# 3 *Rethinking Governments' Autonomy in a Globalized World*

With an understanding of promissory representation in hand, we now turn to the structural forces that shape how it functions in practice. This chapter develops the theoretical framework that underpins the book's analysis of how economic globalization affects promissory representation. We argue that globalization has fundamentally reshaped the autonomy of governing political parties, especially those in executive office, by introducing a set of external constraints that limit their ability to make and fulfill campaign promises. We identify four principal sources of constraint on national governments, which in turn bind the parties that vie for office: (1) international legal commitments that narrow domestic policy discretion; (2) globally integrated market actors that pressure governments to sustain international competitiveness; (3) shifting citizen preferences and expectations in response to globalization; and (4) heightened uncertainty that impedes parties' ability to anticipate the consequences of their promises. These constraints may be present at the time at which parties formulate their campaign promises and could emerge or take on different forms after elections when governing parties attempt to keep their promises.

This framework forms the basis for the analyses that follow in the rest of the book. It helps explain variation in both retrospective aspects of promissory representation – such as the fulfillment of campaign pledges (Chapters 4 and 5) and voter sanctioning for broken promises (Chapter 6) – and prospective aspects – such as parties' ideological positioning (Chapter 7), the adoption of populist appeals (Chapter 8), and the clarity or ambiguity of campaign language (Chapters 9 and 10). By anchoring our empirical analyses in a unified theoretical logic, this chapter sets the stage for a multimethod examination of how globalization reconfigures democratic accountability.

This chapter builds on existing research that has emphasized how globalization narrows the policy options and autonomy available to governments in open economies (Rodrik 1997, 2012). While we share



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this general conclusion, our argument requires a more precise account of how these constraints operate. For example, some economists point to the diminished effectiveness of national economic policy tools as monetary systems become more globally interconnected (Broz and Frieden 2001). While such insights are valuable, our analysis demands a clearer specification of the mechanisms through which globalization limits parties' ability to uphold the principles of promissory representation.

While this chapter focuses on four primary globalization constraints, these are of course not the only forces at play in limiting national governments' room to maneuver. Globalization also introduces other constraints that may be relevant in some contexts, such as technological changes, geopolitical pressures, and cultural shifts. While these are not our primary concern, they are related to the constraints we highlight and feature in our discussion. Advancements in technology driven by global market forces can outpace the regulatory capabilities of national governments, limiting their ability to control the spread of information or regulate industries in relation to competition and privacy (Johannessen 2021; Sachs 2020). Rapid technological changes are part of the economic uncertainty that governments must deal with, which we discuss in this chapter. Cultural globalization, including the diffusion of ideas and values across borders, can create societal divisions and challenge domestic policies aimed at preserving national identity or social cohesion (Hopper 2007; Norris and Inglehart 2019; Zajda and Majhanovich 2024). This is part of the growing phenomenon of populism that we examine in Chapter 8. The interconnectedness of global politics also means that domestic policy decisions are increasingly influenced by the interdependent geopolitical environment (Blouet 2004; Keohane 1984; Woodley 2015). Strategic alliances, foreign policy pressures, and international security concerns may lead to policy shifts that contradict the policies favored by national publics and political parties. Farrell and Newman's (2019a, b) theory of weaponized interdependence, which we discuss later in this chapter, describes how recent technological changes have increased the significance of large technology firms. These firms are among the market actors that constrain national governments.

## International Legal Commitments

The first constraint of globalization stems from the growing body of international laws and norms that bind countries together. The most

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remarkable finding from comparative research on compliance with international laws and norms is the high level of compliance with them. Louis Henkin (1979: 47) famously stated that "almost all nations observe almost all principles of international law and almost all of their obligations almost all of the time." Subsequent empirical analyses have largely agreed with this generalization, although different theories have been proposed for the conditions under which states do not comply and the reasons why they generally do (Downs, Rocke, and Barsoom 1996; Simmons 1998; Von Stein 2017). The good record of compliance may surprise some readers, particularly as important cases of noncompliance readily come to mind. These cases of noncompliance are important, and they may have significant consequences for the citizens and organizations that are affected by them. They do not, however, call into question the overall tendency toward compliance when considering the vast body of international law as a whole.

An indication of the scale of international law is the sheer volume of international treaties and agreements to which states have agreed. The large scale of international law helps us to understand why Henkin's observation regarding states' good record of compliance is compatible with a relatively modest number of cases of noncompliance. The United Nations (UN) Charter that came into effect in 1945 stipulates that "every treaty and every international agreement entered into by any Member of the United Nations after the present Charter comes into force shall as soon as possible be registered with the Secretariat and published by it" (United Nations 1945: Article 102). The UN Treaty Collection now consists of over 560 multilateral treaties and over 250,000 treaties or treaty actions that have been registered with the Secretariat (United Nations 2023). These include broad ranging agreements that have highly significant effects on states, such as the General Agreement on Tariffs and Trade (GATT) that was signed in 1948.[1] International treaties and agreements also include highly specific agreements between states. These are only the tip of the iceberg of international law, as many of these treaties create legislative and judicial bodies that promulgate more rules and obligations that the states affected generally follow.

[1] The GATT formed the basis of a series of multilateral negotiations that eventually brought into being the World Trade Organization (WTO), which despite regular impasses sits at the apex of the global governance of international trade.

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An extensive body of research has considered competing and complementary explanations for the fact that states' records of compliance with international laws are generally good. This body of theoretical and empirical research can be divided into two approaches: instrumentalist and normative (Keohane 1997). According to instrumentalist approaches, states generally comply with their international obligations despite there often being differences between the policies they would enact in the absence of these obligations and the policies they are supposed to enact according to their obligations. In other words, states regularly have incentives to deviate from their obligations. However, the costs of noncompliance generally outweigh the benefits. Normative approaches, by contrast, generally reject the idea that states' policy preferences and cost–benefit calculations are paramount. Instead, states' participation in international cooperation is motivated by and in turn further strengthens the norm that international agreements should be obeyed (Koh 1997).

