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The new interdependence approach: theoretical development and empirical demonstration

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ABSTRACT

Mainstream approaches to international political economy seek to explain the political transformations that have made more open trade relations possible. They stress how changing coalitions of interest groups within particular states and changing functional needs of states give rise to new international agreements. While these approaches remain valuable, they only imperfectly encompass a new set of important causal relations. We now live in the world that trade built – a world where greater interdependence has major consequences both for actors' interests and their ability to pursue those interests. A new body of work, which we have called the 'new interdependence' explains how these transformations are playing out. The new interdependence stresses a structural vision of international politics based on rule overlap between different national jurisdictions, which leads to clashes over whose rules should apply when. This not only generates tensions, but also opportunity structures that may help actors to better shape potential solutions to these clashes. However, some actors will have greater access to these opportunity structures, and hence greater influence and bargaining strength – than others. These three factors – rule overlap, opportunity structures and power asymmetries – provide the basis for a compelling understanding of international politics.

KEYWORDS

international political economy; interdependence; international regulation; transnational politics.

INTRODUCTION

What is the relationship between globalization and international political economy? This is an urgent real world question. The global economy has rapidly changed from one involving the simple exchange of goods that can be modeled using Ricardian ideas of comparative advantage to a more complex system involving a whole host of new economic activities that are organized across borders – transnational services, data flows, global production chains, and investment to name just a few (Kahler and Lake 2003).

Politically, we have moved from a world market based around trade to the world that trade built, a world in which the rules and principles that govern the behavior of market actors are no longer developed and enforced purely at the level of the nation-state. Instead, firms, citizens, and NGOs increasingly face multiple political demands – and opportunities – stemming from the overlapping of domestic and global authorities (Büthe and Mattli 2011; Green 2014; Kahler 2009). In many cases, these actors are setting some rules and responding to other rules set by different actors. Internet firms including Google and Facebook find themselves in the cross hairs of European privacy authorities, while at the same time Apple, Nike, and VW shape labor practices in countries ranging from China to South Africa. Hence, the politics of globalization has expanded from struggles over free trade and protectionism to a much broader and complicated fight over the rules and principles that affect how the economic and political benefits of globalization are distributed.

This poses urgent theoretical questions for international political economy as new actors emerge and engage in forms of contestation that blur traditional domestic/international divides. Dominant approaches in political science have tended towards a narrow view of what counts in international politics. Scholars of international political economy have frequently tried to graft both domestic politics and international institutions onto a state-centric model. Many practitioners of Open Economy Politics (OEP) approaches, for example, see globalization primarily as an exogenous shock that activates domestic interest groups and in turn is filtered through domestic institutions to either support or oppose economic openness (Baccini and Dür 2012; Curtis, Jupille, and Leblang 2014; Mansfield, Milner, and Pevehouse 2007; Mansfield, Milner, and Rosendorff 2002). This orientation is shared by many comparativists. Alternatively, scholars of international organizations have often viewed globalization through a Williamsonian lens that depicts it primarily as a source of cooperation problems. These organizations, then, serve to temper such problems by providing information, enforcement, or both (Büthe and Milner 2008; Carnegie 2014; Koremenos, Lipson, and Snidal 2001; Simmons and Danner 2010).

This view was very useful in understanding the dynamics surrounding trade, during a period when openness and closure was the major question for international political economy. It is less useful in the current period, where trade openness (with the exception of some obdurate sectors and countries) has been established, giving rise to new dynamics of rule clash between previously separate markets.

As the nature of globalization has shifted, so too have the relevant questions – moving from asking about the political underpinnings of economic exchange to asking about the political and institutional transformations unleashed by these exchanges. In the 1970s, Peter Gourevitch remarked (1977, p.281) that happiness, for a comparativist, 'is finding a force or event which affects a number of societies at the same time.' Gourevitch (2013,p 255) now argues that the global economic crisis did not involve 'external forces shaping internal outcomes,' but 'the two interacting.' This shift in perspective reflects important changes in the world economy. It also poses a direct challenge to comparative and international political economy – how do we build a new set of tools for dealing with these kinds of complex interactions?

