Refining domestic politics theories of IPE: A societal approach to governmental preferences

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Abstract
Domestic politics theories of international political economy and the recent disruptions in international cooperation and trade apparently induced by domestic discontent have shown the crucial role domestic forces play in influencing governmental preferences. This article contributes to this theoretical school, first, by assessing seminal works on the ideational, material, and institutional dimensions of domestic politics, and second, by conceptualising the ‘societal approach’ to fill a major gap in domestic politics theorising. The societal approach asks under which conditions value-based societal ideas, domestic institutions, and material interests matter in shaping governmental preferences. When do ideas prevail over interests and vice versa? How do they interact with each other and with domestic institutions? The societal approach includes all three domestic variables as potential driving forces for governmental preferences and conceives them both as individual and as interacting forces. Most importantly, it complements domestic politics theories by proposing hypotheses on the conditions for the influence of each variable on governmental preferences. The article brings together previously conceived parts of the societal approach and considerably expands it.

Keywords
domestic politics theories, governmental preferences, ideas, interests, and institutions, international political economy, societal approach

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Introduction
Current international economic disruptions such as the trade war between the United States and China, the frequent disputes in the G20, the Brexit, and the Eurozone crisis shed a bright light on the crucial role of domestic politics in shaping preferences towards the governance of international economic relations. Political science theories that focus on domestic politics to explain the foreign economic preferences of governments belong to the core
of international political economy (IPE) for decades. Widely cited seminal works have been published, for instance, on domestic forces of foreign economic policy (Katzenstein, 1977), internationalisation and domestic politics (Frieden and Rogowski, 1996; Keohane and Milner, 1996), ideas and foreign policy (Goldstein and Keohane, 1993), interests, institutions, and information (Milner, 1997), the liberal theory of international politics (Moravcsik, 1997), and on domestic institutional sources for multilateral preferences (Fioretos, 2001). Recently, this theoretical school was further developed, for example, by the open economy politics theory (Lake, 2009), by foreign policy analysis (Kaarbo, 2015; Krotz, 2015), and historical institutionalism (Farrell and Newman, 2010; Fioretos, 2011).

While some publications concentrated on diplomacy or on the interaction between the international and domestic levels, others specifically focussed on how domestic forces influence the government’s preferences. The latter, however, left considerable space to further conceptualise domestic variables and thereby complement the theories with what I named the ‘societal approach’. The literature especially shows a conceptual gap regarding the conditions for the bearing of the different domestic politics variables. Theories of domestic politics have conceived three dimensions of domestic forces that influence governmental preference formation: material interests/lobby groups, ideasbelief systems, and political/socio-economic institutions. The theories, however, left room for a systematic exploration of the conditions under which each of the three individual domestic forces matters more than the other(s) in shaping governmental preferences. The societal approach addresses this gap by conceptualising the conditions for the prevalence of either domestic ideas, or institutions, or interests in governmental preference formation and by further exploring the interaction among and plurality within the variables.

In complementing and building upon domestic politics theories, I developed and applied the societal approach over the last decade to analyse specific empirical puzzles (Schirm, 2009, 2013, 2016, 2018). The present theoretical article brings together the previously conceived and empirically tested parts, and considerably expands the approach. The article proceeds in four steps. The next section discusses several core works of domestic politics theorising, focussing on the conceptual gaps left by these theories. In a second step, I present the societal approach with definitions of the variables, the hypotheses, and their operationalisation. Furthermore, the analytical strategy, the changeability of the variables, their inter-relationship, and plurality will be elaborated. The conclusion highlights the novelties and limitations of the societal approach and proposes areas for further research.

