal for the International Atomic Energy Agency (IAEA), though the IAEA was the weakest of the USA's three proposals. Soviet and Western European opposition to the first two proposals stemmed from concerns that they would lose outside options over the course of joint nuclear development, leading to their rejections of the Baruch and Atoms for Peace plans. Keys to international support for the IAEA were the exemptions granted to particular states and the significant investments the USA made in the institution itself.

In the years immediately after the end of World War Two, the US federal government embarked on a course of massive investment in nuclear weapons production and in research on civilian energy applications, but internationally the USA faced a dilemma: the USA stood to gain commercially and diplomatically by sharing nuclear power technology, but dissemination would also run the risk of spreading both the technical expertise and the fissile materials needed to make bombs.

Early on, Americans and the British negotiated a series of agreements. They reached the Quebec Agreement in 1943, in which Britain contributed scientists and uranium in exchange for a commitment from the USA to share technical data, to give Britain half of any refined fissile material, and only to use an atomic weapon with British

consent.¹³ Although British leaders apparently believed the arrangement was a permanent one, the USA unilaterally altered the terms of cooperation once the war was over, with the passage of the Atomic Energy Act of 1946 (the “McMahon Act”), prohibiting sharing atomic technology with any country “for industrial purposes”, absent a system of international safeguards, which effectively ended all technical cooperation.¹⁴ Despite the objections of many of the scientists involved in atomic research, the Congressional Joint Committee on Atomic Energy made it clear that scientific contacts were to end.¹⁵

American-British relations became more strained over nuclear technology through at least 1951. Although technical cooperation had ended, Britain was continuing to receive half of all uranium from the mines it controlled in the Belgian Congo. Britain’s own nuclear industry was lagging, however, so most of this fissile material went unused. The USA, on the other hand, feared an impending shortage. Despite American investments in breeder reactors (nuclear reactors that produce more fissile material than they consume, and therefore need less uranium), progress was slow and the USA faced shortfalls for research and bomb production. Contentious negotiations eventually produced an agreement giving the USA Britain’s share of uranium in exchange for limited technical data at the end of 1947. Britain responded by investing in its own breeder reactors with the goal of producing plutonium for fuel; the Americans thought this was contrary to the spirit of cooperation, leading to yet another reinterpretation in August 1948 ending technical cooperation again.¹⁶ By this time, the USA had begun negotiating separate deals for uranium from South Africa, undermining Britain’s leverage further.

Over the next decade, the USA made three attempts to devise an international regime to govern nuclear technology. The first of these, the Baruch Plan, proposed as Congress was finishing the McMahon Act, was an ambitious call for a supranational authority to govern all aspects of nuclear technology. A United Nations agency would directly control all uranium and thorium mining, refining, and processing, would itself build and operate all the world’s nuclear power plants, and would control all nuclear weapons, with the mechanics of the proposal making it clear that it would be effectively overseen by the USA. Although the USA claimed support from Canada and Britain, the UK had misgivings that prevented the three states from presenting a common proposal

¹³ Hewlett, Anderson, and Duncan 1990, p. 54, 263.

¹⁴ Holifield 1985; von Mehren 1959, p. 198.

¹⁵ von Mehren 1959, p. 198-99. Dean Acheson, then Undersecretary of State, only revealed the existence of the Quebec Agreement in Congressional testimony in May 1947, which met with outrage from influential Senators (Hewlett, Anderson, and Duncan 1990, p. 275).

¹⁶ Truman and Acheson tried in 1949 to reach a deal with the U.K. on technical cooperation, but Senate opposition on commercial rights and security stymied the deal, despite the Soviet nuclear test of 1949 (Hewlett, Anderson, and Duncan., p. 278-90, 302-11).

and quietly rallied opposition.¹⁷ The Soviet Union (joined by Poland) vetoed the proposal in the Security Council in 1946.¹⁸