Enforcement and the threat of enforcement are instrumentalist explanations for compliance. International laws can be and are regularly enforced by international courts or quasi-judicial bodies. There are numerous cases in which states were prosecuted for failing to abide by their commitments to the treaties and agreements they had signed.[2] For instance, the WTO's dispute settlement mechanism involves a quasi-judicial authority consisting of expert panels and the Appellate Body. These bodies hear cases brought against states (usually by other states) in which it is alleged that the defendants are unduly restricting imports of goods or services (or violating international trade law in other respects). Import restrictions are not always illegal, but they must be justified according to accepted legal principles. Cases that come before the WTO are often ambiguous in the sense that compelling arguments can be made. It is therefore the task of the WTO panels and Appellate Body to consider whether the defendant states' trade

[2] A large literature focuses on enforcement through sanctions or threat of sanctions by dispute settlement bodies based on the widespread assumption that the main challenge to cooperation consists of free-rider incentives (Koremenos et al. 2001; Martin and Simmons 1998; Oye 1986; Rosendorff 2005; Rosendorff and Milner 2001; Snidal 1985). Scholars have also demonstrated that international organizations and courts can increase compliance by providing information about whether states are noncompliant with international law (Brutger 2024; Donno 2010).

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restrictions are warranted or "necessary" in pursuit of what may be legitimate national interests to protect domestic industries, health, or cultural practices (Foster 2021: Chapter 5). WTO rulings are generally complied with (Bown 2004; Sattler, Spilker, and Bernauer 2014). Furthermore, such rulings have consequences beyond the cases that the rulings directly concern, because national trade policymakers are guided by these rulings when formulating trade policies in relation to other products and industries. WTO rulings often refer to precedents, such that previous decisions on whether a particular trade policy measure complies with the WTO rule are applied to similar cases in the future, even when the cases involve different states, products, or services (Takechi 2023). This means that the implications of WTO decisions are often far-reaching.

Domestic courts in liberal democracies also compel national governments to adhere to their international obligations (Slaughter 1995). Part of the definition of liberal democracy is that elected governments' decisions can be challenged by independent courts. National and subnational courts can refer to their states' international obligations when making rulings. Citizens and corporate entities may bring court actions against their national governments based on alleged noncompliance with international law. As with the rulings of international courts and quasi-judicial bodies, the rulings of domestic courts and the prospect of such rulings compel national governments to adhere to their international commitments.

A related but distinct instrumentalist argument is that states comply with international law through a reciprocal process to reap the benefits of international cooperation (Fard 2015; Keohane 1986). Governments recognize that failing to comply with an international agreement may prompt other parties to renege, either on the same agreement or on others, thereby harming their interests (Koremenos, Lipson, and Snidal 2001; Martin 1992; Martin and Simmons 1998; Oye 1986; Rosendorff 2005; Rosendorff and Milner 2001; Schneider and Slantchev 2013; Snidal 1985).[3] According to this mechanism, states choose to comply because the costs associated with other states' retaliation generally outweigh any benefits. Reciprocity need not be confined to bilateral relationships, as sociologists and anthropologists

[3] This could also be achieved through the naming and shaming of noncompliers (Hafner-Burton 2008).

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have long recognized (Simpson et al. 2018). Generalized reciprocity means that an individual who helps another person gains a reputation for being kind and cooperative, and as a result that individual is more likely to be helped by other people with whom they had not previously interacted. Likewise, states benefit from accumulating a reputation for being reliable and law-abiding (Keohane 1984). This reputation ensures that other states are more likely to cooperate with them, thereby further increasing the benefits from compliance.

According to the normative lens on compliance, states obey international obligations because national governments generally view compliance as the right thing to do (Franck 1990; Hurd 1999). Normative explanations of compliance highlight the concept of legitimacy, which refers to the perceptions of the relevant actors, in this case the perceptions of national policymakers of the states concerned, that an international obligation ought to be obeyed. Such perceptions are part of states' collective identities as law-abiding entities. Normative explanations of compliance based on the legitimacy of international obligations leave open the possibility that national governments may have a preference-based incentive to deviate from their international obligations. National policymakers may view an international obligation as legitimate in the sense that it should be followed, while at the same time holding policy preferences that differ from the contents of those obligations.

A distinct variant of the normative explanation is that states' engagement in international fora shapes those states' policy preferences. In other words, states' policy preferences are not independent of the international agreements in which they participate but rather are shaped by those agreements. Empirical studies illustrate the role of international networks of technical and legal experts in defining the policy preferences of participating states (Haas 1989, 2002; Koh 1997). Many international agreements are of such a technical nature that elected politicians, who are usually generalists, must rely on specialized experts to understand their implications. When these experts participate in international communities of experts, which Haas (1989) refers to as epistemic communities, their views may converge on desirable policy goals and instruments through regular interactions. These views subsequently inform the policy preferences of national governments, which lead to a convergence of states' policy preferences and, in turn, natural compliance.

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Normative explanations of compliance are particularly relevant to soft law, which refers to rules and processes that are not unequivocally legally binding. A prominent example of such soft law is the Paris Agreement's pledge and review system under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC). This soft law approach is the international community's main response to the existential threat of global warming. The Paris Agreement was a marked shift away from the convention-protocol system, which had attempted to impose legally binding obligations on states. It introduced a bottom-up approach in which states determine their own commitments in the form of Nationally Determined Contributions, which are documents in which the parties to the Paris Agreement describe their policies and targets (Keohane and Oppenheimer 2016; Leinaweaver and Thomson 2021). The Nationally Determined Contributions are regularly reviewed and revised, partly in ongoing expert working groups and partly in the yearly Conferences of the Parties that have become major international media events. These result in significant national and international pressure on states to adhere to their commitments (Tingley and Tomz 2022). They also serve to advance the principle contained in the Paris Agreement that states' commitments should become progressively more ambitious over time. The fact that global action to mitigate and adapt to global warming has been inadequate to date suggests that soft law is not a significant enough constraint on states' behavior in relation to climate change. It does not, however, indicate that soft law is entirely inconsequential. Close observers of the UNFCCC process document the effects, albeit insufficient to stop global warming, that it is having on national and international institutions and policies in relation to climate change (Boehm et al. 2023; Chasek, Downie, and Brown 2014; Robiou Du Pont and Meinshausen 2018; Tingley and Tomz 2022; World Resources Institute 2022).