### Domestic politics theories of IPE

The seminal works which constitute much of domestic politics theorising in IPE until today share the argument that the explanation of governmental preferences has to start with investigating domestic societal influences in form of interests, ideas, or institutions. While many works focus on only one or two domestic variables, most agree that:

> [...] states do not automatically maximize fixed, homogeneous conceptions of security, sovereignty, or wealth per se, as realists and institutionalists tend to assume. Instead, [...] they pursue particular interpretations and combinations of security, welfare, and sovereignty preferred by powerful domestic groups. (Moravcsik, 1997: 519)

Katzenstein (1977: 601–602) argues that societal influences may consist of ‘mass preferences [...] translated via elections into government policy’ or reflect the efforts of ‘interest groups’: ‘In sum, in both the interest group model and the democratic model, foreign
economic policy is seen primarily to reflect societal pressures’. In developing a ‘theory of
domestic politics’, Milner writes on domestic interests:

[... ] cooperation among nations is affected less by fears of other countries’ relative gains or
cheating than it is by the domestic distributional consequences of cooperative endeavours.
Cooperative agreements create winners and losers domestically; therefore, they generate
supporters and opponents. (Milner, 1997: 9)

The open economy politics (OEP) theory focusses on trade and finance and analyses
how the power of interest groups is aggregated by domestic institutions in the process of
influencing intergovernmental bargains about international institutions that, in turn, shape
domestic interests (Lake, 2009; Rogowski, 1989). More recent publications emphasise
the influence of interest groups and domestic ideational interpretations on governmental
preferences for the realm of both political economy and foreign policy analysis alike
(Kaarbo, 2015; Krotz, 2015). Cross-country comparisons have frequently validated the
crucial relevancy of both ideational and material domestic level factors. It holds true even
regarding governmental preference formation under the deep international institutional-
sation of common rules in the European Union. Regarding the IPE of EU’s two core driv-
ers, Krotz and Schild (2013: 181) conclude, ‘The structures of their economies, the
relative sectoral competitiveness, and the differences in economic thought more often
than not placed France and Germany in opposite camps’.

Domestic politics theories, however, do not negate the possible impact of the interna-
tional distribution of power, of international institutions, and transnational interdepend-
ence for governments, societies, and private actors. Rather, these theories maintain that
domestic politics and societal influences must be considered analytically prior to other
variables when explaining governmental preferences.

Moravcsik (1997, 2008, 2010) offers a comprehensive version of the domestic ‘liberal
theory’ relevant for international relations (IR) and IPE by developing three variants:
commercial, ideational, and republican liberalism. Commercial liberalism shares its core
argument with authors concentrating on international economic competition and interest
groups, such as Milner (1997), Frieden and Rogowski (1996), and much of the OEP lit-
erature. It argues, that ‘changes in the structure of the domestic and global economy alter
the costs and benefits of transnational economic exchange, creating pressure on domestic
governments to facilitate or block such exchanges’ (Moravcsik, 1997: 528). Ideational
liberalism in turn argues that societal actors support the government when the latter pro-
vides positions and institutions that are in accordance with their identity-based prefer-
ences and are therefore perceived as legitimate by individuals. Finally, republican
liberalism focusses on the ‘mode of domestic political representation’ and emphasises the
way in which domestic institutions privilege certain societal identities and economic
interests in influencing ‘state policy’ (Moravcsik, 1997: 530). These three variants of
liberalism offer an important theory, but leave several opportunities to further develop it.
These include providing more elaborate definitions of the variables, exploring interac-
tions between them, and especially conceptualising the conditions under which each vari-
able affects governmental positions.

A widely cited influential work on domestic ideas and foreign policy was edited by
Goldstein and Keohane (1993). In a causality-oriented, and thus non-reflectivist approach,
the authors in this volume conceptualise and empirically analyse the role of ideas as world
views, as principled beliefs, and as causal beliefs in influencing governmental preference
formation towards international politics. While concentrating on ideas, the authors suggest
that ideas as well as interests and institutions have causal weight in ‘explanations of human action’ (Goldstein and Keohane, 1993: 4; see also Garrett and Weingast, 1993). This focus on ideas offers a basis for the societal approach through the definition of ideas as analytically distinct from material interests and institutions as well as by conceiving the possible pathways ideas can take in shaping governmental preferences. However, the volume does not provide equal attention to all three variables, nor does it attempt to explain under which conditions either ideas, or institutions, or interests inform governmental positions.