Initially, the USA had been interested in nuclear technology primarily for its military applications, but by the late 1940s expectations shifted, with American firms anticipating a lucrative market in the future, especially in Europe where average energy costs were higher and were expected to rise following postwar reconstruction.¹⁹ Following this rationale, the AEC moved quickly to begin subsidizing research facilities by two leading firms, G.E. and Westinghouse. In effect, the firms were paid to produce military-grade uranium while developing the technical expertise to build and operate power plants.²⁰

The Atomic Energy Commission concurred with G.E. and Westinghouse that American dominance of civilian nuclear energy markets would require an early lead in developing the technology. Firms with a head start would control patents, but more importantly they would gain expertise, the gradual accumulation of organizational learning as a firm built and operated more plants, and thereby an edge not just in cost but in reputations for safety and reliability.²¹

Equally critical was the ability to set industry standards, since prior to large-scale development in the early 1950s a variety reactor designs were equally plausible but once the development costs on one workable design were sunk it would be likely adopted broadly.²²

Eisenhower's proposal of Atoms for Peace, made dramatically in a speech at the United Nations in December 1953, was the second American attempt to negotiate an international agreement to facilitate the transfer of nuclear power technology for civilian uses while instituting safeguards to prevent military usage. Like the Baruch Plan, Atoms for Peace envisioned an international agency with sweeping authority and mandatory jurisdiction. Unlike the Baruch Plan, which had a U.N. agency maintaining physical custody of all fissile materials and building and operating all power plants, was too ambitious, Atoms for Peace envisioned an agency that would instead monitor all nuclear transfers to verify that recipient states were not diverting technology and material for civilian energy production to military uses. The agency would have unlimited monitoring authority, with no state able to veto an inspection.

The proximate cause of the breakdown that led to this plan's rejection was a general refusal by the Soviet Union and India to accept mandatory safeguards and

¹⁷ State 1946.

¹⁸ Freeman 1986, p. 225; Hewlett, Anderson, and Duncan 1990, p. 264

¹⁹ Nehrt 1966, p. 113.

²⁰ Allen 1977, p. 30; Balogh 1991, p. 102.

²¹ Cohn 1997, p. 32; Nehrt 1966; Orleans 1967, p. 48.

²² Cohn 1997, p. 309. Path-dependence in scientific and technical research can be a market failure; see Acemoglu 2011 and Brock and Durlauf 1999. The French adoption of American firms light water reactors after making costly transitions away from their gas-graphite illustrates this (Allen 1977, p. 31).

inspections,²³ although the United Kingdom and France voiced qualms quietly and their ultimate approval was also in doubt.²⁴ More surprising, however, was the British rejection. Although formally the Baruch plan had been introduced to the U.N. jointly by the USA, Britain, and Canada, the initial release was a statement of general principles – it was only a later version distributed by the State Department that included a specific description of the proposed agency as falling under the auspices of the General Assembly, in which no one member state held a veto. This led to an immediate rift between the USA and British delegations that, along with the impending McMahon Act, led to a deadlock in the Anglo-American working group overseeing nuclear coordination.²⁵ Throughout the rest of 1946, British diplomats at the U.N. took an active role in promoting their own version of an international regulatory agency, independent from American efforts.²⁶

As multilateral talks broke down, the USA acted unilaterally with the passage of a revised Atomic Energy Act of 1954, allowing bilateral nuclear energy agreements between the USA and partner countries. By 1959, there were 40 of these agreements with different countries. All involved a contract with a US firm to construct a facility and supply technical experts and a contract with the US Atomic Energy Commission for the purchase of uranium with provisions that the USA would buy back spent fuel for disposal, host countries would not reprocess or refine fissile materials, and some sensitive reactor components be assembled in the US. These rules were nominally about restricting the diversion of nuclear technology and materials to military purposes in the host country, but they had the predictable side-effect of inhibiting local independent nuclear industries. G.E. and Westinghouse spread globally, and the scope of agreements gradually expanded to direct industrial applications including power generation.²⁷

The third multilateral plan, however, succeeded. Following formal bilateral talks between the USA and Soviet Union in late 1955, the multilateral negotiations were completed at the United Nations in October 1956 with the IAEA coming into existence in July 1957. The terms of the final agreement made safeguards voluntary, so that countries reaching a bilateral agreement could, if they chose, use IAEA monitors to carry out any safeguarding provisions to which they agreed. This effectively exempted Western Europe, following an agreement between the USA and the newly-created European

²³ Scheinman 1985.