Many of the countries that are the focus of our inquiry are members of the European Union (EU). It is therefore relevant to consider EU laws as a constraint on many of the states included in our study. A small industry of academic studies has examined EU member states' compliance with EU laws (Börzel 2021; Börzel and Risse 2007; Falkner et al. 2005; Schimmelfennig, Engert, and Knobel 2003; Thomson 2010; Thomson, Torenvlied, and Arregui 2007). Researchers in this field express different views on the severity and significance of the compliance problem in the EU. However, the consensus is that relative

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to the large corpus of EU law that applies to EU members, there is evidence of noncompliance only on a modest proportion of EU members' obligations. The European Commission (EC), the EU's executive branch and bureaucracy, plays an important role in identifying and pursuing cases of noncompliance. The EC may start an infringement proceeding against a member state that it believes is not complying with its obligations. The infringement proceeding starts with a so-called reasoned opinion, which consists of a letter from the EC to the relevant national government. This is usually enough to bring the state into line, and only rarely does the EC need to take the case further to the Court of Justice of the EU to compel compliance. Moreover, any country that wants to become a member of the EU must comply with the entire body of rules and regulations, the so-called *acquis communautaire*. The desire of outsiders to become members has been an important impetus for many accession states to make significant changes to their domestic laws and policies to comply with EU regulations (Grabbe 2002; Plümper, Schneider, and Troeger 2006; Schimmelfennig 2007, 2008; Schimmelfennig and Sedelmeier 2002; Schimmelfennig, Engert, and Knobel 2003; Schneider 2007, 2009). As with Henkin's observation regarding states in general, in the case of the EU, most member states, most of the time, comply with most EU laws.

Some scholars argue that international law is not much of a constraint on national governments, because states agree only to international obligations that deviate marginally from the policies that they would in any case pursue (Chayes and Chayes 1993; Downs, Rocke, and Barsoom 1996). This view is sometimes associated with the realist school of thought in international relations, which focuses myopically on states' pursuit of security and the prevalence of international anarchy, in the sense that there is no world government that has the authority to enforce international laws in the same way that state governments can on their citizens. According to realists, states comply simply because they agree with what they signed up to (Mearsheimer 1994; Morgenthau 1973). As Von Stein (2012: 478) succinctly puts it, for many realists "any compliance we observe is coincidence; states abide because it is in their immediate interest to do so." While realists have provided valuable insights into international security, this framework is less informative when we turn to the effects of international economic interdependence as a constraint on national governments in

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a range of areas of domestic policies, where much evidence points to high levels of compliance even after considering state interests.

This realist view of compliance is valid in the trivial sense that states themselves sign up to international agreements and are therefore likely to sign up to agreements with which they broadly agree at the time. But it is naïve and unrealistic to suggest that international agreements are not constraints, and that national policies in relation to international agreements would be much the same in the absence of those agreements. There are two reasons why this counterfactual does not hold. First, international agreements are package deals that contain multiple provisions, some of which align more closely to some of the participating states' preferences than others (Hooghe, Lenz, and Marks 2019; Panke, Stapel, and Starkmann 2020). Although it can indeed be assumed that states will sign up to only agreements with which they broadly agree, there are many areas of those agreements in which there are differences between the participating states' policy preferences and the contents of those agreements. To the extent that there are differences between states' preferences and the contents of international agreements that apply to those states, the agreements are constraints on what the national governments of those states can legally do. Second, states' preferences change over time. Economic conditions change, making certain courses of action more or less attractive than they were at the time at which international agreements were written. New governing parties may be elected that have different policy preferences. Indeed, the whole purpose of international agreements is to commit states to certain policies even when incentives to deviate from those policies may emerge.

In sum, while recognizing that states sign up to international agreements that broadly align with their preferences, such agreements still impose significant constraints on the behavior of current and future national governments. As we will see in later chapters, this has significant implications for both promise making and promise keeping. International law significantly constrains the promises parties can make and keep by reducing governments' autonomy. Parties are limited in what they can pledge to their voters, as any commitment that conflicts with a country's existing international obligations may not be legally feasible. Moreover, even if a party is uncertain about the compatibility of a proposed policy with international law, this uncertainty itself can cause difficulties in keeping promises. Governments

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must revise or abandon policies when it becomes clear that they do not align with international commitments, adding an extra layer of complexity to policymaking.

## Market Actors

Globalization also imposes constraints on national governments as it empowers and shapes the preferences of market actors. A defining feature of globalization is the growth of multinational enterprises and international financial institutions. Multinational enterprises include major global enterprises such as Walmart, Amazon, Exxon Mobil, Apple, and Shell, which are among the companies with the highest revenues in the world (Fortune 2023). While most are incorporated and therefore owned by shareholders, some are privately owned, such as Cargill, Aldi, Koch Industries, and IKEA. Despite their differences, they share an interest in national laws that are favorable to transnational operations. These include the ways in which national governments regulate domestic industries and tax systems, as well as the openness of national borders to flows of goods, services, finance, and people. Today's largest multinational corporations are so powerful that they eclipse many national governments in terms of the scale of their revenues and wealth (Rothkopf 2012). It can be said of many that "within its jurisdiction, the business corporation exercises powers analogous to those of government, if more limited, including the right to command, regulate, adjudicate, set rules of cooperation, allocate collective resources, educate, discipline and punish" (Ciepley 2013: 142). In other words, at least in the industries in which they operate, today's largest firms have as much power as many national governments.

The globalization of financial flows has been accompanied by the rise in influence of investors, who can also shape the behavior of national governments in ways that are distinct from multinational enterprises that trade in goods and services across borders. Piketty (2014) famously argues that higher returns on capital investments compared with labor have led to a high concentration of wealth and power within developed economies in recent decades. Investors control financial resources that can be reallocated with relative ease compared with fixed assets. This enables them to move or credibly threaten to move financial resources out of a country when national policy settings

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are not conducive to adequate investment returns. Moreover, significant proportions of governments' public expenditures depend on international bond markets, which effectively determine how much it costs national governments to borrow. Bond markets demand higher premiums from governments when investors believe their policies carry risk for their investments.

