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Globalization, Internationalization and Policy Networks in the U.S.

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**GLOBALIZATION, INTERNATIONALIZATION AND POLICY NETWORKS
IN THE USA**

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Scholars in the fields of international relations and comparative politics have long recognized that the boundary between their sub fields is artificial and should be highly porous. Domestic factors including interest group and electoral politics influence foreign policy. International factors also have a great and possibly increasing impact on domestic politics(1) even though the impact of national politics may cause even an identical external event to have different political consequences in different countries. With a very few honorable exceptions(2), however, this insight has not spread into the vast and generally isolationist field of American politics. While a few scholars study the impact of domestic politics on US foreign policy, the reverse image, how world events, foreign commitments, global economic forces and international organizations have influenced American politics is almost completely neglected.

This oversight is all the stranger given the role of the United States in world affairs. While not all political scientists agree that the United States is sufficiently powerful as to be described as hegemonic, there can be little question that the United States, with military and economic capacities that dwarf any other nation's, is expected to play a leadership role in numerous fields ranging from security and trade to protecting human rights and the environment. The responsibilities and commitments that the United States has, depending on one's point of view, either sort out or had thrust upon it, must surely have important consequences for American government. Obvious examples include budgetary commitments (for example on

1 Evans P., Jacobson H. and Putnam R. D. *Double Edged Diplomacy: International Diplomacy and Domestic Politics* (Berkeley CA: University of California Press, 1993.)

2 John Kenneth White *Still Seeing Red How The Cold War Shapes New American Politics* (Boulder: Westview Press, 1997.)

military spending), the relative power of institutions (with most presidential scholars linking the growth in the power of the executive to world role of the US), and even mass politics (as in opposition to the Vietnam War, or in more recent but more modest examples, in the Seattle and Washington DC protests against the World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank.) That the United States is the leading power in the world might be expected to generate more interesting implications for its domestic governance than nearly all political scientists who study American politics admit.

The failure to pay attention to the impact of external factors on American domestic governance is all the more striking given the enormous academic and journalistic attention that globalization and internationalization have received.⁽³⁾ By globalization, I mean the rapid growth in international exchange, primarily but not exclusively economic, that has occurred in recent decades. The causes and consequences and extent of globalization are much debated. There is general agreement, however, on a core understanding of what globalization implies for governments. Globalization, though it may have originated in the decisions of governments (for example, to lower tariffs and end controls on capital movements) is a constraint upon policy makers. The increased speed and reduced cost with which goods, money and the supply of services can be moved around the world creates a situation in which governments must make

3 For some important works in this area see Robert Wade, "Globalization and Its Limits: Reports of the Death of the National Economy are Greatly Exaggerated," Ch. 2 in Suzanne Berger and Ronald Dore *National Diversity and Global Capitalism* (Ithaca: Cornell University Press, 1996); Robert Boyer and Daniel Drache, eds., *States Against Markets: The Limits of Globalization* (London: Routledge, 1996); Geoffrey Garrett., "Capital Mobility, Trade and the Domestic Politics of Economic Policy" *International Organization* 49 (1995) Geoffrey Garrett and Peter Lange "Internationalization, Institutions and Political Change" *International Organization* 49 (1995); Robert O. Keohane and Helen V. Milner. (eds) *Internationalization and Domestic Politics* (Cambridge: Cambridge University Press, 1996); Herman M. Schwartz, *States versus Markets: History, Geography and the Development of the International Political Economy* (New York: St Martin's, 1994):

policy decisions on issues such as taxation, regulation and the rights of workers cognizant of the possible implications for decisions on investment and employment. At least theoretically, governments that tax or regulate more than their counterparts will see their countries lose investment and jobs to countries that tax and regulate less; this is, of course, the much dreaded "Race to the bottom" in standards of social protection that concerns opponents of globalization.

Internationalization is a related but distinguishable tendency for policy decisions to be made by international organizations or as a result of discussions and bargaining between heads of government. Protesters in Seattle and Washington DC complained that bodies such as the WTO and IMF were making decisions that in their view should have been made by democratically elected national governments; the contrary view was of course that it was precisely democratically elected national governments that had created these international organizations and endowed them with certain powers. Internationalization is seen at its fullest in the European Union where issues that were once purely domestic are now made in a complicated process of inter-state bargaining. In consequence, as Richard Rose has noted, British prime ministers now live in a world in which issues once thought to be preserve of Whitehall and Westminster have become international problems that can only be resolved by dealing with the international as well as the domestic implications.⁴

What, however, of the situation that confronts American leaders. We can set out two very different expectations or hypotheses. The first states that globalization and internationalization are of critical importance to the United States. American trade involvement has increased rapidly to a significant level at which the sum of imports and exports is greater than 25% of gross domestic product. From banks to automobile companies and pharmaceuticals to Coca Cola,

⁴Richard Rose "A Changing Prime Minister in A Changing World" *British Politics Group Newsletter* **100** (Spring 2000) p 15.

American corporations have invested in establishing themselves as global corporations. The American economy is generally agreed to be among the most open in the world. Restrictions on trade and financial movements are few and are generally imposed to serve political purposes such as punishing Castro rather than as instruments of economic policy. High wages already make the United States vulnerable to decisions to switch production overseas; tax or regulation decisions that are unwelcome to business might readily add to the trend. The United States also has a special position in regards to international organizations: it invented many of them including both the WTO and United Nations. It has been argued that it has been a feature of the United States as opposed to previous hegemony that it has often found expression in the creation of international organizations ranging from the United Nations itself to the WTO. As it would be perverse for the United States to undermine the very organizations it has created, the United States is particularly likely to behave as exemplary member in order to boost their standing by honoring their decisions.