²⁴ Freeman 1986, p. 220; Lansdell 1958.

²⁵ Truman 1955, p. 11.

²⁶ Schrafstetter 2002.

²⁷ Freeman 1960, p. 386; von Mehren 1959. The USA was clearly pursuing both international supervision of nuclear technology transfers and the “mass production” of agreements with unilateral safeguards negotiated on a case-by-case basis (Bechhoefer 1959, p. 52). The irony was not lost on either the U.K. or the Soviet Union. Testimonials are conflicted as to whether the bilateral actually helped or hindered the multilateral deals (e.g., .Bechhoefer p. 53; Hewlett 1985).

Atomic Energy Community (EURATOM) that included a substantial transfer outside of the IAEA's purview.

The US position was that there should be one set of rules enforced impartially, at least in principle, and that no states would be able to claim exemptions. The early USA proposals envisioned a tight supranational executive with broad powers to regulate all aspects of nuclear technology, following a bipartisan consensus in the USA first captured in the Acheson-Lilienthal report:

[E]very stage in the activity, leading from raw materials to weapon, needs some sort of control... and this we regard as the decisive consideration – we believe that an examination of these and other necessary preconditions for a successful scheme of inspection will reveal that *they cannot be fulfilled in any organizational arrangements in which the only instrument of control is inspection.*²⁸

In contrast, the Soviet position was that it would never accept strong international control unless it contained an exemption for the USSR in the form of a clear rule, *ex ante*, that it would be able to overrule agency decisions by using its Security Council veto. Note that although a Soviet veto of any particular enforcement action taken by the proposed UN agency would technically come after the organization would be in effect, for all practical purposes the guarantee of a Security Council veto would be an *ex ante* exemption because all parties would know, in advance, that no enforcement measures against the USSR (or of course, any of the veto-wielding permanent five UNSC members) would be possible.

Britain, like the Soviet Union, favored placing the agency under the Security Council, giving the U.K. an effective exemption.²⁹ At British insistence, Western European states were exempt from monitoring provisions, on the premise that EURATOM would govern technology transfers within Europe. In fact, though, the European safeguards regime was considerably weaker than the international one, since it expressly permitted military transfers and precluded IAEA inspections.³⁰ Despite a strong interest on both sides of the Atlantic, nuclear cooperation was limited prior to the full implementation EURATOM and the exemptions for it under the IAEA.

Throughout the early 1950s, General Electric, Westinghouse, and officials at the USA Atomic Energy Commission (AEC) saw Western Europe as the most logical place to prove the value of nuclear plants for civilian power generation due to higher energy costs there, and in 1956 the European Coal and Steel Commission sent a delegation of experts led by Louis Armand (later the first chair of EURATOM) to negotiate an agreement that would allow USA firms to invest in projects in Europe. Although the two sides ratified an intergovernmental agreement in 1959 that would have permitted the

²⁸ Acheson and Lilienthal 1946, p. 6, italics in original.

²⁹ Bourantonis and Johnson 2004 establish this point using archival, internal documentation and that it was only the expectation that the Soviets would reject the American proposal that prevented an Anglo-American row.

³⁰ von Mehren 1959, p. 202-12.

construction of American-style light water reactors, it was only after the completion of the institutional framework for Europe's exemption from controls on transfers that a series of projects were underway by the mid-60s, with European firms acting as licensees and gaining valuable hands-on experience which they then turned into a large and autonomous nuclear industry.³¹

By the early 1950s the U.K. and France both had the capacity to develop large-scale nuclear industries using indigenous capabilities. Recall that our theory rests on the effect that cooperation itself has on a state's *future* outside options, and hence bargaining leverage. So, Western European outside options *at the outset* of cooperation were important not because they gave Europeans more leverage at the time but rather because they meant that France and the U.K. stood to give up something by joining with the Americans. Going it alone, with British breeder reactors and French gas-graphite reactors, Western Europeans would have maintained independence, and so would not have seen a loss in leverage. Integrating with the USA by building a nuclear sector to complement American investment would mean being subject to potential US future renegotiation.