Market actors pose a threat to democratic representation insofar as their policy preferences differ systematically from citizens' preferences and they exert an oversized influence on government policy. There are fundamentally different schools of thought on the extent of this threat. Mosley (2000) succinctly summarizes these schools of thought as the convergence and divergence groups. The convergence group argues that there is a high degree of homogeneity of policy preferences within economic elites and that governments generally follow those policy preferences so that their policies converge. By contrast, the divergence group sees significant heterogeneity of policy preferences within economic elites both within and among countries and therefore considerable scope for national governments to select different policy options.

Some analysts within the convergence school of thought point to the influence of international investors as an important reason for convergence in policies among advanced economies that are deeply embedded in the international financial system (Andrews 1994). The role of financial markets in setting currency exchange rates and interest rates means that globalization "has undercut the policy capacity of the national state in all but a few areas" (Cerny 1995: 612). According to Sassen (1996: 54), national governments are now accountable to a "global cross-border economic electorate" that consists of "inflation-obsessed bondholders," rather than to citizens. Other relevant evidence comes from analyses of the World Bank's World Business Environment Survey, which was administered to owners and managers of over 10,000 firms in eighty countries in 1999 (Broz, Frieden, and Weymouth 2008). These analyses reveal strong evidence that firms directly involved in international trade are highly concerned with the stability and level of their national currencies.

Comparative evidence also demonstrates substantial differences between economic elites and the general public on questions relating to European integration and related policymaking (Best, Lengyel, and Verzichelli 2012; Sanders 2012). European business elites are more favorable toward European integration than are citizens in general.

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Indeed, in a range of countries elites are more favorable toward international organizations than are citizens (Dellmuth et al. 2022). Ezrow and Hellwig (2014) also show that economic elites' policy preferences differ from those of average citizens. When the managers or representatives of large European businesses are asked to place themselves on a left–right scale, they typically place themselves somewhat to the right of center, whereas citizens in the same countries on average place themselves at the center of the same scale. The left–right scale stands for choices between either higher taxes and more generous social policies or lower taxes and more modest social policies. Consequently, if parties and governments listen more to business elites than to average public opinion, they will represent average citizens poorly.

Evidence from the United States also indicates that business leaders' policy preferences differ markedly from citizens' average preferences. Gilens and Page (2014) report significant differences between business interest groups and average citizens on a broad range of detailed policy issues.[4] This partly reflects business groups' preferences for lower levels of taxation and regulation as well as lower levels of spending on social services. However, it also reflects business groups' support for more public spending in areas that directly benefit them. For instance, private healthcare companies favor more public spending on health care when public healthcare providers buy their services. Weapons manufacturers prefer more public military spending. Agricultural industries prefer more agricultural subsidies. It is also notable that Gilens and Page's research shows that business groups' policy preferences do not align with those of the richest 10 percent of Americans, as well as being out of sync with the preferences of the average American. While wealthy citizens prefer lower levels of government spending and business groups agree with this as a matter of general principle, the same business groups support increased spending that directly benefits them. Another study found that large majorities of Americans disagree with business leaders on a range of policy issues including taxation, health care, and parental leave (Hersh 2023). Citizens' disagreement with business leaders on policy issues applies to both Democrats and Republicans, despite the sharp differences between these groups of citizens in the United States.

There are important nuances within the convergence school of thought, but most analysts in this school see a significant degree of

[4] See also Page and Gilens (2017).

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convergence in the policy preferences of economic elites as well as a significant difference between the preferences of economic elites and citizens' average preferences. Given the supposed influence of economic elites over governments (Grossman and Helpman 2001; Mitchell and Munger 1991; Olson 1965), the convergence school expects there to be a convergence of policies toward the preferences of economic elites, which entails weaker social services, lower taxes, and lower levels of regulation of economic activities. In other words, the convergence school expects states to gravitate toward the neoliberal model that was propagated by the conservative governments led by President Reagan in the United States and Prime Minister Thatcher in the United Kingdom in the 1980s (Royed 1996).

The divergence school of thought, on the other hand, is generally more sanguine about the threat of elite economic interests preventing national governments from representing citizens effectively. The evidence shows that while internationally oriented financial elites hold clear policy preferences, they hold preferences on only a relatively narrow range of policy outcomes. Mosley (2000, 2003) conducted sixty-four in-depth interviews with fund managers in London and Frankfurt and found that fund managers pay most attention to broad macro-indicators of the general health of the economy, notably inflation and government deficits. By contrast, the same fund managers pay less attention to how much governments spend, how they spend it, and the details of domestic tax and labor policies. The key point from Mosley's qualitative interviews is that most investment managers care a lot about a very narrow range of things, which leaves national governments with considerable discretion to pursue policies in line with citizens' preferences. Subsequent quantitative research supports these qualitative findings. Mosley et al. (2020) examined daily data on bond markets' reactions to the most important domestic reforms to corporate taxation and labor market regulation and found little evidence of systematic market responses. This suggests that while investors care about the general state of the economies in which they are investing, they are agnostic about the specific policies that national governments pursue. This leaves national governments free to pursue a diverse range of policies.

Research on the role of business leaders in the United States suggests that their net influence is often more muted than many people on the left of politics assume. Surveying the relevant literature, Hersh (2023:

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97) argues that "while economic elites individually have more power than average citizens, as a group they are fragmented, are unable to coordinate, and fail to achieve many of their core policy goals." While there are prominent examples of American billionaires who support conservative causes, there are also many who support progressive causes (Hersh 2020). Furthermore, corporate leaders are nowadays closely monitored by owners, who are predominantly institutional investors. Such investors have a laser-like focus on investment returns for their shareholders. This narrows the scope for business leaders to become involved in government policymaking in ways that are not directly related to their own companies' operations (Hersh 2023; Schiefeling and Mizruchi 2014). Fundamental changes have taken place in the composition of corporate boards since the turn of the twenty-first century. No longer are they dominated by the interlock network of elites who sat on many boards at the same time. Instead, the elite business community is now fragmented. Consequently, some observers argue that their power "is weakened and the prospects for broad-based, moderate political action by corporate elites are lowered" (Chu and Davis 2016: 716). It is notable that these observations regarding the modest scale of business influence pertain mainly to the United States, which is often seen as one of the economic systems in which economic elites have gained most prominence.

