

Delegation Games and Sovereignty

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This note hopes to accomplish three tasks: 1) review the basic delegation and discretion game from political science; 2) apply this framework to understand the terms and parameters that are used when discussing the delegation of sovereignty; and 3) suggest an extension of this framework to make it more appropriate to the international context, which is characterized by possible multiple veto players and the option that each member state has to exit the game.

The Basic Delegation and Discretion Game

The framework for analyzing delegation in political science is a variant on the “spatial model” of political institutions. This model assumes that actors have most-preferred policies, or “ideal points,” in some policy space and want to bring policy outcomes as close as possible to their ideal point. It is political institutions that determine who gets enfranchised into the policy making process, under what conditions, and thus who wins and loses at the end of the day.

This setup is illustrated in Figure 1. The small (turquoise) dots represent the ideal points of member states in some international organization. The large (blue) dot indicates the status quo policy *ex ante*. The policy making institutions of the organization determine in which way policy will move in response to various external events. If, for instance, all countries within the WTO play by the rules, then the policy outcome is that each country in the agreement receives Most-Favored Nation status. If one country imposes an import barrier in contravention to the WTO statutes, then by the organization’s rules policy should change to one which punishes the offending state. For the moment it does not matter whether the change in policy effected by the organization’s rules is implemented by a single individual, a body, or a completely mechanistic procedure of automatic adjustment.

Within this context, delegation is defined simply as the ability of the “entity” receiving authority to move policy away from the status quo. Along with the ability to move policy, though, we are interested in the degree to which policy can be changed — that is, the degree of *discretion* given to the international organization. We can envision limits on discretion as circumscribing the range of possible policies that the entity can enact; for instance, a requirement that the policy outcome may not differ from the status quo by more than some distance d , as indicated in the figure. Then unbounded delegation is associated with infinitely large values of d , while as d shrinks to zero less and less power is delegated. When $d = 0$, delegation ends. We will define the degree of discretionary authority delegated to an international organization to be that organization’s *power*.

Within this framework we can also define the *effectiveness* of an international organization as the difference between the final policy outcomes produced with the organization and the outcomes that would have resulted without it. If we find, for instance, that a given entity

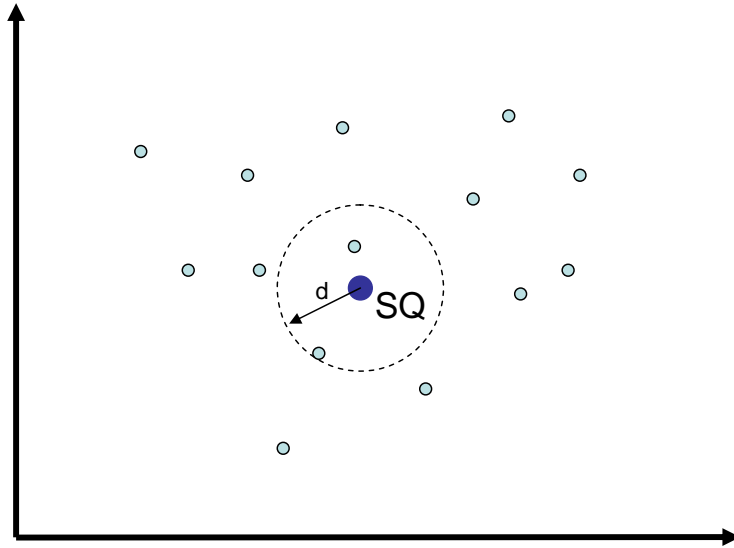


Figure 1: The basic game of international delegation. Smaller dots represent member states' ideal points while the large dot in the middle represents the status quo. The dotted circle indicates those outcomes that can be implemented under a rule limiting the organization's discretion to d .

has no impact on final policy outcomes, then no matter how Byzantine its bureaucracy, how obscure its voting rules, how pious are countries' avowed intentions to adhere to its goals, we would be safe in labeling the organization as ineffective, and consequently would have little worry about any sovereignty costs associated with membership in that organization. And, purely as a definitional matter, an organization with no power is completely ineffective as well.

We can use standard results from delegation models in political science to make certain predictions about the degree of discretion delegated to international organizations. For instance:

1. The more homogeneous are the preferences of an organization's member states, the more power will be delegated to it.
2. The worse the outcome for member states would be without the organization, the more power will be delegated to it, and the more effective it will become.
3. To the extent that an organization's authority is exercised by an individual with preferences different from those of its member states, the less powerful and effective it will become.