Of the American network of alliances worldwide, only Western Europe had this outside option, and only Western Europe won exemptions via Euratom and preferential representation on the IAEA board. The growth of the nuclear industry among American allies in Latin America and East Asia proceeded quite differently; subject to stricter safeguards such as fuel reprocessing requirements, USA firms continued to dominate. Even anticipating some level of dependence on the USA, early targets for investment such as Brazil and Argentina had little ability to hold out.³²

The politics around the IAEA also showed a large upfront American investment, raising the costs to the US of the institution collapsing. The Eisenhower administration did this by making its proposals for international nuclear regulation a highly-visible part of its diplomacy; the Truman White House, in contrast, had made its overtures quietly and at lower levels. Bernard Baruch was one of several economic advisors to the President and was left to himself to present his proposal to the U.N. Eisenhower intentionally called attention to US commitments by delivering the Atoms for Peace address to the General Assembly,³³ and personally oversaw the late stages of negotiations in New York, inviting substantial international news coverage of the event.³⁴ Administration officials, including the President, in subsequent speeches explicitly played up Atoms for Peace as a cornerstone of American strategy.³⁵ More than just a tool for brandishing the USA image after the fact, the American public displays of the policy were an intrinsic part of the planning from the outset.³⁶

³¹ Nehrt 1966, p. 113-129.

³² von Mehren 1959.

³³ Smart 1985.

³⁴ Bechhoefer 1959.

³⁵ Cohn 1997, p. 25.

³⁶ Chernus 2002.

In summary, during a period of nearly unprecedented American dominance of international politics, the USA was unable to win acceptance for either its preferred alternative, the Baruch Plan, or for its next choice, Atoms for Peace. Even threats from members of the Congressional Joint Committee on Atomic Energy to link continued Marshall Plan aid with cooperation on American terms were unsuccessful in moving Britain and France to actively support the USA supranational agenda.³⁷ Critically, the exemptions provided in the IAEA were designed to apply to potentially-vulnerable states *ex ante* – that is, prior to any new investment in cooperation. Even more, the upfront exemptions that let European states opt out of mandatory inspections were costly from the American perspective.

IIIB – Trade

In the ITO negotiations, the UK, which knew the pressure on the USA to conclude the negotiations successfully and on time,³⁸ was the biggest holdout by far. Their most important demands concerned the ITO (the Havana Charter)'s restrictions on discrimination, the use of quantitative restrictions (QR) for the purpose of balance of payment (BOP) problems, and the maintenance of their preferential trading system within the Commonwealth and the Empire. The USA won on the issue of QR, but compromised significantly on the question of preferential trading and to a lesser degree on the issue of QR on BOP.

As a result of the UK's severe balance of payments problem at the time of negotiations, it demanded a postponement of the GATT's restrictions on discrimination.³⁹ While the US negotiators were unwilling to compromise on this issue, they later conceded, making this concession contingent upon the conclusion of GATT negotiations. One reason for the US willingness to make concessions on temporary discriminations was that the US negotiators reasoned "[i]n the short run, the demand for American exports will be so great that greater latitude for discrimination can be permitted without serious harm to our interests."⁴⁰ Further, the dollar shortage in the rest of the world made American designers realize that "countries in balance-of-payments difficulties would need special privileges" (Bidwell and Diebold 1949: 195). In other words, the greatness of the asymmetry itself enabled this compromise, which, in turn, aimed at contriving symmetry. Also, the British delegation - with the support of most of delegates at the same Geneva negotiations (April-August 1947) - further loosened prohibitions against discriminatory balance-of-payment QRs. Still, the US negotiators eventually secured a

³⁷ Hewlett, Anderson, and Duncan 1990, p. 278.

³⁸ FRUS 1947: 970.

³⁹ FRUS 1947: 969.