A prominent variant of the divergence school of thought is the varieties of capitalism framework (Hall and Soskice 2001). This influential body of work details how political and economic elites in different national systems use diverse strategies to compete effectively in the global marketplace. The framework distinguishes between liberal market economies, such as the United States and the United Kingdom, and coordinated market economies, such as Sweden and Germany, in which labor, employers, and governments coordinate strategically. The basis of these differences lies in the sources of firm-level competitiveness in these different systems. In liberal market economies, firms produce goods and services in relatively loose supply chains with weak, flexible, and changing relationships among the main market actors. Workers can reskill for new jobs relatively quickly as economic conditions change. Liberal market economies are associated with relatively low levels of regulation, taxes, and social welfare systems. By contrast, in coordinated market economies, the main market actors are highly integrated in long-term relationships.

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Workers and employers invest in highly specialized expertise that takes significant retraining to adapt as economic conditions change. Coordinated market economies are associated with high levels of regulation, high taxes, and generous social welfare systems.

Although plausible, the simplification offered by the varieties of capitalism dichotomy has been the subject of fierce debate (Feldmann 2019). The framework does not adequately capture the diverse types of capitalism that exist even within the group of advanced economies. Some major economies, such as France, contain distinct elements of organization that are difficult to place into this typology. For our purposes, however, the main point is that if market actors are indeed a constraint on governments, they are not a uniform constraint that compels all governments to enact the same policies. Similarly, research on the size and generosity of welfare states shows that national governments enact different policies while being similarly exposed to the effects of trade and financial openness (Garrett 1995, 1998; Iversen and Cusack 2000).

The idea that private economic interests constrain (and empower) national governments while not exerting uniform pressure toward the same national policies is also implicit in Farrell and Newman's (2019a, b) work on weaponized interdependence. Their theory draws on insights from research on network topography. According to Farrell and Newman, many networks have become asymmetric or imbalanced, with some "nodes," in this case states, becoming far more central than others. The main source of such network imbalances in the international economic system is the vast economies of scale created by new information technologies. Consequently, many of the world's largest and most powerful enterprises are in a small number of countries, mainly the United States, some countries of the EU, and China. Large technology firms and other private enterprises have significant influence on the governments of the states in which they operate. However, given the right domestic conditions, the geographical concentration of these economic hubs also gives certain states opportunities to exert new forms of economic coercion on other states; hence the term "weaponized interdependence." Detailed case studies show that national governments develop quite distinct preferences on issues relating to security and privacy. These differences stem partly from the relative importance of these companies in different jurisdictions, and partly from different domestic institutions – and

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international institutions in the case of EU member states – that offer counterweights to the influence of big tech.

Notwithstanding their oftentimes diverse preferences, market actors have a range of ways of effectively influencing national governments. Aside from the possibility of relocating capital to more favorable jurisdictions, comparative research highlights four related mechanisms of influence. The first is the expertise that economic elites bring to bear on highly technical policy questions (Klüver 2012). Consequently, policymakers regularly seek out the input of relevant business actors, as well as a range of other interest groups, during the preparatory stages of policy formulation (Bunea and Thomson 2015). Second, businesses lobby relevant policymakers relentlessly and effectively throughout the policymaking process (Baumgartner and Leech 2001; Richter, Samphantharak, and Timmons 2009). Third, particularly in countries with lax or ineffective campaign finance laws, political parties depend on business elites for campaign finance (Bonica 2016). Fourth, so-called revolving doors practices are commonplace throughout many established democracies (Lazarus, McKay, and Herbel 2016). This includes instances of national political elites who move from positions in government leadership or the legislature to senior business positions. How widespread this phenomenon is becomes clear when considering that almost two thirds of members of the 115th US Congress took up lobbying positions after leaving their political posts in 2019 (Zibel 2019). And half of the members of the UK Johnson and May governments took up jobs in companies they used to regulate (Norton-Taylor 2023). It also includes cases in which people move between managerial posts in public agencies and industry positions. Each of these mechanisms serves to strengthen the influence of economic elites on governments (Blanes i Vidal, Draca, and Fons-Rosen 2012; McCrain 2018; Strickland 2020). Public policymakers may be more receptive to the interests of economic elites if they anticipate the prospect of lucrative positions in the private sector (Shepherd and You 2020). Former German Chancellor, Gerhard Schroeder, for example, joined the board of directors of the Russian Nord Stream joint venture only a few days after his chancellorship. It is widely believed that his close relationship with Russia's President Vladimir Putin affected his foreign policy when he was still Chancellor of Germany (Bingener and Wehner 2023). Private sector lobbyists' first-hand experience of governing makes them more effective operators.

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This research leads to a nuanced position on the nature of the constraint that market actors impose on national governments. Economic elites' policy preferences may be relatively narrow and somewhat heterogeneous in nature, but this does not make them inconsequential. Financial elites may indeed care deeply about only a relatively narrow range of economic indicators, notably inflation and public deficits (Mosley 2003), but these concerns weigh heavily on national governments. They potentially limit what governments consider feasible in terms of spending policies. Moreover, business leaders may have diverse policy preferences and be primarily concerned with making money rather than influencing their governments (Hersh 2023). At the same time, governments listen attentively to what business leaders want, even when those leaders express diverse opinions. And the evidence indicates that business elites are consistently to the right of the general population, both in coordinated market economies such as Germany and liberal market economies such as the United Kingdom (Ezrow and Hellwig 2014). Notwithstanding the narrow focus and diversity of economic elites' policy preferences, business interests have significant impacts on policymaking and even stronger impacts than average public opinion on issues (Gilens and Page 2014; Goldberg and Maggi 1999; Grossman and Helpman 2001). Taken together, these mechanisms mean that economic elites' policy preferences constrain governments to select from a narrower range of policy options than they would otherwise have.