An equally plausible contrary argument suggests that the United States is least likely to be affected by globalization. Though much higher than in the decades immediately before and after the Second World War, the trade dependence of the United States measured by the proportion of its economy directly involved in trade is still much lower than for most other advanced industrialized democracies. Particularly if trade with its immediate neighbors to the north and south is treated as a special case, the United States looks comparatively little affected by globalization. Cooperation between nations (as in the European Union) may stem from a realization that they are insufficiently powerful individually to exert much leverage; the United States as the only surviving super power has no such incentive.

A Policy Based Approach

How might we decide between these plausible but incompatible accounts? The approach adopted in this paper is to move away from the high level of generality in the debates on globalization and instead to examine how policy making has been affected in a limited number of contrasting policy networks. The term *policy network* is used here to refer to those people, interest groups and institutions that interact regularly in making policy in a particular area. When members of a network are sufficiently united by a common set of assumptions about the nature, causes and preferable solutions to policy problems, the policy network becomes a policy community.⁽⁵⁾ Following Baumgartner and Jones⁽⁶⁾, my assumption is that policy networks are only temporarily stable and liable to be disrupted by developments, particularly by the redefinition of issues. As Baumgartner and Jones describe, such disruptions can be entirely domestic in nature. There are, however, good reasons to expect globalization and internationalization to disrupt existing policy communities and change policy networks. Globalization has a high capacity to disrupt a policy community precisely in the manner Baumgartner and Jones emphasize, by redefining the issues involved. The growth in world trade, for example, combined with the associated reduction in tariff rates among nations led to increased emphasis on Non Tariff Barriers (NTBs) to international trade. One person's NTB, however, is another person's environmental protection or consumer law. Whether the European

5 R. A.W. Rhodes *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham and Philadelphia: Open University Press, 1997.)

6 Frank R Baumgartner and Bryan D Jones *Agendas and Instability in American Politics* (Chicago: University of Chicago Press, 1993.)

Union (EU) for example, has adopted a ban on beef produced with the aid of artificial growth hormones in order to handicap competition from American farmers or to protect consumers from the potential dangers of consuming such beef is hotly debated.

Globalization can also change the way in which interest groups in a policy network define their interests. As both Milner and Destler note⁽⁷⁾, some of the core members of protectionist trade policy networks have changed their understanding of what constitutes their interests as globalization progresses. Apparel manufacturers, for example, have shifted from supporting protection to embracing initiatives such as the North American Free Trade Agreement (NAFTA) as they have seen the opportunities to shift production to low wage, low cost locations in countries such as Mexico. Internationalization also has great potential to change policy networks and disrupt policy communities. Internationalization almost necessarily introduces new actors such as the State Department. The venue of decision making is also changed to a new setting within an institution perhaps created with a very different mission and ethos than prevails within the policy community. Clearly, to take a controversial example, the WTO was not created with environmental protection in mind and to the extent it became the locus of decision making on protecting turtles or dolphins was a much less sympathetic forum than the conventional environmental policy making arena. Finally, internationalization potentially erodes the boundaries of policy networks. Cross policy arena bargaining is a feature of most international dealing; concessions on fisheries policy are made in return for concessions on, for example, airline landing rights.

⁷ Helen V. Milner *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton: Princeton University Press, 1988); I.M. Destler *American Trade Politics: 3rd ed.* (Washington DC: Institute for International Economics, 1995)

The remainder of this paper contrasts the impact of globalization and internationalization on three policy networks. These have been chosen to explore the impact of globalization and internationalization on a variety of policy networks. The first is the agricultural policy network, long celebrated as a policy community or even Airon triangle.@ The second is the environmental policy network which, as we have noted already, collided in some celebrated instances with the internationalization. The third is the economic, and more particularly the monetary policy network. Monetary policy provides a particularly interesting intersection between institutions that have been domestic in orientation and the international responsibilities of the United States.

Agriculture

The agricultural policy network has often been portrayed as a simple Airon triangle@ in which representatives of farmers collude with the Department of Agriculture and the agriculture committees of Congress to steer subsidies to farmers. This simplistic description has only been at all accurate for limited periods.

In fact, the agricultural policy network has been through several periods in which its character has been markedly different. The first, well described by Hansen(8), was the period from the 1920s until the late 1940s that came closest to the traditional image of the agricultural policy network. The AFBF established a dominant position as the authoritative voice of agriculture and its allies in the Congress and Executive branch established the system of price supports that has persisted until the present day. The AFBF rallied nearly all farmers in support of extensive government involvement to raise farm incomes by limiting production, buying up

8 John Mark Hansen *Gaining Access; Congress and the Farm Lobby 1919-1987* (Chicago: University of Chicago Press, 1991.)

Asurplus@ production, subsidizing exports and in a limited number of cases, by making direct payments to farmers.

In the years immediately after the Second World War, it became apparent the price to farmers of extensive government programs to maintain their incomes was extensive government control over by production; by the 1960s, the Department of Agriculture was even flying spotter planes to detect illicit production of commodities such as wheat. The debate about whether the benefits were worth the costs fractured the agricultural policy community that had been created in the New Deal era. The agricultural policy network experienced a period of extreme internal conflict as an alliance of Democrats and the National Farmers= Union promoted a major role for the government in maintaining agricultural income at the cost of significant production controls while an alliance of Republicans and the American Farm Bureau Federation argued for greater Afreedom to farm@ and reliance on market forces at the cost of accepting falling farm incomes. Whether the differences in these approaches were based on ideology or on contrasting self interest derived from the different commodities that supporters of the Democrats/NFU and Republicans/AFBF produce can be debated. In all events, this period of conflict made it implausible to present agriculture as a simple policy network. The period of partisan conflict over agricultural policy ended in the late 1960s after the failure of the Democrats to enact a system of farm income maintenance based on comprehensive production controls. Thereafter policy became more based on commodities; all the general farm organizations (including the NFU and AFBF) lost influence and the action shifted towards interest groups based on individual commodities (wheat, cotton, beef et cetera) and the agricultural sub committees in Congress, themselves commodity based. No major attempt to address Athe farm program@ through

government action was articulated after the 1960s and attempts to Aget the government out of farming@ were periodically interrupted by crises due to falling prices as in the early 1980s.