⁴⁰ FRUS 1947: 977.

provision (Article 23(1)(g)) that allowed the ITO to demand the limitation or removal of discriminatory QRs after March 1, 1952.⁴¹

The British negotiators, however, were intransigent in their refusal to eliminate preferences for the Empire and the Commonwealth (herein imperial preferential system). Unravelling these preferences rapidly would leave the British economy without a vital fallback option. Sir Stafford Cripps, one of the leaders of the British delegation, speaking to US negotiators explained as much:

Furthermore, Sir Stafford pointed out, reduction or elimination of Empire preferences is not a matter that can be achieved over a short period of time. The use of Empire preferences has given British foreign traders market advantages in the dominions and overseas possessions which cannot be divested upon short notice. British foreign traders cannot compete in the absence of the market advantages obtained from Empire preferences until they have had sufficient time to change their approach to questions of production and production costs.⁴²

Put differently, the costs of unravelling this existing system were high for the British, and therefore they were vulnerable in an open multilateral trading system. They faced high opportunity costs in the new institutional arrangement if the preferences were to be eliminated.

At the onset, the US negotiators expressed a preference for the complete elimination of the UK's imperial preferential system. As one of the British negotiators put it, "prewar UK exports to the US totalled only about 150 million dollars whereas prewar US exports to the UK totalled nearly 400 million dollars. Hence, equal tariff reductions were much more valuable to the US than the UK."⁴³ While the USA argued that concessions from the rest of the world would reciprocate UK concessions, the British delegations kept emphasizing this asymmetry as a serious obstacle.

By the Geneva negotiations, which resulted in the GATT, the American side was willing to accept a very gradual phasing out.⁴⁴ The UK, however, rejected any proposal for the elimination of imperial preferences, offering instead only minor reductions and commitments not to increase their existing preferences.⁴⁵ Both sides faced intense domestic pressure to avoid any compromise.⁴⁶ However, with Geneva negotiations having dragged on for two months past their anticipated end, primarily because of this issue, the two parties finally decided on 25% cuts to the UK's differential treatment in the colonies in exchange for equivalent cuts to US tariffs.⁴⁷ There was no British pledge for

⁴¹ Gardner 363.

⁴² FRUS 1947: 965.

⁴³ FRUS 1947: 994.

⁴⁴ FRUS 1947: 966.

⁴⁵ Gardner 356.

⁴⁶ Gardner 349-351.

⁴⁷ FRUS 1947: 1010, 1015. The British initially rejected the 25% cut, but ultimately decided to go with it.

the total elimination of imperial preferences by any date. Overall, the agreement on imperial preferences reduced the British relationship-specific investment in the emerging multilateral trading regime since they allowed Britain to avoid making any initial economic adjustments to the new regime.

This was not a complete defeat on this particular matter for the USA, but it was certainly a major compromise to maintain the UK's participation, which rested on the continuation of its exit option. Surprisingly, the continued dispensation of aid through the Marshall Plan was not enough of a leverage for the Americans to receive the elimination of the British imperial trading system. In fact, some considered it a "spectacular failure. Indeed, the attempt to employ it in 1947 was only necessary because an earlier attempt – the US effort to make the 1945 loan conditional on a substantial contraction of the imperial preference system – had already failed."⁴⁸

The compromise manufactured greater symmetry between the two parties as a way to elicit British participation in the ITO, which was seen as critical not only to the future of the organization, but sustained partnership between the two states in the context of rising animosity with the Russians. Interestingly, American negotiators reported on how the symmetry was contrived:

The British were insistent that, given Britain's economic weakness and the state of her domestic opinion, they could neither afford to eliminate preferences outright, nor could they be seen to do so in exchange for American financial aid... Somewhat paradoxically, then, the weaker party to the negotiations was able to use the very fact of her own economic infirmity as a means of justifying her failure to fit in with important aspects of the stronger party's design.⁴⁹

The ultimate ITO agreement, the Havana Charter, also contained clauses in favor of developing and least developed countries as a way to coax these countries' participation in the Charter through easing their concerns about domination by the Americans. The Havana Charter waived the requirement for prior approval of QR in the case of industries newly established during the war or if the restriction "is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad" (Article 13, 7(a)(i)). This kind of infant industry protection was again designed to reduce, albeit on the margins, the kind of asymmetry between these countries and the USA. It also allowed room for negotiation on the QRs that could be more favorable to developing countries in the future.