Other important works on ideas have concentrated on the interaction between ideas, interests, and institutions (for instance, Blyth, 2003; Campbell, 2001; Schmidt, 2011). Their focus, however, was not on conceptualising the conditions for the bearing of each of the three variables on governmental preferences. For the latter purpose of this article, individual conceptions of the variables are analytically necessary (without omitting their interplay, see below). In other words, this article maintains that material interests, value-based ideas, and regulatory institutions in principle represent different logics, motivations, and conditions for social interaction, and can also overlap and mutually influence each other. This dual character of the variables as individual and interactive becomes visible, for instance, in the multifaceted perspective that, while ‘variations of interests are not accounted for by variations in the character of the ideas that people have’ (Goldstein and Keohane, 1993: 27), ideas can have an effect on the content of what actors want and not just on the order of what they want, this is to say, ‘ideas can in fact change an agent’s interests’ (Blyth, 2003: 697).

The ideational dimension of domestic politics theories also includes post-positivist approaches and constructivism as a meta-theory of IR. Post-positivist and constructivist perspectives, however, will not be considered since the domestic politics theories assessed here and their refinement through the societal approach aim at causality-oriented analysis, this is, causal inference regarding specific puzzles of IPE (see below). Lake (2013: 572) characterises the latter approaches as ‘mid-level theories that focus on parts of the political process, rather than the whole, and study the effects of one or more variables on policy choice’.

Domestic politics theories emphasising institutions as an independent variable for governmental preference formation contribute an additional dimension to the domestic school. In this regard, the varieties of capitalism theory and its further development (Hall and Soskice, 2001 and recently, for instance, Hay, 2019; Schmidt, 2011) offer important conceptualisations for analyses puzzles in comparative political economy and IPE. In particular, the focus on the variation of socio-economic institutions in cross-country comparison provides insights into different regulations of market economies (such as ‘coordinated’ and ‘liberal’ market economies, questioned as ‘ideal types’ by Hay, 2019) and sheds light on the role of domestic institutional complementarities for private firms and governmental preferences.

The varieties of capitalism’s approach to multilateral preferences (Fioretos, 2001) as well as historical institutionalism’s (Farrell and Newman, 2010: 610; Fioretos, 2011) focus on path dependency and domestic regulation’s influence on governmental preferences, constitute core elements of the institutional perspective of domestic politics theorising. Fioretos (2010: 701) explains:

An institutionalist theory of state preferences suggests that governments’ positions in intergovernmental negotiations are informed by their calculations of how international rules will affect their ability to sustain designs that are the foundation of economic groups’ competitive
advantages and that national traditions of policy-making determine which groups are given more weight in deliberations.

The following societal approach is inspired by these theories regarding institutions as an independent variable in arguing that governments will try to secure institutional patterns of their domestic economic systems in pursuing foreign economic policies. This argument seems plausible, since the comparative institutional advantages of different variants of capitalism not only structure the preferences of firms, but also of governments and of societal actors. Following Sil and Katzenstein’s (2010) concept of ‘analytic eclecticism’, institutionalism is considered here in a stylised form focussing solely on core claims and institutions’ sui generis characteristics. The institutionalist debate is, of course, much broader and has dealt with ideational and interest-related dimensions of institutions (see, for instance, Hall and Taylor, 1996; Schmidt, 2011).

Coming back to the OEP literature, OEP’s main empirical area is trade and finance and it essentially argues that material interests’ (lobby groups’) influence is mediated by domestic institutions vis-à-vis governmental positions regarding intergovernmental bargains on international institutions (rules) which, in turn, structure domestic interests (Lake, 2009: 225, 2013: 574). While the ‘fundamental building block of OEP is interests’, ‘much research in OEP focusses on how international institutions, like their domestic counterparts, structure bargaining and affect outcomes’ (Lake, 2009: 226, 229). Therefore, OEP goes beyond domestic politics theories in focussing on international institutions and their impact on domestic actors while contributing to domestic politics theories regarding the role of domestic interests and institutions as conceived, for instance, by Milner (1997), Moravcsik (1997), Fioretos (2001), and Lake (2009). OEP, however, does not consider societal ideas as an independent variable on equal terms with interests and does not ask for the conditions under which domestic ideas, institutions, or interests prevail in shaping governmental preferences. In addition, OEP deduces interests and the competitive position of sectors (or individuals) following economics theory and neglects the perception (interpretation) of costs and benefits by the actors (firms, associations, unions) themselves. Thus, it also leaves space for further theorising.