To address these questions, this special issue develops and tests an alternative approach to globalization that is being articulated by a variety of scholars, which we call the *New Interdependence Approach* (NIA).[1] Building on earlier work concerned with interdependence as well as more recent contributions highlighting transnational politics (Della Porta and Tarrow 2005; Djelic and Quack 2010; Kaiser 1971; Keohane and Nye 1974; Keohane and Nye 1977; Risse-Kappen 1995), this approach emphasizes how globalization is an *endogenous process* rather than an *exogenous shock*. It creates a framework to understand better the global level *rules and principles* that govern the behavior of market actors. At the same time, following work on policy interdependence and diffusion (Simmons, Dobbins, and Garrett 2006), it explains how these global interactions can also have consequences for *domestic institutions and policy*.

Three central claims organize the literature of the NIA. First, globalization does not take place in a state of anarchy but in a state of *rule overlap*. The OEP approach typically assumes a two-level game in which domestic preferences are aggregated internally through some process that may or may not be explicitly theorized, and form the basis of negotiation between discrete states in an anarchic system (Evans, Jacobson, and Putnam 1993; Meunier 2005; Putnam 1988). In this account, states are fundamentally discrete from each other, suspended within a thin interconnected web of economic and diplomatic relations. The NIA, in contrast, argues that as national markets become interpenetrated, the rules and principles of markets (especially large markets) and global regimes increasingly clash with each other, creating a dilemma for internationalized private actors (Mattli and Woods 2009). As these actors are subject to conflicting rules and principles, they seek certainty and may defect from politically supporting their home market rules or status quo international regimes in return for a common rulebook. Hence, globalization destabilizes existing political compromises as rule overlap increases.

Second, globalization creates *opportunity structures* for collective actors (e.g. regulators, firms, consumer groups, the secretariats of international organizations) to form transnational alliances. Even as globalization alters the benefits of maintaining domestic rules, it creates new political channels that some (but likely not all) disaffected actors can use to forge alliances across countries and across levels to transnational and international actors (Della Porta and Tarrow 2005; Djelic and Quack 2010). Actors that were previously confined to their domestic political setting have new avenues of agency and political voice that they can use to upset the policy status quo. These opportunity structures may include access to formal international organizations as well as informal institutions such as regulatory networks. The interest group politics that results from globalization is not merely the activation of existing cleavages within societies but also the creation of new cleavages and new alliances across them.

Third, the NIA views institutions – domestic and international – not just as 'rules of the game' but as a key source of *asymmetric power*. Building on work in comparative politics, it emphasizes how institutions shape the power resources of actors as well as their understanding of their preferences (Bach and Newman 2007; Posner 2009). Some collective actors will find advantage in the new interdependence as they enjoy access to well-resourced focal institutions, while others will be less favorably positioned. Hence, institutions do not merely aggregate domestic preferences but form part of a larger international structure in which actors are embedded.

The key contribution of the NIA is not the novelty of these claims per se, but its integration of them into a coherent whole. It organizes these arguments into a view of globalization that can be used to derive theoretically testable empirical claims. This stands in contrast to earlier work on transnationalism, for example, which was often dismissed as too vague or descriptive, lacking the empirical rigor to stand up against alternative conceptions of globalization. The NIA provides the basis for a *systemic* account of world politics, not as a world of discrete independent states, nor yet as an amorphous amalgam of states, non-state actors and others in a world of possibilities, but as a world where both *overlapping jurisdictions* and the need to *resolve the problems and disputes* that emerge from this overlap create new opportunity structures for actors beneath the level of the unitary nation-state. The NIA provides specific ways of reconceptualizing the relationship between domestic and international politics as well as the role of international organizations in global politics. This allows scholars to draw on work, particularly recent work from the historical institutionalist tradition in comparative politics, which better models dynamic and endogenous models of change (Mahoney and Thelen 2009).

The goal of the special issue is twofold. First, it clearly articulates the theoretical approach of the NIA, as well as offering a set of novel extensions that will be laid out in the various contributions. Second, it scrutinizes these claims across a diverse set of empirical domains. In short, it engages in the kind of large scale theory building that special issues are best suited to, providing multiple independent perspectives on, and tests of, a common approach.

GLOBALIZATION SHOCK

The simple economic account of globalization sees it as involving the increasing exchange of goods, services, information, and people as they traverse borders (Berger 2000). The existing literature in international relations has tended to view such movements as posing one of three kinds of shock to the international political economy – exit, openness, and cooperation problems. Scholars espousing these different approaches have sometimes tried, with limited success, to construct nomothetic accounts of international economic politics. They have been rather more successful in identifying broad causal relationships linking domestic and international politics that explain the openness or closeness of particular economies.