In the decades after the New Deal, American agriculture occupied, therefore, a somewhat odd position between dependence on the state (government) and the market. Government programs determined a high proportion of farm income. Without government subsidies, agricultural incomes would have declined precipitously, by per centage that fluctuated between about 25% and 40% of farm incomes (depending on the state of farm commodity prices.) Yet as a leading producer and exporter, the United States had long been involved in globalized markets. Indeed, the vast intercontinental trade in agricultural commodities that had developed during the nineteenth century could be regarded as an early case of globalization as wheat, meat and even dairy products flowed from the United States, Canada, Argentina, Australia and New Zealand to Europe, particularly to Britain. In recent times, about 50% of US wheat, 57% of US rice production, 42% of US cotton production and 37% of soyabean production has been exported.⁹

In the late twentieth century, the United States made obtaining access to export markets for its farmers a major plank in its trade negotiations with China, the European Union and more generally in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and thereafter within the WTO. An entirely new set of actors such as the US Trade Representative based in the Executive Office of the President, the Department of Commerce and the State Department became much involved in agricultural issues than hitherto. As many of these new actors noted, it would be difficult for the United States to espouse the importance of freer trade in agriculture internationally while maintaining extensive programs of government intervention

⁹ Office of US Trade Representative A USDA Agricultural Outlook Forum: Remarks Prepared for Delivery by Ambassador Barshefsky A February 24th 1997 (Press handout.)

domestically.

After the Republicans captured control of Congress in 1994 and against a background of rising farm incomes, Congress adopted the FAIR Act that was hailed as ending the dependence of agriculture on the state that had prevailed since the New Deal. Agricultural subsidies were to be phased out by 2002 making the United States an exemplar to the rest of the world, particularly the European Union whose Common Agricultural Policy (CAP) had long been a target of US criticism. It would not be accurate to say that agricultural policy had been transformed solely because of the commitment of the United States to promoting liberalized trade in general. Some Republican House leaders had long been offended by the challenge to their free market views that agricultural programs represented. However, both globalization and internationalization had prompted challenges to the agricultural policy network.

Globalization was a challenge to the agricultural policy network precisely in the way that Baumgartner and Jones see policy networks in general being shaken: there was a change in the way in which the nature of the policy problem was understood. Traditionally, farm programs had been defended as necessary to balance *domestic* supply and demand at a price level that generate acceptable farm incomes. Now, however, the issue was seen as how to maximize American farm sales in world markets. Clearly government action to make American exports more expensive than competitors and to restrict American production alone did not seem sensible options. Globalization thus tended to change the definition of American farmers' interests in agricultural policy. The balance between the relative importance of the domestic and foreign markets shifted, forcing a reconsideration of whether US producers really gained from measures that boosted their incomes in domestic markets at the expense of reducing their market share overseas. As the United States claimed to have the most efficient farmers in the world, it would be to the advantage of its producers as well as of the United States as a whole to shift to resolve the

contradiction between American free trade rhetoric and agricultural protection by ending its extensive programs of government intervention in agriculture. As the US Trade Representative Charleen Barshefsky noted, "One out of every three farm acres in the United States is dedicated to exports...Since 1992, US agriculture has been the single largest net exporter of goods."¹⁰ Not surprisingly, Barshefsky made increasing access for US farm exports a major issue in the concluding stages of the Uruguay Round of GATT, bringing the US and EU to crisis point on how rapidly agriculture should be subsumed within the liberal, market oriented trading system the WTO was charged with developing.¹¹ Thus globalization and internationalization seemed to threaten the traditional agricultural policy network.

Internationalization did not require American action to reduce farm subsidies, but again, the recurring debate about world trade in agricultural products coupled with American pressure on the EU to reform made its own programs hard to defend in a contest in which there both an increasing number of international meetings between agricultural policy makers within GATT and the OECD and increasing agreement that market base strategies were superior to government intervention. As Skogstad¹² and Coleman¹³ have both noted, there was an international trend in

¹⁰ Office of the US Trade Representative USDA Agricultural outlook Forum; Remarks Prepared for Delivery by Ambassador Barshefsky February 24, 1997. (Press release handout.)

¹¹ "Film fees are One Last E.C. Trade Snag: Agriculture, Tariff Agreements Reached" *Washington Post* December 8th, 1993 F 1.