**Refining domestic politics theories: The societal approach**

The societal approach was developed as a complementary approach to analyse empirical puzzles of IPE (Schirm, 2009, 2013, 2016, 2018). Especially, the societal approach aims at explaining the reasons for diverging governmental preferences in cross-country comparison and the reasons for the prevalence of domestic ideas and institutions in some cases and of interests in other cases of governmental preferences towards international economic governance. The latter puzzle raised the question about the conditions for the prevalence of either value-based ideas, or institutions, or material interests. Before presenting the approach in detail, the results of two research projects shall be briefly sketched as examples for the empirical application of the approach’s core hypotheses and for the usefulness of conceptualising the conditions for the prevalence of a specific domestic variable (for the complete analysis and evidence, see Schirm, 2013, 2016).

In one research project, the societal approach was able to explain the puzzle about the variation between the interest-driven controversies among the United States, Germany, and Brazil on global trade imbalances in the G20 on one hand, and the apparently ideas-driven controversies among the same countries over public debt and stimulus
programmes in the G20 on the other hand. The evidence supported the societal approach’s core hypotheses (see next section). First, governmental positions on trade imbalances corresponded to domestic material interests, since the cost–benefit calculations of the export sectors in Brazil and Germany and of the sectors threatened by imports in the United States were directly affected by the initiative to limit trade surpluses. The sectors strongly lobbied their governments. Second, regarding public debt and stimulus programmes, evidence demonstrated that governmental positions correlated with the ideational expectations of voters, since the contentious issue referred to fundamental and salient attitudes on the role of the government in steering the economy through deficit spending or fiscal restraint, while lobbying did not play a prominent role because economic sectors were only affected diffusely.

In another project, I employed the societal approach’s suppositions to explain the divergences between German and US preferences regarding the reform of the governance rules of the International Monetary Fund (IMF; Schirm, 2016). The analysis showed that governmental positions corresponded to different domestic ideational and institutional settings in both countries. US defence of its de facto veto power in the IMF reflected ideational public expectations on US leadership in world politics as well as the hierarchical decision-making institutions in its ‘liberal market economy’ (LME). In contrast, German demands for a more integrative governance in the IMF were consistent with ideational societal expectations favouring inclusive governance and with the consensual institutional character of the country’s ‘coordinated market economy’ (CME).

These illustrations of completed empirical–analytical projects serve as examples for both the necessity to complement the domestic politics theories and the fruitful application of the societal approach, which will be elaborated in the following section.

As a preliminary remark, it must be emphasised that the societal approach does not negate the possible impact of international institutions and power as well as transnational networks. These factors may strengthen, undermine, or transform the ideas and interests of domestic groups and by extension influence governmental preferences. Hence, international influences enter the analysis indirectly via the domestic politics level of analysis. They might also impact directly on governments as theories employing international or transnational variables aptly argue. The focus of the societal approach, however, is the analysis of the conditions for the bearing of the domestic variables on governmental preferences.

In naming the approach, I chose ‘societal’ for two reasons. First, ‘societal’ appears to be the most adequate term to indicate domestic ideational, material, and institutional forces emanating from and anchored in the society. In other words, while ‘domestic’ is the level of analysis of the societal approach, ‘societal’ is the character of the approach’s independent variables. The term ‘societal’ was partly also used by other authors (such as Milner, Lake) when referring to domestic societal groups. The term ‘societal approach’ as designation for the following theoretical conceptualisation, however, constitutes a novelty regarding the innovative elaboration of a coherent set of hypotheses, definitions, and interactions between all three societal variables which complements previous domestic politics theories.