The first emphasizes *state power vis-à-vis business*. With the fall of capital controls and transportation costs, some firms find new exit opportunities. These groups can then use the threat of relocating their investments and jobs to pressure states into converging around liberal policies that favor economic exchange. This scholarly debate has hence focused on the extent to which the threat of exit constrains (or does not constrain) government behavior (Ahlquist 2006; Andrews 1994; Culpepper 2015; Garrett and Lange 1991; Mosley 2003).

Here, the posited causal relationship runs from increased opportunities for economic mobility in the international environment, through increased bargaining power for private actors (especially firms) able to take advantage of these opportunities, to changes in domestic institutions. Governments find that the costs of some institutional configurations (specifically: configurations that mobile businesses find unpalatable) are much higher than they used to be. This may cause them either to abandon these institutions where they already exist, in favor of institutions that are more congenial to business, or to fail to adopt such institutions where they are not present. Crude versions of this argument posit a generic 'race to the bottom' (Tonnelson 2000). More subtle and defensible versions examine how some institutions (such as training institutions) may be valuable to businesses that hope to compete in the global economy, and how business power may vary from sector to sector, or country to country (Culpepper and Reinke 2014; Martin and Swank 2004; Mosley 2003; Rudra 2008).

The second sees globalization as *reshuffling the coalitions* that either support or oppose continued openness. With expanded economic exchange, the benefits of such exchange are unequally distributed within jurisdictions. Scholars have then used a range of models focusing either on sectoral or asset differences to explain variation in preferences. These preferences are then filtered through various domestic institutions such as presidential or parliamentary systems or different electoral rules to determine the ultimate level of political support for economic openness or protectionism (Milner 1997; Milner and Tingley 2011; Rogowski 1989). Such arguments have frequently been employed within a two-level game framework in which the domestic level preferences and institutions define the win-set for the legislature. This win-set then constrains the negotiating flexibility of the executive as she seeks to win agreement for potential international trade deals (Mansfield, Milner, and Pevehouse 2007; Mansfield, Milner, and Rosendorff 2002).

Here, the posited causal relationship runs from the changing opportunities that international trade creates for different sectoral groups or collective actors, through institutionalized preference aggregation mechanisms at the national level, to shifts in national bargaining positions (and hence in the likely final forms of international agreements). The international shock only affects domestic politics through its consequences for primitive group preferences, while national level institutions remain constant. These assumptions lead the literature to emphasize traditional formal inter-state agreements, where the institutional mechanisms aggregating preferences are relatively straightforward and easy to capture using formal or informal models.

A final body of literature focuses on the *cooperation problems* posed by increased economic exchange. On the one hand, global markets produce a number of externalities that spill across borders such as environmental degradation. On the other hand, there are governance challenges that require coordination across markets to prevent rule fragmentation. The rational design literature, in particular, has focused on how international organizations or agreements can mitigate such cooperation problems (Koremenos, Lipson, and Snidal 2001). International organizations can monitor or enforce, helping governments resolve information asymmetries, the threat of shirking, as well as signaling the extent of government commitment to a given regime (Simmons 2000; Simmons and Danner 2010).

Here, the posited causal relationship runs from exogenous changes in the problems faced by states, through changing state preferences over international institutions, to the creation of international institutions designed to mitigate or solve these problems. While these accounts have traditionally focused on formal institutions, recent work on 'regime complexes' has sought to incorporate some less formal and/or more voluntary arrangements within this approach (Keohane and Victor 2011; Raustiala 2004).

Each one of these debates has produced a thriving scholarly literature. At the same time, they focus on a relatively narrow subset of the causal relationships through which globalization shapes international politics (Lake 2009). For both methodological and theoretical reasons, these accounts tend to view globalization as an exogenous shock that disrupts domestic or international politics (Callaghan 2010; Chaudoin, Milner, and Pang 2015; Oatley 2011; Weinberg 2016). In so doing, they reemphasize distinctions between the national and the global (Brooks and Kurtz 2012). The pressures of globalization are filtered through domestic institutions that then forge state preferences regarding the policies of international organizations or agreements (Campbell 2004). In other words, globalization is viewed in state-centric terms, emphasizing how technological or market changes alter the configuration of preferences and the problems to be solved, but not the underlying logic of politics between and within states (Copelovitch and Putnam 2014). Moreover, these accounts tend to view institutions at both the domestic and international level as equilibrium outcomes or 'rules-of-the-game' rather than sites of active contention and change. Hence, they largely ignore how such institutions may themselves disrupt the political process and serve to transform it (Alter 1998; Colgan 2014; Jabko 2006; Johnson 2013). Empirically, the current literature has focused on a limited number of questions such as national commitment to openness and free trade or national policy convergence/divergence around liberal policies (Keohane 2009).