¹² Grace Skogstad "Ideas, paradigms and Institutions: Agricultural Exceptionalism in the European Union and United States" *Governance* **11** (1998) 463-90

¹³ William D Coleman "From Protected Development to Market Liberalism: Paradigm Change in Agriculture" *Journal of European Public Policy* **5** (1998) 632-51; William D. Coleman, Michael M Atkinson and Eric Montpetit "Against the Odds: Retrenchment in Agriculture in France and the United States" *World Politics* **49** 453-81; William D. Coleman "Policy Networks, Non state Actors and Internationalized Policy-Making: A Case Study of Agricultural Trade" in Daphne Josselin and William Wallace (eds) *Non-State Actors in World Politics* (forthcoming.)

policy making circles The obvious inconsistency between American rhetoric and American domestic subsidy programs was hard for its spokes people to explain. Globalization and internationalization reinforced pressures for reform. Sheingate notes that the agricultural policy network was vulnerable to a redefinition of the policy issues involved; Attention to the budget costs, environmental damages or threats of trade retaliation caused by domestic agricultural programs can introduce a new issue dimension into policy debates and destabilize a pro-subsidy majority in both the United States and the European Union.¹⁴ Discussions among the emerging international network of agricultural specialists helped redefine the issues and introduce new considerations.

As is generally the case, international pressures for change reinforced some domestic. Republican House leaders had long been offended by the challenge to their free market views that agricultural programs represented. After the Republicans captured control of Congress in 1994 and against a background of rising farm incomes, Congress adopted the FAIR Act that was hailed as ending the dependence of agriculture on the state that had prevailed since the New Deal. Agricultural subsidies were to be phased out by 2002 making the United States an exemplar to the rest of the world, particularly the European Union whose Common Agricultural Policy (CAP) had long been a target of US criticism. The radical change in US agricultural policy that the FAIR Act represented seemed at first sight to be an astonishing refutation of arguments that the US political system with its numerous veto points is incapable of ending programs such as agricultural subsidies in which politically well represented groups have an interest. Such arguments may have been wrong. Sheingate argues that the possibilities for change were *greater*

¹⁴Adam Sheingate “Agricultural Retrenchment Revisited: Issue Definition and Venue Change in the United States and Europe” *Governance* 13 (July2000) 335-364.

in the United States, not as the old iron triangle idea had suggested *less* than in Europe because of the possibilities for Avenue change. Separated institutions sharing power themselves divided in the case of Congress into an elaborate committee structure as well as two separate chambers provide multiple opportunities for changing the venue of decision away from a regular policy community-s. These opportunities were particularly great in the late 1990s in the House where the arrival in power of a Republican majority with an unusually strong leader, Speaker Newt Gingrich, made it possible to change the venue of decision making on agricultural policy. In particular, the Republican part leadership in the House, particularly Speaker Gingrich eager both to cut government spending and to prove their commitment to free market principles, had threatened to shift decision making on agricultural subsidies to the Budget Committee, far less sympathetic to subsidies than the Agriculture Committees.

The elements within the agricultural policy network who favor subsidy programs have not, however been overwhelmed by globalization and internationalization. This had been clear prior to the Republican majority in 1994. During the early years of the Clinton Administration, the United States clearly and conspicuously sacrificed the coherence of its international bargaining position for domestic reasons. The United States insisted on special treatment for agricultural commodities threatened by Mexican exports (such as the inedible Florida tomato) However, within a few years, agricultural prices and incomes had fallen and the political pressures to help farmers mounted. Agricultural subsidies zoomed upwards even as the target date for their abolition neared. The United States moved from being an exemplar of freer markets in agriculture to being a seeming proof of the permanence of agricultural protection. Oddly, little effort was made to resolve this contradiction. As one senior staffer on the House Agriculture Committee replied when asked about the contradiction between US praise for liberalized farm markets abroad and increasing subsidies at home, ASomeone around here ought

to worry about that, but no one does.”(15)

Far from being swept aside by the international trade policy network, members of the agriculture policy network were adept at finding ways to influence trade policy. Trade negotiations such as NAFTA are entrusted to the US Trade Representative, an official generally with extensive political experience located in the Executive Office of the President. Contemporary trade agreements have been ratified under the fast track procedures that minimize the opportunities for Congress and interest groups that influence over it to shape the content of trade agreements by providing that they will be approved or rejected by Congress without amendment and within a specified and relatively brief time. In the case of the NAFTA negotiations, agricultural interest groups had numerous opportunities to comment on agreements during and after negotiations. The USTR was required by law to have an Agricultural Policy Advisory Committee and ten ATACs (Agricultural Trade Advisory Committees) evaluated the impact of the agreement on specific commodities. Members of these committees could call on the support of Representatives and Senators from areas where a commodity was produced and found the support they received from legislators superb when needed,¹⁶ as we would expect from American legislators with their emphasis on constituency service. Most importantly, however, Congress retained a final say both over specific agreements and over the decision on whether or not Presidents should continue to have fast track authority. Particularly in the case of NAFTA, this power allowed agricultural interests to extort protectionist concessions in return for the much needed votes of the members of Congress from areas in which trade vulnerable crops (such as citrus fruit and vegetables in Florida) were produced. Orden concludes that

For agriculture, in particular, attaining freer trade with Mexico under NAFTA accomplished only a small

15 Interview with the author.

¹⁶David Orden “Agricultural interest Groups and NAFTA” in Anne O. Krueger (ed) *The Political Economy of US Trade Policy* (Chicago; University of Chicago Press, 1996.)

percentage of the goals sought eventually through GATT. Progress, to be sure, but at such a rate as perhaps to be negligible unless the agreement with Mexico becomes the prototype for a multilateral trade liberalization in the long run. This is the outcome that protected agricultural interests claim to fear but have so far avoided.¹⁷

Similarly, the commitment of the Republican leadership to reducing government expenditures and the role of government in the economy gave way in the case of agriculture to arguments that maintaining the new Republican majority in the House required allowing the Agriculture Committee to develop a series of extremely expensive "emergency" measures to compensate farmers for falling prices with increased subsidies. The growth of the Republican Party in the South had placed in charge of agricultural policy in the House legislators from a region traditionally supportive of a larger government role in agriculture as opposed to the traditionally more market orientated Republicans from the Midwest who had shaped Republican policy in the past. The new Republican agricultural leadership argued successfully that securing majorities for key Republican policies in the short term and an overall Republican majority in elections thereafter required treating agriculture as a special case.