Second, the term ‘societal’ avoids any confusion arising from the multiplicity of meanings attached to the term ‘liberal’ in the literature (such as in liberal IR theory and liberal economics). Many people think of an economic policy strategy when reading the word ‘liberal’. IR scholars attach diverse meanings to this term, ranging from explanatory analysis over positivist empiricism to normative connotations and moral dimensions (for a
critique of liberal IR theory, see Humphreys, 2012: 28; Jahn, 2009; Reus-Smit, 2001: 582ff; Sterling-Folker, 2015). Since the societal approach does not intend to engage in debates on normative theory building or economic policy strategies, ‘societal’ appears a better reflection of its goals, namely, theorising a complementary approach to explain the domestic foundations of governmental preferences and analyse the conditions for the relevance of societal ideas, institutions, or interests.

In defining the three independent variables individually, the societal approach does not suggest that the variables are completely autonomous from one another. For instance, ideas can influence the interpretation of what constitutes a cost–benefit calculation and material circumstances can shape ideational expectations. Rather, it maintains that – in addition to their interactions – the variables possess sui generis characteristics, which make them theoretically and empirically distinguishable from each other and thus individually identifiable regarding the specific features outlined below. Furthermore, drawing a distinction between the variables is necessary to develop hypotheses on the conditions of their individual bearing on governmental preferences. Thus, the conceptual separation of the variables through definitions is purely for analytical purposes. Interactions will be discussed in the following as well.

**Interests** are defined here as material considerations of domestic sectors or groups that can react rapidly to changing circumstances, that is, according to the benefits and costs induced by national, regional, or global economic developments and politics. This definition rests upon the literature addressing the connection between internationalisation, domestic economic sectors, and government, specially focussing on changes in the international economy that lead interest groups to pressure the government into protecting or establishing competitive conditions (see, for instance, Frieden and Rogowski, 1996: 35; Lake, 2009; Milner, 1997: 9; Moravcsik, 1997: 528). International cooperation and economic developments change the domestic distribution of wealth, producing winners and losers domestically, which will subsequently lobby the government to defend their interests. Methodologically, interests can be assessed by measuring competitive positions of economic sectors and how they change in response to factors such as trade liberalisation, technological innovation, and the rise of new global competitors or governmental subsidies. In the societal approach, the structural assessment of these material circumstances, however, is treated as a secondary method of evidencing interests. To advance actor-centred analysis and consider actors’ perceptions, the societal approach primarily focusses on statements by associations and lobby groups to ensure that interest groups’ interpretations of cost–benefit calculations and circumstances are included in assessing interests.

**Ideas** are defined as fundamental, path-dependent, and value-based individual and collective expectations about appropriate governmental positions. Thus, ideas do not encompass, for example, whether voters support a specific free trade agreement, but instead whether voters see competition as a force for good or rather as a danger and whether governmental regulation is seen more positively than the workings of free markets. The societal approach draws on definitions of ideas as expectations about appropriate positions, which are both theoretically grounded and accessible to empirical analysis (see, for instance, Campbell, 2001: 159–166; Goldstein and Keohane, 1993; Hall, 1997: 184). Goldstein and Keohane (1993: 16) exemplarily provide this dual (theoretically grounded and empirically accessible) character of ideas vis-à-vis different ideational dimensions:

Ideas serve the purpose of guiding behaviour under conditions of uncertainty by stipulating causal patterns or by providing compelling ethical or moral motivations for action. Ideas can be
broad or narrow [. . .], or merely suggest what economic policy will steer a nation toward increased wealth.

Empirically, the societal approach maintains that value-based ideas express themselves in public opinion polls on desirable governmental positions and in behavioural patterns of societal groups, which are defined here as observable practices of ideational predispositions (for instance, of savers, consumers, environmentalists). Practices, however, reach beyond value-based ideas and may express general material interests, which are not sectoral and short-term in nature, but may either cause or follow path-dependent ideas. Thus, conceptually and empirically, practices may be material and ideational. For example, private saving in times of high interest rates seems to constitute a material interest because of high material gains, while saving in times of very low interest rates such as currently in the Eurozone seems to follow ideational beliefs (cultural traditions) because of very low material gains. Hence, practices may conceptually and empirically connect ideas with general societal interests and may be codified in institutions or derive from existing institutions. Therefore, interactions between interests, ideas, and institutions may be strong in addition to each variable’s *sui generis* characteristics.