TAKING ACCOUNT OF THE WORLD THAT TRADE BUILT

Existing approaches made a lot of sense empirically and theoretically during the post-war era, as key actors in the global political economy grappled with extending the trade of goods. The Bretton Woods system severely restricted the movement of capital across borders and the exchange of information and services was limited by technology. Instead, nations focused on lowering tariff barriers so as to promote trade (primarily in commodities and manufactured goods). During the greater part of this period, most political contestation was contained within the nation-state. Theory assumed the primacy of domestic politics, while looking to understand the international politics of the complex trade regime including the World Trade Organization as well as bilateral and regional trade agreements.

Since the oil crisis and the end of the gold standard, however, there has been an accelerating transformation in the economic nature of globalization (Kahler and Lake 2003; Mattli and Woods 2009). Trade in oil and other commodities opened up large flows of money that passed through the hands of smaller nations as well as international banks. The end of capital controls spurred foreign investment and the transformation of the firm, both through the creation of multinational affiliate systems and global production chains. Banks, manufactures, and producers of consumer products came to have investments that spanned borders and to rely on supplies that spanned borders too. Apple's iPhone, for example, carries the insignia 'Designed in California. Assembled in China.' These changes in the flows of investment and firm behavior have been accompanied by similarly dramatic transformations in the movement of information. Both the rise of the Internet in the 1990s and 2000s, and a dramatic decline in transportation costs, data and people increasingly interact on a global scale.

As this special issue demonstrates, these economic transformations have unleashed a host of new political dynamics. Specifically, they have led to increased rule overlap, creating new opportunity structures that are open to some actors and not others, hence generating new power asymmetries.

THE NEW INTERDEPENDENCE APPROACH

The NIA re-engages efforts to build broader understanding of the relationship between globalization and international politics. It hence draws on a set of existing research traditions that emphasize the dynamic relationship between domestic and international politics in a world of economic exchange. This includes earlier work on interdependence from the 1970s as well as the more recent literature on transnational politics (Djelic and Quack 2010; Kaiser 1971; Keck and Sikkink 1998; Keohane and Nye 1974; Keohane and Nye 1977; Risse-Kappan 1995). With the rise of structural realism, rational institutionalism, and Open Economy Politics, however, many of the central ideas from this literature fell away from attention or were shunted from core debates over political economy debates into a series of side discussions (Keohane 2009).

The goal of the NIA is to revive this older tradition, link together newer disparate research initiatives, and provide a set of clear theoretical expectations that can anchor cumulative research across a variety of issue areas. It does not seek to provide a comprehensive account that either assimilates or displaces existing accounts of international political economy. Instead, it re-organizes much of the existing literature around a *specific subset* of causal relationships that current approaches tend to discount. In contrast to many current International Political Economy (IPE) accounts, which focus on the political *underpinnings* of economic exchange, its primary mission is to examine the political *transformations* that have been unleashed by this exchange.

In particular, the NIA focuses on how political processes shape two outcomes: the rules and principles that govern the behavior of global market actors and the institutions and policy at the domestic level. Here, it engages both with the literature on regimes and research on policy diffusion. Importantly, however, it sees these as inseparable from one another as changes in global market rules and domestic institutions and policy often interact with one another over time. While the NIA hopes to incorporate insights from a range of approaches, initial efforts at developing and testing the NIA have looked to debates on institutional change initially developed by scholars of historical institutionalism. In particular, recent work on incremental and endogenous change processes offers important potential for sub-field cross pollination (Mahoney and Thelen 2009; Schickler 2001; Thelen 2004).

Rule overlap

Rather than arguing that globalization is important because it weakens states vis-à-vis firms, or reshapes economic interests to form new coalitions, or creates new collective problems for states to solve, the NIA sees interdependence as important because it increases *rule overlap*. As market actors such as firms and individuals engage in economic activities which span territorial borders, they increasingly face requirements from multiple authorities including state regulators, private actor governance, and international institutions to name a few (Newman and Posner 2011). This, for example, drives the regulatory processes underpinning the Basel reforms that Newman and Posner (2016) describe in their article for this special issue. As different countries' financial systems become increasingly interconnected, they also generate increased risks of contagion. Differences in domestic capital adequacy ratios, then, have global consequences for issues of market stability and the relative competitiveness of firms from different countries.