The wording of the FAIR Act insures that Congress will have to pass further legislation by the end of 2002 when the FAIR Act expires; otherwise the original New Deal legislation, which everyone agrees is totally unworkable, would come back into force. All the signs are that Congress is already moving towards restoring, not ending, farm subsidies, even while the Republican, pro free market majority still has a majority in the House. In 1998 and 1999, Congress provided over \$14 billion in additional "emergency" aid to farmers as prices fell. The conservative *American Spectator* complained that "Nothing better symbolizes the collapse of Republican principles than the multiple farm bailouts Congress has passed since July [1998.]"

¹⁷ Ibid p 381.

Agricultural subsidies are sky rocketing and the 1996 «Freedom To Farm Act» - ritually invoked as a triumphant achievement of the Republican Revolution may soon be....in ruins.¹⁸ In 1999, farm subsidies were estimated to cost \$14.4 billion, double the amount spent prior to the adoption of FAIR in 1995.¹⁹ The old agricultural policy network was, in short, as adaptive to disruption from domestic political actors (Republican Party leaders with an ideological antipathy to farm subsidies) as it was to disruption from internationalization. Perhaps the explanation was similar.. As Orden, Paarlberg and Roe argue,

A...it was the relatively large numbers of House Republicans who still cared about farm programs, together with the relatively small savings that agricultural cuts could provide, that finally persuaded the House leadership to yield (including even Majority Leader Dick Armey, earlier the most vocal of opponent of farm programs in the entire Congress.) House Republican leaders knew the real budget battle of 1995 would take place over the much larger issues of tax cuts, welfare and health care entitlements. To win this larger partisan battle, every single rank and file Republican vote would count. This gave Roberts and the farm district Republicans that he rallied the leverage they needed to face down the Budget Committee and save farm programs (plus a variety of agribusiness subsidy programs) from the cuts for which Lugar was calling in the Senate.²⁰

Just as the USTR was forced to take agricultural interests into account in the dealing that preceded Congressional approval of NAFTA and the Uruguay Round, so Speaker Gingrich

¹⁸ James Bovard «Freedom To Farm Washington» *American Spectator* Vol 33 No 11 (November 1998) p 72.

¹⁹ John Carey «Let the Markets Do Their Job» *Business Week* 28 June 1999.

²⁰ Orden, Paarlberg and Roe, p 182.

needed to defer to Representative Roberts, chair of the House Agriculture Committee, to secure votes for his overall budget proposals.

In general, then, the agricultural policy network has been less changed by globalization, internationalization, and, for that matter, a period of Republican majority rule in Congress, than we had reason to expect.

Environmental Networks, Globalization and Internationalization

Globalization and internationalization seem particularly threatening to environmentalists. Globalization raises the danger of a race to the bottom²¹ as countries compete for investment in part by reducing the stringency of regulations. Internationalization may change the policy network by shifting the policy debate from a sympathetic domestic forum to an international body such as the WTO inspired by a very different set of values and concerns.

The American environmental policy network is large, varied and often fractious. There are at least fifteen major environmental interest groups operating in Washington D.C. and dozens of smaller ones. The groups differ noticeably in their ideology, particularly on foreign trade.²¹ Some environmental groups believe that trade is inherently bad for the environment by promoting economic growth and the movement of goods; other environmental groups believe that trade promotes higher living standards that in turn are conducive to environmental protection. Environmental interest groups display a similarly diverse set of attitudes to corporations ranging from a belief that capitalism is inherently bad for the environment (presumably worse than say, socialism in the former communist countries of eastern Europe) to a belief that it is possible to collaborate effectively with corporations in, for example, developing

²¹ John Audley Green *Politics and Global Trade; NAFTA and the Future of Environmental Politics* (Washington DC: Georgetown University Press, 1997.)

plans to reduce pollution from specific factories. The environmental policy network also includes a large number of corporate lobbyists and officials who are involved in the development and implementation of environmental laws and regulations. The final major element in the network are the governmental officials in the Environmental Protection Agency (EPA) and on congressional staffs who are committed to environmental policy making.

Throughout its formative decades, the environmental policy network in the United States has been characterized by mutual suspicion and hostility. Environmentalists believed that corporations were run by callous capitalists who would destroy the earth in quest of profits while business executives believed that environmental groups were run by a combination of extremists opposed to capitalism itself and opportunists whose jobs are dependent on magnifying the extent of environmental dangers in order to attract contributions from a frightened public. Environmentalists believed that government agencies such as the EPA would sell out to corporations unless continuously harassed in law suits to compel them to follow the letter of the law²² while pro-business critics of the EPA complained in the words of Tom DeLay, the Republican House majority leader, that it is a Gestapo-type government imposing regulations on the American people.²³ Over the decades, however, all elements in the policy network realized that they were going to have to learn to live with each other. The 1980s was a crucial decade. Business hopes that the Reagan Administration would permanently weaken environmental laws were disappointed in spite of early political appointments to the EPA designed to reduce its regulatory zeal. Indeed, the Reagan years saw a substantial strengthening of environmental

²² For criticisms of the conflict and legalisms of the environmental policy network see Pietro Nivola *Comparative Disadvantage? Social regulation and the Global Economy* (Washington D.C.: Brookings Institution, 1997.)