## Voters' Expectations

Globalization also has increased citizens' exposure to economic risks, thereby leading to changes in their priorities and expectations about the policies that governments should pursue. To understand how globalization constrains governments through changing voter expectations, we must consider its effect on the economic risks to which voters are exposed. While there is general agreement that globalization affects employment, wages, and economic security, the extent and nature of these effects are contested. Nonetheless, there is a consensus that countries' exposure to the international economic system brings tangible economic risks for average citizens.

One of the most widely discussed consequences of globalization is its impact on employment and wages. Autor, Dorn, and Hanson (2013)

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have shown that increased trade with countries like China has led to significant job losses in sectors such as manufacturing in the United States. These disruptions are particularly acute in areas heavily reliant on industries that are more exposed to international competition. Similarly, Feenstra and Hanson (1999) note that trade liberalization has reshaped labor markets, making employment more precarious, as workers are forced to change employers or even industries more frequently. Some scholars counter this perspective, suggesting that globalization's negative effects on employment may be overstated. Bhagwati (2004), for example, argues that technological advances, rather than globalization itself, are the primary drivers of job displacement in advanced economies. He contends that globalization, by expanding trade and creating new opportunities in high-tech and service sectors, can lead to overall economic growth and job creation, which helps offset losses in traditional industries. Despite this more optimistic view, it is clear that globalization creates localized job displacement, especially in less adaptable industries, and that these effects are real for workers in sectors vulnerable to international competition.

It is also generally accepted that globalization has exacerbated economic inequality.[5] Rodrik (1997) and Milanović (2018) argue that globalization exacerbates income inequality by disproportionately benefiting capital over labor and by sharpening the high-skill and low-skill labor divide (see also Ebenstein et al. 2014; Harrison and Hanson 1999; Wood 1995). This leads to a concentration of wealth among economic elites and corporations, while workers, particularly those in low-skill jobs, are left more vulnerable to market fluctuations. According to this research, globalization increases the volatility of wages and heightens job insecurity, as companies can relocate operations more easily to take advantage of lower labor costs. It is now well documented that globalization, while having positive effects on economic development and growth in many contexts overall, has contributed to a dramatic increase in income inequality (Piketty 2017).

[5] Our argument concerns the impact of globalization on income inequality *within* countries, not *between* them. Dollar and Kraay (2002) state that globalization reduces inequality between nations by fostering economic growth in developing countries. They argue that international economic integration has lifted millions out of poverty, particularly in Asia, and that open markets enable developing nations to achieve higher rates of growth than they would in more protectionist economic environments.

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Especially since the latter half of the twentieth century, economic development and growth has disproportionately benefited the wealthy and the highly educated.[6]

The United States is one of the most extreme examples of inequality, where the Gini index of income inequality has increased from 0.36 in 1970 to 0.41 in 2015 (Lahoti, Jayadev, and Reddy 2016). By 2019 the top 1 percent of income earners controlled more of the nation's wealth than the combined wealth of the entire American middle class (Blanchard and Rodrik 2021). Inequality in Europe has been less pronounced than in the United States (Blanchet, Chancel, and Gethin 2022). Nonetheless, a study of fifteen European countries found that in ten of these countries, the income share of the wealthiest 10 percent has increased significantly since the 1990s, with low and middle-class citizens experiencing stagnating wages (Lupu and Pontusson 2011, 2023). As the middle class fell behind, its members became more concerned about social support and redistributive politics (Lupu and Pontusson 2011).

Rising inequality has also made it less likely for individuals to move up the social ladder (Durlauf and Seshadri 2018; Durlauf, Kourtellos, and Tan 2022). Members of today's lower class are significantly less likely to experience upward social mobility. Making matters worse, many families in the middle class have experienced an increased risk of downward social mobility due to increased volatility of family incomes. Hacker (2019) provides evidence that the volatility of family incomes has more than doubled since the 1970s, thereby also severely increasing the risk of families falling out of the middle class. Inequality and decreasing social mobility have serious negative consequences for people's lives, including key health outcomes. These include increases in the prevalence of physical and mental health problems, increases in the likelihood of drug and alcohol addictions and a decrease in life expectancy (Case and Deaton 2021; Putnam 2016; Wilkinson and Pickett 2017).

The 2008 global financial crisis, which was followed by severe austerity measures in many countries, exacerbated the economic suffering of citizens in economically integrated countries. Income inequality rose sharply after the onset of the crisis. Although some

[6] This also translates into greater influence over politics (Bartels 2010; Gilens 2012), with important implications for democratic survival (Boix 2003; Levitsky and Ziblatt 2018; Ziblatt 2008).

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governments were more willing to use government spending and other redistributive measures to offset the negative effects of the crisis, incomes in the middle and lower classes have not recovered in many countries (Lupu and Pontusson 2023).

Globalization has also put pressure on public goods provision and social safety nets. Garrett (1998) and Swank (2002) argue that globalization limits national governments' ability to provide robust social protections. In this view, the global competition for investment forces governments to reduce taxes and deregulate labor markets, ultimately eroding the welfare state's capacity to mitigate the risks posed by international economic integration. This "race to the bottom" thesis suggests that globalization undermines the traditional mechanisms through which governments can buffer their citizens against economic shocks. Katzenstein (1985) and Hays (2009) offer a different perspective, arguing that some countries have successfully adapted to globalization while maintaining strong welfare states. They highlight the role of institutional frameworks and political choices, noting that countries with well-established welfare systems have used the wealth generated by globalization to strengthen social protections rather than dismantle them. Still, the ability of governments to balance economic openness with social protections varies, and in many cases, globalization poses a challenge to maintaining welfare state protections.