This also generates second level problems as large markets like the United States, the European Union and increasingly Japan and China make extraterritorial claims to influence the behavior of actors outside their own jurisdiction. Extraterritoriality extends the reach of domestic rules outside of geographic borders. Firms do not have to play simply by different rules in different markets but find that the rules that apply to them in one jurisdiction may open them up to punishment for having violated rules in others (Kaczmarek and Newman 2011; Kal Raustiala 2009; Putnam 2009). However, this generates opportunities too as actors play off the arbitrage opportunities between different rule systems. Such strategies would have been impossible before globalization – they rely on the ability to shift nominal or actual corporate activities across jurisdictions in order to take advantage of multiple and often conflicting rule-sets.

Globalization, then, is not characterized primarily by a state of anarchy, in which actors face an absence of rules or norms. Rather, the process of creating openness – in trade, finance, production, and information – has created a series of overlapping authority claims made by a range of domestic and international actors. The importance of rule overlap is demonstrated by continuing controversies in policy areas as diverse as anti-trust, taxation, bank supervision, and data privacy (Emmenegger 2015; Mattli and Woods 2009; Newman 2008). In cases of rule overlap, then, market actors face mounting levels of uncertainty as to the actual rules that govern global markets. Rule overlap destabilizes the domestic and global regulatory status quo as the reversion point minus policy change is uncertainty rather than the previous policy equilibrium.

Again, Newman and Posner's contribution (2016) emphasizes the importance of rule overlap in generating opportunities for contestation. Arguments over banking regulation led to competing claims over authority, and efforts to resolve disputes through agreement on common regulatory standards. This heralded a transformation in the Institute for International Finance, a key policy actor in the banking sector, from an organization focused on shaping national rules, to one that sought to intervene in the new international standard setting process on behalf of its members.

Opportunity structures

At the same time that globalization creates a condition of rule overlap, it offers new political channels for political cooperation and contestation. Within domestic jurisdictions and at the international level there are actors that both support a regulatory status quo and those that hope to alter it (Mahoney and Thelen 2009). In the early days of globalization, political contention was still largely contained by the borders of the nation-state. Actors that were dissatisfied with their policy status quo had to look primarily to domestic policy reform strategies.

The politics of the NIA, however, is marked by collective actors below and above the level of the nation-state, who increasingly participate *directly* in global politics – firms, civil society actors, national regulators, and international organizations. The nation-state is not gone or irrelevant but it faces increasing competition in its efforts to set agendas and make rules. At the same time, the world that trade built created a set of transnational institutions such as free trade agreements, regional economic associations, and investment treaties. These institutions have been turned from simple rules of the game into cites of contention for a variety of collective actors apart from national executives. These actors have been able to use these institutions to press their interests, and have increasingly started to create their own transnational bodies in order to shape agendas. In short, reform minded actors that seek to upset their policy status quo can now build transnational alliances with partners from other countries, international organizations, and private actors.

Globalization then creates new *political opportunity structures* for these disaffected groups (Börzel and Risse 2003; Della Porta and Tarrow 2005; Joachim 2003). Globalization expands the platform for such interactions as groups cooperate through both formal and informal international institutions. In some cases, these institutions provide potential alliance partners in the secretariats of international bodies, as Johnson argues in her contribution to the special issue, while at the same time they may serve as a site for the development of alternative rules. These alternative rule-sets may then be used as a way to resolve the uncertainty posed by rule overlap and overtime transform domestic institutions and global rules (Bartley 2011; Bruszt and McDermott 2012; Dobusch and Quack 2012; Goldstein 1996; Shaffer 2012). As a result, globalization becomes an endogenous process in which some collective actors are able to leverage institutions to alter the terms of global markets.

This means that international institutions are potentially important – but in rather specific ways. Rather than seeing international institutions as collective instruments through which states solve their common problems, the NIA depicts these institutions as opportunity structures that facilitate cross-national coordination between collective actors (whether regulators, interest groups, IO secretariats or other collective actors).

In work outside this special issue, Farrell and Newman (2015) show how European security officials, similarly frustrated at blockages in their domestic political system, used negotiations with their US counterparts to create a new transnational layer of trans-Atlantic institutions that partly subverted European privacy rules that the security officials opposed.