²³ Quoted by Donald F Kettl *Environmental Policy: the Next Generation* *Brookings Policy Brief* No. 37 (Washington DC: Brookings Institution 1998) p 2.

groups as members of the public frightened by the extremist rhetoric of Reagan Administration officials flocked to join environmental interest groups. Moreover, even environmental groups began to realize that a system of environmental protection based on legal action and punishment was not very effective; more could be accomplished with the cooperation of industry than through the heavy handed use of the law.²⁴ The environmental policy network therefore showed some evolution towards increased cooperation though remaining far from being a policy community in the full sense.

There is (at last as yet) no evidence to suggest that globalization has prompted the US to reconsider the stringency of its environmental laws. Particularly during the current long running boom Americans have shown little concern that their environmental regulation might put them at a competitive disadvantage with other nations. There have been, however, a number of dramatic conflicts between US environmental groups and international trade bodies. In two major and one lesser instances, action by international trade bodies seemed to environmentalists to threaten their capacity to use US law to further their agenda. In the tuna /dolphin case, a disputes panel of the GATT ruled that US use of the Marine Mammal Protection Act had been used in a manner that constituted unacceptable trade discrimination by banning all tuna imports from countries deemed to have inadequate dolphin protection policies in the eastern Pacific. In the Areconstituted gasolene@ case, the WTO ruled that regulations adopted under the Clean Air Act discriminated against imports; as there was clear evidence on the record that the regulations had been drafted at the request of Senator Barbara Mikulski of Maryland to protect refineries in her state, this case was less controversial. Finally in a more major case, the WTO ruled that the use by the United States of the Marine Mammal Protection act to bar imports of shrimp from countries that did not

²⁴ For an excellent discussion of the movement towards cooperation in the environmental policy network see Edward Paul Weber, *Pluralism By the Rules: Conflict and Cooperation in Environmental Regulation* (Washington DC: Georgetown University Press, 1998)

require the fitting of turtle exclusion devices (teds) by their shrimp fishermen was again an unacceptable barrier to trade.

These cases have driven environmentalist commentators into a frenzy. The *San Francisco Chronicle* quoted a Georgetown law professor, Robert Strumberg: "Although there benefits to getting more open markets the unanswered B and until recently unexamined B question is whether Americans are willing to pay the high price of trading away our legislative power."²⁵ Even before the more powerful WTO replaced GATT, the *Congressional Quarterly* under a headline "Critics Fear GATT May Declare Open Season on U.S. Laws" reported that the WTO had attracted criticism not only from liberal groups but the far right: "I am flat out against world government" it quoted Senator Jesse Helms as saying.²⁶

In fact, of course, the WTO has nothing like the power that these comments imply. Governments that lose cases in the WTO have the option of paying compensation rather than changing the policy that is the subject of the complaint to the WTO. Moreover, any change to come into compliance with WTO rulings must go through the normal domestic policy making process. In the case of the United States, such changes are likely to involve a change in the law. The tuna/dolphin case was a good example. Coming into compliance with the GATT ruling required an amendment to the Marine Mammal Protection Act. No legislator was eager to sponsor a bill subordinating American law to an international organization with the outcome of endangering such a popular creature as dolphins. Lori Wallach, the international trade lobbyist for the Nader groups, invented the brilliant slogan "It's GATTzilla versus Flipper!" which neatly encapsulated the political problems. Ultimately, the Latin American countries that had already

²⁵Robert Collier and Glen Martin "U.S. Laws Diluted By Trade pacts Rulings" *San Francisco Chronicle* 24 July 1999.

²⁶David S. Cloud "Critics Fear GATT May Declare Open Season on U.S. Laws" *Congressional Quarterly Weekly Report* 23 July 1994 pp 2005-2010.

won their case in GATT were obliged to enter into negotiations with five moderate environmental groups that resulted in an agreement known as the Declaration of Panama. The Declaration committed the complaining countries to a new program of dolphin protection that was actually more strict than biology required for dolphin preservation. In return, the five environmental groups promised to help obtain legislation from Congress to bring the US into compliance with the GATT ruling.²⁷ Even then, the requisite legislation was amended to ward off a filibuster threat from Senator Boxer so that the initial promise of giving a dolphin safe designation to tuna from the complaining countries was not honored. US domestic courts have so far prevented the United States from complying with the WTO ruling on shrimp/turtles.

We should not therefore imagine that the domestic environmental policy network has been overwhelmed and defeated by internationalization. New actors have certainly entered the environmental policy network B actors such as the WTO, Foreign governments that make complaints to it and agencies in the United States that are obliged to respond to these complaints or to manage US foreign policy. The evidence so far, however, is that these new entrants into the policy network have not changed the balance of power within it. On the contrary, it is more likely that the policy networks that impinged on the US domestic environmental network have themselves been changed by the encounter. An important aspect of the shrimp/turtle case was that the WTO Appeals Panel that issued the final ruling granted non governmental organizations such as US environmental groups the right to present evidence and arguments to the WTO directly; they were no longer reliant on national governments to make their case for them. The US government (including President Clinton himself) exerted significant pressure on the WTO to be more accommodating to public interest groups.

²⁷ For a history of the tuna/dolphin case see Richard W. Parker *The Use and Abuse of Trade Leverage to protect the Global Commons: What We Can Learn From the Tuna- Dolphin Conflict* *Georgetown International Environmental Law Review* **12** (1999 3-123).