When citizens face such economic risks, they look to their governments to mitigate these risks and shield them from the uncertainties of open markets, both by regulating markets and by providing social services (Garrett 1998; Rodrik 1997; Walter 2010). When citizens face heightened economic uncertainties due to trade liberalization, job outsourcing, and financial volatility, they demand that governments step in to mitigate these risks through welfare provisions, unemployment protections, and market regulations. Garrett (1998) and Burgoon (2001) support this thesis, showing that voters, particularly on the left, are likely to demand more government intervention in areas like social services, income redistribution, and market regulation when exposed to economic risks stemming from globalization. In this view, left-wing parties, which traditionally advocate for a stronger welfare state, are best positioned to benefit from the political pressures generated by economic integration, as their policy platforms align more closely with voters' demands for state intervention.

These pressures are no longer confined to the traditional working class or left-wing constituencies. One of the most comprehensive

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analyses of this phenomenon is Chwieroth and Walter's (2019) book *The Wealth Effect: How the Great Expectations of the Middle Class Have Changed the Politics of Banking Crises*, which explores how exposure to financial risks, particularly those exacerbated by globalization, has heightened citizens' expectations of their governments, especially citizens belonging to the middle class. As globalization has increased the financialization of economies, middle-class citizens have become more dependent on assets for their economic well-being. This reliance on assets such as real estate, pensions, and stocks has heightened the stakes of economic downturns for average citizens, who now expect governments to intervene actively to prevent crises and to cushion their impact when they occur. The 2008 global financial crisis exemplifies this dynamic: as housing markets collapsed and savings were jeopardized, middle-class citizens in many countries turned to their governments for rescue measures, expecting bailouts, stimulus packages, and economic relief. This shift in expectations has been described as a "political hazard" for governments, as citizens are increasingly unwilling to tolerate economic volatility without state intervention. Globalization thereby altered the implicit social contract between citizens and governments. Where once the middle class might have prioritized limited government intervention in the economy, they now expect a proactive state that mitigates the risks inherent in global markets. The growth of these expectations places additional strain on governments, as they are compelled to navigate the tension between economic liberalization (which globalization promotes) and demands for protection from its discontents.

## Economic Uncertainty

Globalization is also commonly associated with uncertainty,[7] which imposes another constraint on governments. Uncertainty has become the *leitmotif* of recent years. In January 2020, even before the COVID-19 pandemic devastated the world economy, the managing director of the International Monetary Fund said: "If I had to identify a theme at the outset of the new decade it would be increasing uncertainty" (quoted in Ahir et al. 2022: 2). The centennial issue of the influential magazine *Foreign Affairs* was titled *The Age of Uncertainty* (Foreign

[7] Ahir et al. (2022) provide empirical evidence that globalization and economic uncertainty are significantly related.

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Affairs 2022). The lead article of that issue ruminated on whether humankind would find ways to survive the current "era of catastrophic risk," due to existential threats posed by pandemics, wars, and new technologies, all of which have a global reach due to the interconnectedness of the modern world (Macaskill 2022). Other commentators focused on threats to the prosperity and security of the United States and its allies posed by the Russian invasion of Ukraine and China's expansionary ambitions. These risks and uncertainties stand in stark contrast to the end of history predicted by Fukuyama (1992) shortly after the end of the Cold War, according to which most countries would converge toward a harmonious liberal order of stability, peace, prosperity, and expanding individual freedoms. The subsequent three decades have refuted Fukuyama's predictions decisively.

What precisely is uncertainty, and why does it impose constraints on national governments? For our purposes, uncertainty refers to the possibility of unforeseeable and significant changes in the conditions that are largely outside the control of national policymakers and that negatively affect the feasibility and desirability of policy options. Countries that are open to flows of trade and finance are exposed to shocks that occur overseas and that have significant negative impacts on economic conditions at home. These deteriorating economic conditions generally slow or stall the domestic economy, which reduces the intake of tax revenues that are required to fund many new policies. Depending on the severity of the external shocks to the system, they may also divert national policymakers' attention to key areas of domestic policy.

Recent global financial crises illustrate how uncertainty associated with globalization imposes severe constraints on national policymakers. Financial crises, many with significant cross-border effects, have occurred regularly if not frequently over the past two centuries, a period in which economic historians have systematically tracked crises (Almunia et al. 2010; Barro 2009; Reinhart and Rogoff 2009). What distinguishes the most recent financial crises from those of previous eras is that they take place in a more financialized system, in which the quantity of credit in the system far exceeds both the quantity of money and the real size of the economy as measured by gross domestic product. Economists Schularick and Taylor summarize the current situation well: "we have entered an age of unprecedented financial risk and leverage, a new global stylized fact that is not fully appreciated"

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(2012: 1031). This precarious situation necessitates a larger role for national governments and central banks as lenders of last resort to intervene and stabilize the system when crises occur.

The risks associated with burgeoning financial markets were on display in the 1997–1998 Asian financial crisis, the 2007–2008 US great recession, and the European debt crisis, which were interrelated global phenomena (Koh, Teh, and Tan 2016). The underlying conditions that set the scene for these crises was an abundance of credit in global financial markets, much of which was held by international investors, the emergence of new information, which had previously been obscured, regarding the financial risks associated with investments, and the ease with which investors could move money to what appeared to be safer havens. Governments have consistently intervened with large amounts of public funds to prop up the failing financial system, which at least in the short-term diverted resources and attention from other policies. These interventions have been criticized for introducing what economists call moral hazards into the financial system; if the actors, be they private or public, who are responsible for making poor choices do not bear the costs of those choices, this reduces the incentives for making sound choices in the future (Blyth 2013).

The 2007–2008 great recession illustrates well some of the uncertainties associated with globalization at work (Sorkin 2010). The recession followed the collapse of the subprime mortgage market in the United States, which had expanded with the growth of complex financial instruments that obscured the true risks to which investors were exposed. The origins of this market were associated with globalization. Asian investors in the United States, of which the largest was Japan, bought significant quantities of US Treasury bonds, partly in an attempt to find safer investments following the earlier Asian financial crisis. These investments in US bonds reduced yields, which led investors to search for more lucrative investments. Banks responded to this demand for higher investment returns by massively expanding lending to households with relaxed lending criteria, repackaging these loans in complex financial products and selling these products on to other financial institutions. As huge numbers of households began to default on these loans in 2007, the true magnitude of the risks to which investors were exposed was revealed. The value of the related investment products plummeted, leaving some of America's most respected financial institutions in ruin. The government responded with a

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massive bailout act, the Emergency Economic Stabilization Act, which was passed into law in 2008 under President George W. Bush a few months before the end of his presidency. It allowed the government to purchase distressed assets from financial institutions at considerable cost to American taxpayers and benefit to investment bankers.