Yet, these informal clubs of state and international regulators can also offer opportunities of influence to non-state actors too. Tana Johnson's article (2016) on the relationship between international organizations and NGOs asks when international organizations are likely to build alliances with civil society groups. As Johnson discusses in her earlier research, international organizations can create 'progeny' organizations that may to some degree escape the control of states (Johnson 2014). International organizations can work together with non-state actors to better limit the control of states in specific instances of institutional design. Where civil society groups share the objectives of the international organization, they can influence negotiations so as to provide the organization with a freer hand in designing its institutional progeny. Hence, we can expect non-state actors to sometimes play a far more direct role in shaping international institutions than earlier work (which focused on the indirect influence of these groups on the domestic politics of negotiating states).

Newman and Posner (2016) look at the opposite relationship – how non-state actors look to shape international institutions. They show how transnational informal institutions such as the Basel Committee of central bankers transformed the nature of contestation in the sector, providing an opening for investment banks to shape global rules. While banks long lobbied national governments as one would predict in traditional two-level game models of politics, the emergence of the Basel Committee offered a transnational escape. Bodies such as the Institute of International Finance, in particular, took advantage of this shift in the locus of contestation to reorganize itself and industry lobbying. The opportunity structures central to the NIA, then, may not only be platforms for transnational alliances but may structure and transform the nature of the political landscape.

In short, political contestation now takes place in multiple and overlapping venues, providing opportunity structures that are not necessarily controlled by national governments. The goal of the NIA and this special issue in particular is to better understand the politics involved in this transformation as well as develop a set of generalizable mechanisms that may guide research.

Asymmetric power

A third, and final, theme in NIA is that the combination of rule overlap and new opportunity structures has asymmetric consequences for political power. This is based on the fact that access to opportunity structures and the frictions of rule overlap are not equally distributed across all collective actors. If change actors have access to new channels of global cooperation, then, they will be better positioned to forge new domestic and global rules. Alternatively, if actors interested in maintaining the status quo retain control over the relevant opportunity structures, they will be able to impede change or block it entirely.

When rule clashes occur, they must somehow be resolved, and actors with access to the relevant structures will play a very powerful role in deciding how the resolution happens. Moschella (2016) documents this powerfully in her discussion of the role of the European Commission in the Troika negotiations. The Commission and other EU institutions have been able to play a crucial role in reshaping Greece's political economy in ways that are deep rooted and controversial. It has only been able to intervene thanks to the development of a broader European crisis management system that has 'firewalled' off the Greek question from the broader political economy. As Moschella shows, the transnational insulation strategy has allowed the Troika to greatly reshape Greece's domestic status quo, both by bringing through domestic institutional changes (in a manner not dissimilar to International Monetary Fund (IMF) adjustment programs) *and* through embedding these changes in a broader and far-reaching set of EU level fiscal and crisis management rules. The other articles in this special issue demonstrate similar dynamics but for different actors.

The key focus of the new interdependence to date has been on how the combination of rule overlaps and cross-national opportunity structures allow some actors an unique opportunity to reshape domestic institutions. While these domestic reforms frequently have knock-on consequences for global rules, Johnson's contribution pushes the debate forward by focusing directly on the role of international organizations to use transnational alliances to alter global norms and principles. In particular, the Food and Agricultural Organization (FAO) used its alliance with transnational NGOs to win support for the World Food Programme. In an important extension of the NIA, Johnson's article describes how international organizations like the FAO can strategically open and close opportunity structures so as to alter their ability to influence global rules.

Of course, other approaches to international relations than the NIA stress the importance of power asymmetries. What is novel about the NIA are the specific kinds of asymmetries that it identifies. Much existing work tends to assume that cross-national disputes will necessarily be resolved in favor of the interests of the most powerful states in terms of market size (Drezner 2007) or international bargaining heft (Krasner 1991). The NIA, in contrast, invites scholars to focus on specific collective actors rather than states and to incorporate differences in their power resources. Regulators even of the largest states, for example, will lose if they do not have sufficient resources and internal clout to exert influence through the relevant transnational opportunity structures. Regulators that enjoy power resources will be in a better position to reshape rules either in others' jurisdictions (where they adopt a logic of extension to undermine the status quo of other domestic orders) or in their own jurisdiction (where they wish to use international conflicts to undermine their own status quo).

Explaining how power asymmetries between collective actors vary presents an open research agenda for scholars of the new interdependence. Some explanations might focus on internal resources – actors may need material resources, or expertise, or legitimacy to be able to participate in effective cross-national coalitions. Sub-state actors that enjoy high regulatory capacity – the ability to define, monitor, and enforce a set of market rules – will be better positioned both to control their own markets and to demand access to the relevant cross-national structures (Bach and Newman 2007; Posner 2009). Others might focus on how past, national histories of institutional change have left some actors well positioned to forge international coalitions, while others are left in the cold. Other explanations yet might focus on historical contingency. Very often, cross-national structures that were formed *ex ante* for quite specific purposes have turned out *ex post* to provide unexpected levels of broad influence to the actors with access to these structures (Farrell and Newman 2015). Critical for the NIA's view of power, however, collective actors are not equally empowered by the world that trade built.