Perhaps not surprisingly, the WTO responded. *The Economist* reported that the WTO's new director, Mike Moore is reaching out to the most vocal of all the WTO's critics: environmentalists.²⁸ The WTO invited environmental groups to meetings at its Geneva headquarters and issues a report that acknowledged that there are ways in which trade could be damaging to the environment. In the event, the WTO's summit in Seattle failed against the backdrop of rioting environmentalists and other activists. President Clinton, perhaps fearful of alienating core Democratic constituencies on the eve of an election year, destroyed the chance of progress at the summit by insisting that trade sanctions might be used to raise environmental and workplace conditions, a position that poor countries understood as threatening their ability to compete by using one of their few resources, namely abundant labor.²⁹ In an unsuccessful attempt to appease the visibly well coordinated non governmental organizations that came to Seattle to protest outnumbering official delegates ten to one, the WTO held a special NGO day on the eve of the conference.³⁰ *The Financial Times* has suggested that in a very real sense Seattle will be as much a test of the power of NGOs to influence international agendas as of the ability of trade negotiators to drive that agenda forward.³¹ There seemed little doubt as to which side had passed the test.

Economic Policy Networks.

²⁸ Embracing Greenery@ *The Economist* 9 October 1999 p.89.

²⁹ Helene Cooper Finger Pointing Follows WTO Talks@ *Wall Street Journal* 7 December 1999.

³⁰ WTO; Tireless in Seattle 9 November 1999. See also Helene Cooper, Bob Davis and Greg Hill Up in Smoke: WTO's Failure in bid to Launch Trade Talks Emboldens Protesters@ *Wall Street Journal* 6 December 1999.

³¹ Sleepless in Seattle *Financial Times* 9 November 1999.

Few issues have been more important in domestic politics than the management of the economy. A voluminous academic literature has emphasized the importance of the state of the economy in determining the outcome of elections. Politicians themselves frequently draw attention to the state of the economy in election campaigns when it is to their advantage to do so, as when Ronald Reagan asked American voters in 1980s to ask themselves whether they were better off than they were four years earlier in deciding whether to support him or the incumbent President, Jimmy Carter. The actual composition of economic policy networks has varied over the years depending in large part on the nature of economic policy. The heyday of Keynesianism gave primacy to those most in a position to operate the levers of taxing and spending that were at the heart of its approach to economic management. In the United States, this translated into increased power for the Office of Management and Budget and the leaders of key Congressional committees such as Ways and Means in the House and Finance in the Senate. Brief experiments with prices and incomes policies under President Nixon gave a temporary boost to the importance of union leaders.

The rise of monetary policy since the 1970s, however, has increased dramatically the importance of leaders of central banks (in the United States the Federal Reserve Board). In the United States, the Fed was created to be relatively autonomous from political control with members of the Board enjoying long terms of office. Although a number of factors (primarily the tendency of Board members to resign far short of their potential maximum tenure and the dominance of the Chairman who holds office for only four years) reduce its autonomy, the Fed remains among the most autonomous central banks in the world. The President's power to nominate the Chairman and members of the Board is an inadequate weapon to control monetary policy. As a recent authoritative study argues "Presidents face at least three important obstacles when they attempt to influence monetary policy via the appointment power. Appointment

opportunities are infrequent; the Senate may be unamenable to the confirmation of the president's nominee and appointees are often unreliable³² [in supporting the Presidents' views.] Only Carter, Reagan and Clinton were able to fill the Board with reliable appointees and on average Presidents spend 75% of their terms of office without majority support on the Board.³³

It has long been acknowledged that the United States and the Federal Reserve Board have a special role to play in the global economy. As the dominant economic power, the United States has a particular responsibility to stabilize the global economy and to work to avoid catastrophes such as a world recession. For its part, the Federal Reserve Board arguably came into existence in order to provide international finance with the institutional assurance that the US dollar was a sound currency.³⁴ In view of the world leadership role of the United States and the economic leadership role of the Fed, its chairman is now sometimes referred to as the god of global finance.³⁵ Greenspan himself has acknowledged his international role, if only to protect the United States from a foreign born recession: It is just not credible that the United States, or for that matter Europe, can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress.³⁶ Financial commentators have recognized this role. The Chief Economist for Morgan Stanley recently argued that the Fed is exercising leadership in a

³²Irwin L. Morris *Congress, The President and the Federal Reserve: The Politics of American Monetary Policy Making* (Ann Arbor MI: Michigan University Press, 2000) p 85.

³³ Bid, pages 74 and 76.

³⁴J Lawrence Broz *The International Origins of the Federal Reserve System* (Ithaca: Cornell University press, 1997)

³⁵ A To Boldly Go *The Economist* 25 March 2000 p 29.

³⁶ A Statement by Alan Greenspan, Board of Governors of the Federal reserve System before the Committee on the Budget, U.S. Senate, September 23, 1998" *Federal reserve Bulletin* November 1998, p 936.

turbulent world.³⁷

Globalization has affected US economic policy making in several ways. The first is simply that US policymakers give primacy to global responsibilities over their domestic by making decisions that are increasingly geared to international rather than domestic circumstances. This the Fed set US interest rates lower than domestic conditions warranted because it feared that to increase them would be to add to the problems Asian economies experienced in the late 1990s. A 1998 interest cut was interpreted as made because the Fed had to take into account the contrast between a domestic economy that is purring along at a comfortable pace and a world economy that is sputtering.³⁸ For some time the Fed had feared that any increase in US interest rates would make dollar denominated investments more attractive and would further strengthen an already strong dollar. Asian currencies would weaken in comparison, adding to the region's turmoil.³⁹

A different effect has been for the United States to become much more involved in economic discussions with the other leading economic powers, the G 7. The G 7 was one of the major examples underpinning Putnam's idea of the two level game⁴⁰ In an earlier more descriptive study, Putnam and Bayne provided some examples of early attempts at the G to coordinate economic policies.⁴¹ At Williamsburg in 1983, for example, although the heads of

³⁷ David Francis "Amid Global Crisis, Fed Leads by Example" *Christian Science Monitor* October 1, 1998 p 5.