Regarding ‘ideas’ as conceived above, the societal approach differentiates between *process ideas* and *content ideas*. Process ideas are defined here as expectations about the consensual or hierarchical way governance decision-making should be conducted. Opposing process ideas as societal expectations can emphasise, for example, ‘leadership’, ‘winner takes it all’, and ‘hierarchical’ decision-making versus ‘inclusive’, ‘consensual’, ‘corporatist’ decision-making. In contrast, content ideas express what a society sees as the primary role or *task of the government* in a given policy area. Regarding economic policy, diverging content ideas can be, for instance, ‘trust in market forces’ versus ‘trust in governmental regulation’, or ‘fiscal prudence’ versus ‘deficit spending’.

*Institutions* are defined here as formal regulations which structure domestic political and socio-economic coordination. With the variable institutions, the societal approach includes institutional complementarities resulting from domestic regulations that might shape governmental positions. This argument draws on the varieties of capitalism literature (Fioretos, 2001; Hall and Soskice, 2001) and partly on historical institutionalism (Fioretos, 2011) in suggesting that governments’ preferences towards international negotiations are informed by the consideration of how international rules will affect domestic regulations that shape domestic sectors’ competitive situations. In addition to these material *efficiency*-calculations, governmental preferences also tend to be consistent with long-term domestic institutional settings because of their path-dependent ideational *legitimacy*. After all, institutions represent the codification of previously existing sets of ideas and interests, and may influence current societal ideas and interests. For example, in CMEs, the ideational expectation favouring inclusive decision-making is codified in rules on the collaborative interaction between employers, labour, and government, while, in liberal market economies, coordination occurs via competing market forces and hierarchical decision-making (Hall and Soskice, 2001: 33). This institutionalisation reinforces corresponding process ideas.

In sum, societal ideas, interests, and institutions possess *sui generis* characteristics, but may interact. As mentioned above, institutions, for example, have reasons and these reasons may be found in ideas and interests. Equally plausible, however, is the historical institutionalist argument that institutions, once created, subsequently influence societal ideas and interests (Schmidt, 2011: 52–53), thus shaping governmental preference formation indirectly through societal ideas and material interests.
Hypotheses

The societal approach shares with other domestic politics theories the basic argument that, if domestic ideas, institutions, or interests differ (converge) in cross-country comparison, then diverging (converging) governmental preferences on international economic issues are to be expected. Building on this argument, I suggest four hypotheses with the societal approach on the conditions for the bearing of the variables on governmental preference formation. These four hypotheses do not argue that one variable matters instead of another, but rather propose conditions under which each variable becomes more important and prevails in shaping governmental preferences. The fifth hypothesis refers to the impact of ideas and interests on the government’s ability to compromise internationally.

H1. If the (new) governance issue at stake affects well-organised economic sectors directly in form of high (potential) costs or benefits, material interests will prevail in shaping governmental preferences because lobbying will be strong. ‘Affect directly’ means that economic sectors claim a plausible strong impact of the governance issue on them in form of (potential) gains or losses (on the operationalisation of the hypotheses, see below).

H2. If the (new) governance issue at stake raises fundamental and salient questions on the role of the government in steering the economy and sectoral cost–benefit calculations are affected in a diffuse way, ideas will prevail in shaping governmental preferences because societal expectations will be strong. ‘Fundamental’ refers to long-term, basic perspectives on the government’s steering of the economy. Thus, path-dependent, structural questions are meant, not attitudes towards daily affairs. ‘Salient’ refers to the degree to which an idea is shared and considered important by the electorate.

H3. If the (new) governance issue raises fundamental–salient questions on the role of the government in steering the economy and cost–benefit calculations of specific well-organised economic sectors, both ideas and interests will reinforce (compatible demands) or compete (opposed demands) with each other in informing governmental preferences. Specific ideas may align with interests and compete with other ideas and/or interests (on plurality, see below).