The NIA, then, raises a number of empirical propositions that are examined across the contributions of the special issue. The following list, while not comprehensive, provides a set of organizing expectations that are explored in more depth by the individual articles in the special issue.

E1: Interdependence induced rule overlap creates uncertainty that destabilizes collective actor commitments to existing market rules.

E2: National regulators facing rule overlap will seek to externalize their rule set so as to minimize uncertainty pressures.

E3: Collective actors dissatisfied with their domestic policy status quo may seek out transnational alliances with other collective actors.

Corollary 1: Opportunity structures provide change actors with an alternative political channel to alter domestic institutions and policy.

Corollary 2: Political alliances are not just between states but also across groups within them and across levels that either support or oppose a particular regulatory status quo.

E4: Transnational agreements forged in informal and formal international Organizations can remake the policy status quo.

E5: Relative access to institutions – domestic or international – compared to other sub-state or market actors is a source of asymmetric power particularly with regard to agenda setting as these opportunity structures are not equally distributed among actors.

INTERDEPENDENCE AND THE SCOPE OF THE NIA

A key question for NIA and the authors of the special issue concerns the conditions under which it is most likely to operate. We argue that the principal boundary condition is the extent of interdependence. It is after all the level of interdependence that exposes collective actors to overlapping rules and principles. Both of these destabilize existing domestic rules, drive demand for new global market regulations, and offer new opportunities for political collaboration at the transnational level.

High levels of interdependence characterize an increasing number of sectors across an increasing number of states. Where export manufacturing sectors were the first to engage in deep cross-border exchange, as detailed above, today trade in services and information are equally global in nature. Given the extent of interdependence in the global economy, we expect that NIA will describe the politics behind global market rules across a wide range of issue areas such as product and process regulation (Büthe and Mattli 2011), environment and climate policy (Andonova 2014), consumer safety (Young 2003), financial regulation (Bach and Newman 2007; Newman and Posner 2016), and investment rules to name a few.

The NIA is not solely confined to highly developed economies locating in North America and Europe. The Internet, for example, has exposed countries from Argentina to Algeria to challenges of interdependence (Boas 2006; Lynch 2011). Similarly, global production chains routinely incorporate firms working across developing and developed economies (Bartley 2011). While some have argued that emerging markets, in particular, resist transnational politics this misses the broader political reality suggested by NIA. It might be true that emerging markets or developing countries prefer heads of state summits to 'smart power' networks (Alden and Vieira 2005; Nölke, Brink, Claar, and May 2014). Even so, our argument centers on the way in which interdependence exposes societies to situations of rule overlap, undermining domestic institutional bargaining and creating opportunities for reform agents to use transnational politics to their advantage, and identifying causal relationships separate from formal state to state relations. There is considerable evidence from countries such as Brazil, China, or even Russia that transnational factors play a large role in domestic politics and that collective actors from these nations – firms, NGOs, and state officials – seek to shape transnational policy and often use transnational policy to upend domestic political debates (Bruszt and McDermott 2012; Dingwerth 2008; Hopewell 2014; Kahler 2009; Shaffer 2012; Sinha 2007; Stephen 2014). This does not mean that these states might not attempt to resist such political transformation; rather the effort that they expend to resist them aptly demonstrates their importance.

The domestic institutions touched by policy interdependence are similarly far-reaching, including fundamental governance structures and a host of key policy areas. Work on diffusion, for example, demonstrates that basic domestic institutions including constitutional design, the level of decentralization, or the independence of independent regulatory agencies have been shaped by transnational processes (Elkins 2009; Jordana, Levi-Faur, and Marin 2011; Malesky 2008). Similarly, a broad swathe of policy domains has been affected ranging from capital account liberalization (Brooks and Kurtz 2012), tax policy (Swank 2006), to domestic financial regulation (Bach and Newman 2010). This has led experts to conclude that in the current phase of globalization such policy interdependence is the norm rather than the exception (Gilardi 2012). While the special issue's thematic focus centers on issues related to international political economy, we do not believe that the NIA is necessarily limited to economic affairs. Indeed, recent research demonstrates that interdependence dynamics are at play in a number of security-related issue areas (Farrell and Newman 2015), thus raising many of the political dynamics identified in the NIA. In short, we argue that NIA describes a host of issues and political problems that are endemic to a world where people, goods, and information increasingly mover across borders.