Using the Model To Interpret the Terms of the Discussion

This view of delegation accords quite well with the terms of the debate laid out in the introductory memo by Bradley and Kelley. For instance, it would concur that delegation

does not include non-binding advisory authority, since pronouncements and resolutions do not on their own change the status quo policy. We believe that these powers are best thought of as creating focal points for interstate collective action, default actions that all may agree to follow at their will. This may well be important in certain cases — see the discussion below — but they do not in and of themselves change policy outcomes.

Our model also overlaps with the memo by not restricting the range of possible policies to those that would otherwise be exercised by the state. It may, as the memo suggests, involve action in a truly international policy space, such as the regulation of international waters. Or it may involve the entity's control over the actions of *other* states in the organization, for instance by requiring them to impose import tariffs on goods exported by Country X. These actions certainly affect the welfare of Country X's citizens, and they certainly could not be implemented via the internal political processes of Country X alone.

This raises, by the way, an interesting point about an organization's effectiveness and the presence of focal points or second-degree punishments. Say for instance that the US breaks a standard of international trade by levying anti-dumping duties inappropriately. In a world where there was only a norm of punishment for such behavior (leaving aside for the moment the problem of actually determining that the behavior was in fact inappropriate), the US might decide to take the action anyway and then engage in a series of bilateral discussions with the other countries to try and convince them not to retaliate. With the WTO in existence, though, it can issue a verdict instructing the other member countries to retaliate in a predetermined manner. Such an action, at the very least, creates a focal point for all other countries, making it easier for them to coordinate their responses. But the WTO goes further, making it *mandatory* within its rules to retaliate against the US. It is these second-degree punishments of countries that fail to carry out first-degree punishments that give the organization its real effectiveness.

We also agree that authority must be delegated to an "entity," as long as it is clear that the entity in question may be nothing more than a set of predetermined policy responses, not an individual or group. But we think that perhaps it is not right to say that no delegation takes place if a country has veto authority over the decisions of the entity. This is, rather, a possible equilibrium outcome to a policy making game, and the entire game must be analyzed before concluding that a country's veto power protects it from delegations of sovereignty. Similarly, the memo does an excellent job of laying out a typography of different types of delegation and measures of their extent, but does not continue forward to enumerate the institutional limits on discretion that may accompany these delegations, such as the use of specific voting rules.

Extension to the International Context

This brings us to the question of how the canonical delegation model should be modified for the international context. Two features stand out immediately: 1) that (some) member states often have veto power over the policy choices of the entity, and 2) that member states are free to drop out of the organization at any time. The first of these is also seen in certain domestic policy games — the legislative veto in the US, for instance. But the notion that any player can drop out of the organization is unique to the international context; the US

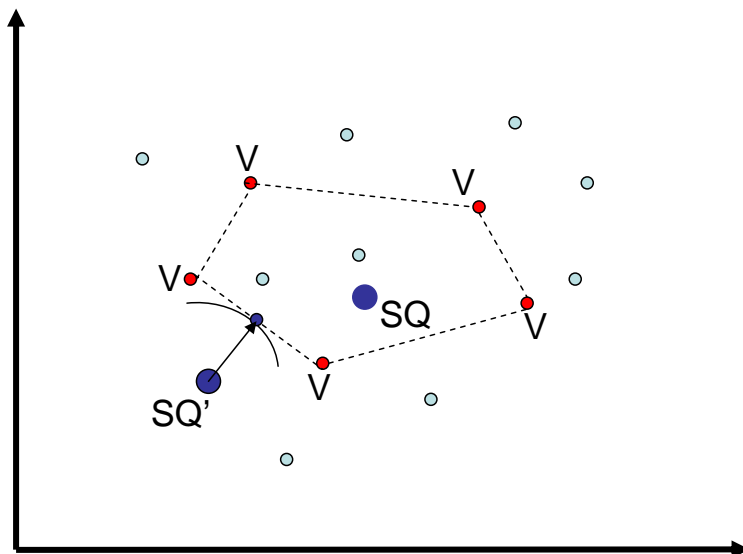


Figure 2: The delegation game with veto players.

House or Senate, for example, cannot choose to leave the polity just because they disagree with executive branch actions.