More broadly, the ITO Charter contained a section on development due to developing countries' insistence. On this issue, the Latin American countries coalesced around the position that the ITO would enable exploitation of developing countries, particular in the Americas, by the USA and other developed countries, i.e. asymmetries

⁴⁸ Toye, 939.

⁴⁹ Toye, 918.

would transform the bargains reached during the negotiations in favor of these more advanced economies. In turn, the Americans reasoned the exclusion of the development issue could generate a “rift in hemispheric solidarity”, while also creating an opening for the Soviet Union to increase its engagement in the region.⁵⁰

Further, particularly to please Central American and Arabic states, whose delegations worried their countries were disadvantaged because they had “no great economic significance”,⁵¹ Article 15(4)(a) of the Charter allowed new regional preferences with a prior approval by simple majority. The UK, however, would have needed approval by a two-thirds vote if it were to create such new preferences.⁵² Nonetheless, the British negotiators successfully inserted an interpretive note stating that an “economic region” need not be geographically contiguous, which again inserted flexibility in a way that made renegotiation more plausible in the future.⁵³ Once again, these provisions were attempting to alleviate relatively more V states’ concerns.

The countries were not just vulnerable relative to the USA given their devastated economies, they also considered themselves vulnerable to the vagaries of the American economy. There was a perception “...widely held that the American economy was inherently unstable and might at any time in the future set off another world depression. Foreign countries naturally wanted to protect themselves...leading them to look for possible safeguards against too close a link with the USA” (Diebold 1952, 13). In return, as Diebold emphasizes, the American negotiators were conscious of this and therefore willing to concede safeguards and escape clauses.

Surely, not all safeguards were inserted for the sake of the weaker states. The Americans specifically insisted on the inclusion of the now well-known GATT escape clause that aims to domestic industries against an inflow of imports (Bidwell and Diebold 1949). They had first used this clause in a 1942 bilateral trade deal with Mexico and had decided on its inclusion in all trade agreements ever since then (ibid). They also made an exception within the ITO for the support of American farmers.

Also, none of these points suggest that the deal was unfavorable to the USA, nor do they imply the USA failed to satisfy some of its crucial demands for the deal.⁵⁴ Rather, the USA as the NV state – in order to elicit the cooperation of more V states – had to insert escape clauses to relieve these states from the various impositions of the ITO charter. Ironically, the fact that ITO contained many compromises that were found unpalatable by different American domestic groups (Diebold 1952), meant that the

⁵⁰ FRUS 1948: 818, 850.

⁵¹ FRUS 1948: 876.

⁵² FRUS 1948: 877.

⁵³ FRUS 1948: 883.

⁵⁴ A good example concerns the issue of export subsidies. While the USA favored the inclusion of export subsidies, others considered their inclusion as inconsistent with the provisions limiting QR. Hence the US negotiators secured exceptions during Geneva negotiations that “which in effect exempted most primary product subsidies other than those employed by the USA” (FRUS 1948: 813).

GATT, initially planned as a “temporary agreement” (Jackson 1967), survived in place of the ITO.

While, in this case, concerns about American credibility were not at the forefront, they still plausibly could have contributed to the unease of other countries with American demands and the subsequent American concessions. Following the Reciprocal Tariff Agreements Act of 1934, the US concluded bilateral trade deals with 14 Latin American countries, 9 European governments, and with Canada, Turkey, and Iran. It also had deals with Nicaragua and Czechoslovakia that were inoperative at the time of the Geneva Conference (Foreign Commerce Weekly 1946). More crucially, the State Department’s promises for comprehensive tariff reductions in 1944 were sunk by a disagreeable Congress in 1944-1945.⁵⁵ And, the 1946 elections ushered in a protectionist Republican majority⁵⁶ that was nicknamed the “Do Nothing” Congress for their obstruction of Truman’s agenda. The main US negotiator on trade, Clair Wilcox, ultimately blamed the ITO’s demise on a general fatigue towards multilateralism and internationalism from the American public.⁵⁷