Research on the consequences of trade openness suggests that the relationship between economic openness and uncertainty is complex. Economists have a distinct understanding of uncertainty, and one that differs notably from ours. Economists typically think of and measure uncertainty in terms of the year-to-year volatility in indicators of economic performance, the most general of which refer to growth rates. These are certainly important economic indicators for national policymakers because they affect tax revenues, which in turn affect the feasibility and desirability of many policy options. Haddad et al. (2013) conclude that the impact of trade openness on economic volatility depends on how diversified national economies are. For relatively specialized economies, trade openness is associated with more volatility. But for more diversified economies, trade openness is associated with less volatility, partly because international demand may offset fluctuations in domestic demand. Relatedly, economic research has found a negative scaling effect between growth volatility and country size, particularly since the second half of the twentieth century, whereby larger economies, which are generally more diversified, experience less volatility in economic growth than smaller economies, which are generally more specialized (Campi and Dueñas 2020).

These findings echo the starting point of Katzenstein's (1985) classic study of small European states in world markets. He observed that the small European states he studied (Switzerland, the Netherlands, Belgium, Sweden, Denmark, Norway, and Austria) were relatively specialized, open, and exposed to developments in international markets that are almost entirely outside their control. His analytical narrative detailed how these states nonetheless competed effectively by managing these risks with cooperative domestic institutions and practices. These include institutionalized forms of cooperation between employers' organizations, trade unions, and governments, as well as well-developed welfare states to mitigate the risks associated with open markets.

Research on political business cycles is also relevant to the constraining effect of uncertainty caused by globalization. Nordhaus (1975) was the first economist to specify a formal model in which inflation and

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unemployment are manipulated by governments for electoral considerations. Prior to Nordhaus's groundbreaking contribution, most models of the macroeconomy naively assumed that governments were solely interested in the welfare of society as a whole, rather than their own prospects of reelection (Dubois 2016). According to the theory of political business cycles, governments stoke up the economy prior to elections, reducing unemployment and laying the ground for higher rates of inflation, but also improving their prospects of reelection.

A distinct but related phenomenon known as surfing happens too, whereby governments call early elections when favorable macroeconomic conditions emerge (Ito and Park 1988). According to Kayser's (2005) model, governments decide whether to manipulate the economy prior to elections or to surf favorable economic conditions opportunistically. One of the key conditions that drives governments toward setting the timing of elections opportunistically rather than manipulating the economy is exogenous economic performance. When economic performance is more strongly determined by exogenous factors outside of governments' control – which is more likely in contexts of deeper economic integration – they are more likely to surf and less likely to manipulate.

In this light, it is notable that globalization has been accompanied with the spread of economic orthodoxy that favors small public sector deficits, manageable levels of public debt, and low levels of inflation. The associated institutional changes have narrowed the scope for governments to pursue political business cycles through manipulation. Central banks have become independent of the executive branches of government in most of the world and in all established liberal democracies. Independence does not eradicate the opportunities for governments to influence the decisions of central banks. It does, however, limit the opportunities for political meddling of the kind foreseen in political business cycle models (Dubois 2016). The extent of profligate fiscal policies prior to elections is also constrained by the possibility of adverse reactions from bond markets. Consequently, the capacity of governments to manipulate the economy prior to elections has weakened significantly.

In sum, unforeseeable and significant changes in conditions that are largely outside the control of national policymakers make it difficult for parties and governments to plan effectively, because policymakers are aware that conditions may change that scupper their plans. At first

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sight it may seem counterintuitive that this kind of uncertainty is compatible with the observation that globalization is for many countries associated with less volatility in economic growth. The key to understanding this apparent contradiction is that relative stability or reduced volatility does not mean that countries soar smoothly through extended periods of economic growth. Clearly, they do not. Moreover, in countries that are exposed to economic globalization, the sources of instability at the level of the macroeconomy – and in more specific conditions that affect policies – are often outside the control of national policymakers. The uncertainty constraint of globalization therefore refers to national policymakers' loss of control over the conditions that make policies desirable and feasible.

## Discussion

Globalization limits governments' room to maneuver through international legal obligations, the influence of market actors, the changing expectations of voters, and economic uncertainty. International legal agreements, such as trade and investment treaties, narrow the scope of domestic policies that governments can pursue. Political parties often underestimate the complexity of these legal frameworks during campaigns, leading to unfulfilled promises once they find out that their promises are either incompatible with international law or are at least constrained by it. This constraint is pronounced when international agreements contain strict enforcement mechanisms, limiting the government's ability to pursue policies at odds with these agreements. Globalization also empowers market actors such as multinational corporations and financial institutions, which often lobby against policies that harm their interests. These powerful actors exert pressure on governments, forcing them to prioritize economic stability and market competitiveness over campaign promises related to welfare expansion or tighter regulation. This constraint is more problematic for center-left parties that typically make promises that diverge from the interests of these market actors, such as higher taxes or stricter labor laws. Governments are also constrained by their citizens through national democratic elections, and the economic risks introduced by globalization have changed voters' priorities and expectations of government policies. Finally, heightened uncertainty means that unexpected events such as recessions or financial crises can drastically alter a government's

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revenue and spending capacity, making it difficult to fund ambitious social programs or tax cuts promised during campaigns.

This chapter provides the foundation for understanding the impact of globalization on promise making and keeping, which we turn to in Parts II and III of the book. Part II focuses on the effects of globalization on promise keeping, which has been the central focus of studies on promissory representation. Chapter 4 builds on this chapter's insights regarding globalization constraints. We develop a theoretical argument about how the globalization constraints affect the ability of government parties to keep the promises they made during elections. Using large-n observational data, the chapter tests the hypothesis that governing parties are less likely to fulfill their promises in more globalized countries.

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