The course raises the question of the existence and significance of international institutions broadly defined as to include law, treaties, and international organizations. Drawing from political economy, we will ponder what the specific reasons are for why anarchy fails to deliver an efficient allocation of resources and what specific institutional solutions have been, or could be, invoked or devised to remedy these failures.

The course starts by raising the question of existence of international institutions in a world of anarchy; why can’t balance of power deliver an efficient equilibrium comparable to that it delivers (supposedly) in the competitive market of economic theory? Ken Waltz does not confront the question head on, but nevertheless makes a powerful argument against the need for collective governance in the face of the threat of global nuclear annihilation. Once the existence question was overcome, and it had to since IOs did exist after all, the debate shifted to the rationale for such an existence, with two sides squaring off: the efficiency school, arguing that IOs are created to reduce transaction costs, and the power school, arguing that IOs are the tools of the powerful. The two schools have carried on the debate to the next logical frontier of inquiry: how should these international institutions look like? The initial answer, still relevant today, contrasted two types of cooperation failure, coordination and collaboration, each one calling for a different institutional format. Coordination failures, initially treated as simplistic choices of the type driving-on-the-right versus driving-on-the-left side of the road, have in the recent past been problematized and transformed, notably by constructivists, into problems of common knowledge. Collaboration failures, in contrast, have received much attention from rationalists, who, drawing from the game-theoretic arsenal, categorized them into distinct classes (collective action, commitment, moral hazard, adverse selection, and uncertainty), providing a distinct institutional solution for each one. A recent debate between the efficiency and power schools has focused on the role played by informal and private international regimes. A final set of studies focuses on the impact that IOs have on their environment, mostly pathologies such as bureaucratic corruption (mined by constructivists and not covered in this class) and forum-shopping (denounced by rationalists).

No prior knowledge of game theory or statistical modeling is required.

The course will be run in the form of a seminar. A set of readings will be assigned each time, with each participant being expected to present and comment on all of those readings. The class will be sanctioned by a seminar paper, ten-page-long on average, to be outlined in the last sitting and handed in by the official deadline.


1. Presentation

2. The existence question

3. **Power versus efficiency**

4. **Coordination or Cooperation?**

5. **Belief diversity (the common knowledge problem)**

6. **Participation and free riding (the collective action problem)**

7. **Cheating enabled by unobservable action (the moral hazard problem)**
Downs, George, David M. Rocke and Peter N. Barsoom. 1996. “Is the good news about compliance good news about cooperation?” *IO* 50, 3:

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8. **Time inconsistency (the credible commitment problem)**
*Explorations in Economic History* 32:423-464.
Eilstrup-Sangiovanni, Mette and Daniel Verdier. 2005. “European integration as a solution to war.”

9. **Private information about intentions (the adverse selection problem)**
*International Organization* 55(4):

10. **Uncertain future**

11. **Informal Governance**
Verdier, Daniel. FORTH. “The dilemma of informal governance with outside option as solution.”
*International Theory*.

12. **Private Governance**
Verdier, Daniel. Unpublished. Divergence: Why the world trade regime has become more legalized while the finance regime has become less legalized.

13. **Forum Shopping**
Morse, Julia and Robert O. Keohane. FORTH. “Counter-Multilateralism.” *Review of International Organizations*.

14. **Students’ Presentations**