That said, interdependence is not universal, and its level and form may vary over time. There are a number of countries such as North Korea or Chad that are either politically or economically excluded from many of the forces of globalization and thus may be largely buffered from the political transformations that we describe. Additionally, there are trends in the global political economy (e.g. Brexit – see Farrell and Newman forthcoming) that might undermine interdependence and weaken the relationships that we have described. We may expect that the NIA's arguments will be less applicable under conditions of strong market competition, where key actors have easy exit options. Under these conditions, more traditional exit-based approaches to structural power (e.g. Culpepper 2015) may be more appropriate. Furthermore, where cross-national relationships are limited, so that actors in other jurisdictions are largely incapable of leveraging outside options to change domestic structures, the NIA will again have limited purchase. We may expect NIA to be most useful in the middle zone – areas of activity between those that are so heavily marketized as to undermine politics, and those that are so politically over-determined as to render outside options irrelevant.

More broadly, greater regionalism may set in motion economic changes that enhance the processes that we describe within each region but limit their effects at the global level. Relatedly, economic crisis could reinvigorate economic nationalism and weaken cross-border flows in goods and information, undermining transnational interactions and reasserting national borders and state power (although one might have expected this dog to bark during the 2007 Great Recession, and it did not).

CONCLUSION

In conclusion, globalization has unleashed a series of economic changes that reshape how goods, services, and information move through the global economy. International political economy has been primarily concerned with the politics of how states and economic actors either support or resist these economic exchanges. The NIA, by contrast, shifts its focus to the political ramifications of these economic transformations.

In particular, NIA describes a world in which domestic and international politics increasingly blur. As goods, services, and information move across borders, collective actors routinely face the political demands of multiple authorities – national regulators, international organizations, and private standard setters to name a few. While such rule overlap destabilizes existing domestic bargains, globalization also offers collective actors the opportunity to forge new policy coalitions that may transform both domestic institutions and global rules.

The NIA views international politics as an iterative and dynamic interaction. As such, it has much to share with recent research in historical institutionalism that focuses on processes of incremental change. Rather than emphasizing exogenous shocks or punctuated equilibrium, the NIA emphasizes how global forces open up new political opportunities that may reshape domestic politics and in turn alter international bargains. Here, it answers a call in the field to think about how historical institutional tools may assist scholars of international relations (Farrell and Newman 2010; Fioretes 2011). Previous work (Farrell and Newman 2015) and work in this volume (Moschella 2016) explicitly attempts to translate concepts like layering or insulation, which were developed in the comparative setting to the transnational. At the same time, the NIA hopes to bring insight to discussions in comparative politics, which often stick to a form of methodological nationalism (Callaghan 2010). It also joins a number of approaches including the relational turn (Nexon 2009; Seabrooke and Tsingou 2014) and practice turn (Pouliot 2008) in international relations, which emphasize and attempt to theorize such endogenous processes.

Finally, the NIA raises a number of normative concerns. While it does perhaps anticipate a greater level of involvement by collective actors than traditional statist models, various collective actors will not be equally engaged, or equally influential. Some actors will have better access to transnational forums than others. As a result, we anticipate a built in inequality in the level of participation that would challenge traditional notions of pluralist representation.

At the same time, it suggests a world where strategic actors from IO secretariats to regulators to firms may take advantage of global interactions to undermine domestic blockages. These efforts may rewrite national (and often democratically derived) rules. The NIA flags that globalization does not uniformly limit actor autonomy but it may give political expression to actors seeking to overturn domestic political bargains. In short, the recursive and endogenous political dynamic that we describe may be too non transparent to be accountable. Many of the key sites of contestation at the transnational level will be informal institutions such as those described in Newman and Posner (2016). While these bodies often enjoy a certain respect as expert bodies, the persistent use of transnational policy lacking in procedural safeguards could destabilize the legitimacy of rules over time. Indeed, it may, in fact, contribute to the feelings of resentment that have fueled recent populist movements in the advanced industrial democracies. The NIA, then, hopes to bring scholarly and public policy attention to the very real ways that politics and society have been transformed in an age of interdependence.

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NOTE

1. The approach was initially outlined in Farrell and Newman (2014) and Farrell and Newman (2015).

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No potential conflict of interest was reported by the authors.

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