IV – Conclusion

Relative to expectations at the time, the IAEA and the ITO were both failures for the USA, even though the IAEA was only eventually adopted in 1956 as a shadow of Washington’s initial vision. The ITO died in the Senate after revisions unacceptable to the Americans. In both instances, the process by which the USA backed down from its initial position is instructive, since American concessions took the form of exemptions that would have reduced the upfront investments that potentially-vulnerable states would have made; these exemptions aimed to create a symmetry among the members—specifically, a symmetry in the rate at which their outside options would have deteriorated—thereby making cooperation mutually-beneficial over the long run. In both cases, that these concessions were costly to the USA. In the case of atomic energy, they required the US to climb down from their early insistence on stricter controls of nuclear technology and materials, and in the case of trade they permitted more exemptions for regional or imperial preferences (both of which were designed to reduce potential dependence on American markets).

As noted in the cases, American preeminence at the wake of the war was not enough to garner Americans their preferred plans on either atomic energy or trade. Further, common levers in international relations, such as international aid, did not work despite their importance and magnitude. Similarly, the USA had greater credibility and a warmer relationship with its Western European allies in the late 1940s, in the afterglow of the war and the Marshall Plan, than it did in the 1950s after Dien Bien Phu and the

⁵⁵ Gardner 151.

⁵⁶ *ibid* 351-352.

⁵⁷ Wilcox [year], 19-20.

Suez Crisis. American power, hence, and the differentials between that power and the rest do not explain the kind of institutional design we discuss here.

American behavior during the early postwar period is also inconsistent with theories that emphasize strategic, multilateral self-restraint by hegemonic states.⁵⁸ Within a space of five years after the end of World War Two, the USA reneged on three separate agreements on atomic energy it had made with Britain, its closest ally, setting precedents that, predictably, undermined the prospects for cooperation with other Western European states throughout the early 1950s,⁵⁹ even as the US Atomic Energy Act opened the flood gates for American bilateral deals. American credibility to multilateralism was, similarly, questionable in the case of trade, as discussed, the Americans had not only pursued bilateral deals, but Congress had voted down comprehensive tariff reduction plans. Surely, an important contingency within the US government strived for multilateral deals, but our point is that the US behavior contained enough lapses in credibility that heightened worries in the USA's relatively vulnerable partners that a renegotiation could be around the corner.

Our analytic approach highlights the need for NV states, like the United States in the postwar years, to persuade V states to cooperate through the inclusion of safeguards in agreements. Through this focus, the contrived symmetry approach also highlights the “safeguards for whom” question – differentiating between those that are aimed at V actors versus those that protect NV ones. For instance, in the ITO case we point out that the well-known escape clause in the GATT (originally the ITO), which allows states to temporarily suspend trade concessions to protect domestic industries hurt by foreign competition, was indeed inserted to accommodate domestic political uncertainty in the USA. However, some of the other safeguards were not about uncertainty per se; rather, about convincing weaker states to participate in the regime. By arguing that safeguards may be particularly done for the sake of NV countries, contrived symmetry also obviously departs from power-based approaches, which would expect flexibility provisions, including any exemption, to closely mirror the preferences of the powerful (Thompson 2010: 275).

To return to our framing at the outset, our suspicion is that most *observed international organizations* can probably best be explained within transactions costs frameworks, but that a number of *issues* (including issue areas where international cooperation has been limited) have characteristics – where cooperation would lead to unequal vulnerabilities – that make cooperation unlikely without some sort of institutional mechanism to contrive symmetry. Especially in a post-2020 world where there will be a demand for international cooperation on critical issues, such as climate change and the regulation of machine intelligence, where vulnerabilities are likely to be unequal, and in which the credibility of Washington's long-term commitment to multilateralism will be questionable, thinking about institutional safeguards of the kind we highlight here may be useful.

⁵⁸ Ikenberry 2001; Lake 1999.

⁵⁹ Levitt 1993, p. 192.

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