³⁸ Ibid

³⁹ "US Economy Puts on Stellar Show But Fed Watches Asia" *Christian Science Monitor* December 17 1997 p 4.

⁴⁰ Robert D Putnam "Diplomacy and Domestic Politics: The Logic of Two level Games" *International Organization* 42 (1988) 427-60.

⁴¹ Robert D Putnam and Nicholas Bayne *Hanging Together: The Seven-Power Summits*

government also discussed security issues, much pressure was exerted on the United States unsuccessfully to reduce its budget deficits. Putnam and Bayne note that Officials in the Reagan White House were determined from the start not let summitry interfere with domestic economic policymaking and they succeeded.⁴² Yet Putnam and Bayne argued that the G 7 was already influencing the thinking and behavior of heads of government by the early 1980s. As Summitters note that personal amity and the knowledge that one would have to face one's colleagues again next year can have a shaming effect inhibiting unilateral national policies. It is like a schoolboys club noted one French [official] -and you would not like to violate the rules of the game.-(p 197) Discussions at the summit also framed how government leaders and officials thought about issues. Putnam and Bayne quoted one American official as arguing that the summits force internationally orientated agencies to think about domestic politics and domestically orientated agencies to think about international implications. (p 199) Leaders such as Margaret Thatcher frequently used language from summit communiqués to defend their policies against domestic critics. (203) Most relevantly for our purposes, AUS policies have been at the center of most summit controversies. Virtually every major summit initiative was either promoted by (or somewhat less often) aimed at the United States. (208)

(London: Heinemann, 1984.)

⁴² Ibid, p 193

The G 7 summit has evolved since Putnam and Bayne conducted their innovative work. Finance minister and central bank governors now meet three times a year in addition to the annual heads of government meetings. However, Baker reports, "The engine room of the G 7 process is the deputies= network of senior finance ministry and central bank officials who meet approximately every six weeks as G 7 deputies. This provides a continuity of informal contacts and facilitates personal relations and familiarity."⁴³ Most importantly, because there is a prevailing international consensus that governments can no longer "buck the market" and that international financial stability depends on sound domestic economic policies, the practice has developed of subjecting each others= *domestic* international policies to collective *international* scrutiny by the G 7.⁴⁴ The managing director of the IMF joins in these discussions. Baker argues convincingly that the process is important not so much as "hard bargaining" on specific proposals but rather as a means of developing transnational policy consensus.⁴⁵ Baker extends Putnam and Bayne's analysis by noting how G 7 leaders collectively attempt to export the consensus they have developed to other governments, global markets and international organizations as well as to domestic actors. The most recent G 7 meetings have urged the United States to maintain budgetary surpluses and "prudent" monetary policies while Japan was urged to maintain ultra easy monetary policies in order to promote recovery.⁴⁶ Japan did so for several months until the central bank made an unexpected small increase in rates.

⁴³ Andrew Baker "The G 7 as a Global 'Ginger Group'" *Global Governance* 6 (2000) 165-189.

⁴⁴ Ibid p 167.

⁴⁵ Ibid p 170

⁴⁶ John Burgess "Finance Ministers Seek Growth Rate Corrections" *Washington Post* 16 April 2000; Takehiko Kajita "G 7 Upbeat on Global Growth" *Kyodo News Service, Japan Economic Newsletter* 15 April 2000.

The Japanese example reminds us that nation states have by no means surrendered sovereignty to the G 7. Except for the European countries that have adopted the single European currency, national governments remain free to adopt policies that buck the opinions of international organizations. Yet while it would be fantasy to believe that international gatherings such as the G 7 dictate economic policies to the United States or any other country, the dense network of contacts within the G 7 has come close to creating an international policy community with a generally shared view of economic conditions and optimal policies.

Democracy, Globalization and Policy Networks

A fear of globalization and internationalization that unites both left and right is that the nation state is losing its power. States are either imprisoned by the rampant economic forces of globalization or have lost authority to international organizations. The center left may be particularly concerned that the main instrument for potential democratic control of market forces, the nation state, is losing power. This paper provides no support for such extreme statements of concern. It is true that the forces of globalization and internationalization have impinged on all the policy networks we have examined. International trade organizations called into question environmental regulations and laws. The quest for global markets in agriculture encouraged a re-consideration of agricultural policy that also had strong domestic roots. Ongoing international discussions between politicians and bureaucrats on economic policy became a powerful influence on policy along with domestic considerations. Yet in none of the cases examined was it plausible to suggest that international organizations or global forces had over-ruled national authority. Probably the most impressive international involvement in a policy network was in economic policy making. In environmental and agricultural policy making, domestic forces were clearly predominant. International pressure on the United States to change its environmental laws led to

negotiated change that strengthened the policies rather than weakening them. Agricultural policy took off in a direction contrary to international policy goals after a farm income crisis hit. Only in the case of economic policy making were the results less clear and the argument that an international network had been particularly influential convincing.

Those worried about the capacity of globalization and internationalization should take heart from these stories. When a strong set of public interest groups with popular support confronted international organizations over environmental laws, they won. When farmers and their interest groups demanded policies (of dubious merits) to increase farm incomes through policies directly contrary to the globalization agenda for agriculture, they won. Perhaps revealingly, the best case for international organizations having an impact is in economic policy making where, although popular concern with outcomes is intense, the issues are too technical and remote for popular organization to count. For better or for worse, when domestic policy networks contain highly organized and mobilized groups, the forces of globalization and internationalization do not triumph.

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