Taking these in turn, Figure 2 assumes that five member states are veto players (V). Consider status quos that lie within the area enclosed by the dotted lines joining the veto players' ideal points. It is clear that moving policy in any direction will make at least one veto player worse off, and thus in a single-shot game there would be no way to change a status quo like SQ . But a status quo outside of this region, such as SQ' , could be changed, as long as it is moved closer to the veto players' desired policies. It is clear that the larger the area inside the dotted lines, the fewer the circumstances in which the organization can change policy away from the status quo, and hence the less effective the organization will be.

This model underlies the intuition that veto players in international organizations have not really delegated power. But there is more to the story. Organizations often engage in repeated interactions, not just single-shot games. In this context, a state with veto power might be convinced to allow a policy change that it does not agree with, in return for policy concessions further down the road. Insofar as the structure and content of these deals come from within the organization, real delegation is taking place, limited by the requirement that veto players are made better off in the long run by the sequence of decisions.

Furthermore, members of international organizations can leave any time they wish. We can assume that this would entail a loss of utility for the state leaving; otherwise, it would not have joined the organization. And it would probably make the other member states worse off as well; otherwise, they would not have allowed the offending country into the organization in the first place.¹ This means that member states have a credible threat to

¹One could imagine a situation, though, where this latter point does not hold. It may be, for instance, that one of the founding members of the organization is now a drag on everyone else's utility, but internal rules do not allow for its expulsion. This possibility would not qualitatively affect the results below.

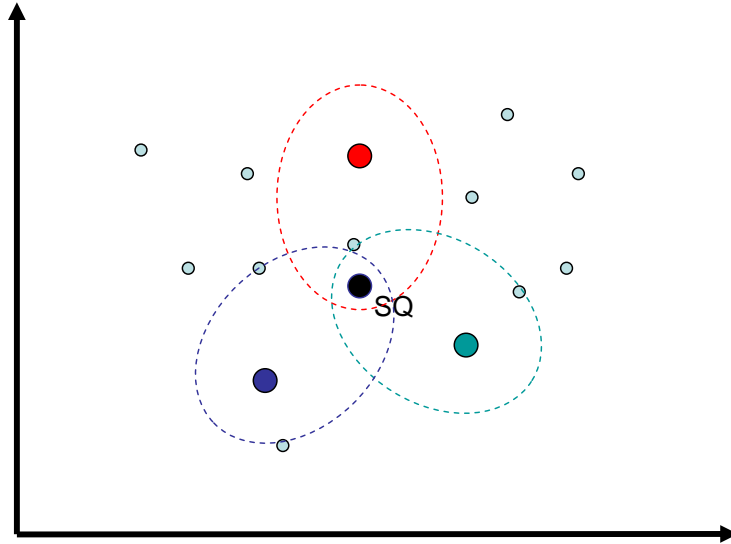


Figure 3: The delegation game with three dominant countries.

exit the organization if continued adherence to its rules would decrease their utility too much.

Other states might well be willing to accept this exit option if the contemplated policy change would yield a utility increase that more than offset the loss of the state in question. Other times, though, the participation of a key state or small number of states may be so important that it is never optimal to have them exit. When this is the case, we would say that those countries *dominate* the organization.

Each dominant country acts as a one-way limit on the organization’s discretion. Such a country is content to stay in the institution if the status quo policy is maintained — otherwise they would exit unilaterally — but if policy moves too far away from the status quo in a direction they are unhappy with, they would exit. And if multiple countries within the institution have similar preferences, the entire organization can become hamstrung and ineffective. Figure 3 illustrates one version of this scenario, in which three dominant countries leave essentially no room to deviate policy from the status quo without triggering a defection.

In conclusion, we make two points. First, one is tempted to say that delegating sovereignty is a bit of an oxymoron. Just like the U.S. Representative from Louisiana who claimed that his vote couldn’t be bought, but it could be rented, we assert that sovereignty cannot be delegated, but it can be loaned. Nations participate in international organizations because it is in their interests to do so, and they can withdraw when this is no longer the case. This does not mean that no alternative arrangement could make the country better off, or that their preferred policies are always enacted. Barring coercion or extreme exit costs, though, participation in international organizations is voluntary and therefore should be seen as a natural extension of member states’ rights and an exercise of their sovereignty.

Having said that, many interesting questions remain, many of which could be directly modeled. When, for instance, will international delegation favor the executive at the legislature’s expense? Can they become non-majoritarian over time? Would courts’ use of international precedents make a country more or less willing to enter the organization in the

first place? These are all fascinating avenues of inquiry, and we look forward to discussing these and related issues at the conference.