H4. If the (new) governance issue at stake refers to questions mirroring domestic patterns of political and/or socio-economic regulation, governmental preferences will be consistent with national institutions. In other words, governments will resist international initiatives that conflict with domestic institutions and try to make international rules congruent with domestic institutions. ‘Consistency’ means that positions are either informed by domestic institutional arrangements or not opposed to them. Also, domestic institutions are expected to weaken the impact of ideas and interests that oppose institutional settings and strengthen the impact of ideas and interests that correspond to institutional settings.

H5. Furthermore, the government’s ability to compromise in intergovernmental negotiations tends to be higher when divergences between governmental preferences are material in nature (interest-driven) than when contrasting value-based expectations shape them (idea-driven). This is because a divergence in material interests is accessible to
compromise via a partition of costs and benefits among relevant actors, while overcoming ideational differences requires a shift in path-dependent societal expectations.

The conditions for the bearing of the variables in H1, H2, H3, and H4 have two implications. First, depending on the issue at stake, one, two, or all three factors will influence governmental positions. Second, while interests and ideas can compete for influence or reinforce each other (see H1, H2, and H3), institutions are expected to inform governmental positions in all cases when the IPE issue mirrors domestic regulations (H4) in accordance with traditional interests and/or ideas. This second supposition follows from the definition of institutions as codifications of previous sets of ideas and interests. Institutions influence current societal ideas and interests according to historical institutionalism, and may also encounter opposing ideas and/or interests. The latter occurs when current expectations on appropriate policies or material interests do not conform to established regulations because of ideational changes over time or changes in the material conditions faced by interest groups (see below).

**Operationalisation and empirical strategy.** Examining the hypotheses requires an empirical assessment of the variables. Thus, the societal approach’s analysis focusses on (1) identifying domestic interests, ideas, and institutions possibly affected by the IPE issues at stake, (2) examining whether government positions corresponded to domestic interests, ideas, or institutions, (3) assessing the conditions under which the variables correlated with governmental positions along H1, H2, H3, and H4, and on (4) tracing the role of ideas or interests in the process of negotiating international agreements (H5). The aim is to analyse, in cross-country comparison, the claims of the hypotheses by identifying plausible evidence, which supports or weakens the validity of the presumed link between the independent and dependent variables.

The search for empirical evidence of material interests focusses on sectoral calculations and interpretations (expressed, for instance, in statements of business associations and labour) of costs and benefits emanating from (international) political and economic developments and (new) governance initiatives. A sector’s economic and political power resources (number of firms and jobs it encompasses, its financial means, ties to politicians, political networks, and contribution to total gross domestic product (GDP)) are expected to condition its leverage on governmental positions. A lobby groups’ ability to legitimise its material interests with value-based ideas can also contribute to its impact on governments. However, since research on lobbying shows the methodological difficulty of measuring a causal influence of interest groups on governments (Dür and de Bièvre, 2007), the societal approach concentrates on evidencing correlation between interest groups’ resources and statements on one hand and governmental positions on the other hand.

The empirical examination of societal ideas involves two methods since ideas can take different forms as defined above. First, ideas can be evidenced through public opinion polls, such as the World Values Survey and the Eurobarometer, which address fundamental, long-term attitudes about the appropriate role of the government in steering the economy, such as preferences for ‘strong versus weak government responsibility’ and ‘distribution via market mechanism versus governmental intervention’. Second, the role of ideas can be empirically evidenced by assessing societal practices as behavioural patterns, such as ‘debt-driven private consumption’ versus ‘high private savings rates’, or ‘compliance/non-compliance with waste separation’. These patterns, however, can also reflect material conditions (incentives) and thus constitute general societal interests (see above). Different behavioural patterns in cross-country comparison plausibly indicate
different societal expectations about the appropriate role of the government in a given policy area. Governments can also stimulate societal behavioural patterns, but will consider existing ideational patterns to attain legitimacy. Otherwise governments risk voters’ support and may suffer electoral defeat. The political strength of an idea (as attitude or practice) is expected to depend on the degree to which it is shared by voters (salience) and to which its meaning is connected to the policy issue at stake.

The role of domestic institutions can be empirically assessed by identifying long-term, formal regulations of political as well as socio-economic processes. Core features of political institutions are, for instance, federalism (the United States) versus centralisation (France) and a majority voting system (the United Kingdom) versus a largely proportional representation/voting system (Germany). These regulations influence the legitimacy and the efficiency of domestic political and economic processes and may have repercussions for governmental preferences towards IPE. Socio-economic institutions can be distinguished along the varieties of capitalism literature as leaning towards the ideal type of ‘liberal market economy’ (such as the United Kingdom and the United States) or ‘coordinated market economy’ (such as France and Germany). While LMEs are characterised more by market-driven economic development and hierarchical decision-making, CMEs feature more state intervention and a ‘structural bias towards consensual decision-making’ (Hall and Soskice, 2001: 24).

In examining the dependent variable, that is, governmental preferences, the societal approach considers governmental declarations, official documents, and especially statements by political decision-makers to detect possible correlations with the independent variables. Quotes from political decision-makers focus on elected politician’s comments and not on comments from expert bureaucrats for two reasons. First, politicians are accountable to voters due to their desire for re-election and, therefore, presumably responsive to interest groups and societal ideas, which is not necessarily true for experts. Experts and think tanks are not elected and often strongly networked with business, labour, and private foundations and, therefore, not part of the dependent variable (Jacobs and Page, 2005: 119). In addition, despite politicians’ individual convictions and possibilities for autonomy vis-à-vis demands from the electorate or economic sectors (Kaarbo, 2015: 204), they still need the support of crucial segments of the society to win elections. If governing politicians fail to take into account major societal demands, they might ultimately lose elections. Societal discontent may then overturn established power groups and governing parties in elections and lead to policy change.

Second, globalisation, global economic crises, international conflict, and regional integration have considerably politicised societies in the last two decades and have thereby increased the role of governmental politicians (which are presumably responsive to societal demands) and decreased the influence of expert bureaucrats and epistemic communities (Helleiner and Pagliari, 2011: 182; Hooghe and Marks, 2009: 2). Helleiner (2014: 2) underlines this point especially regarding global economic governance by stressing the need to examine the ‘enduring state-centric foundations of financial governance in contrast to analyses that focus more on the growing significance of international institutions or of transnational elites and ideologies’.

Clearly, government politicians’ statements that correlate with specific domestic ideas and interests cannot serve as proof for a causal relationship. When governments justify their positions with ideas, they might also draw a rhetorical picture to promote hidden material agendas of interest groups or elites, such as protectionism or
liberalisation. Furthermore, governments can try to influence interest groups and voters through incentives, framing campaigns, and public statements (Kaarbo, 2015: 204). If governments wish to be successful with this strategy in the long run, however, statements have to be acceptable to voters or interest groups and thus have to align with the ideational or material wishes held by voters or interest groups. Thus, quotes do not serve as causal proof, but instead as plausible evidence for what politicians perceive as legitimate reasons for their positions.

Changes in character and direction of the independent variables. The societal approach conceptually separates ideas, interests, and institutions to analyse the conditions for their individual bearing on governmental preferences, while acknowledging that the variables may also inter-relate and influence each other as shown above. Thus, the *sui generis* definitions elaborated can serve as analytical tools for identifying distinctive characteristics of the respective societal variable under scrutiny and leave room for overlap and mutual influence. In this endeavour, it is crucial to consider the development over time through ‘systematic process analysis’ (Hall, 2007), since the bearing of societal variables on governmental preferences can vary in strength, change in direction, or change in character. A change in direction of societal influence on governmental positions occurs when domestic or international alterations of material, ideational, or regulatory circumstances lead to a change of the material goals of interest groups or of the ideational expectations of voters. A change in direction of material demands happens, for example, when competitive economic sectors lobbying the government to engage in international trade liberalisation lose their competitive edge on the world market (for instance, due to the rise of new competitors from emerging economies) and subsequently re-direct their lobbying efforts to gain governmental protection from global competition. Ideational expectations can change direction, for instance, when the idea of international cooperation is perceived as detrimental to the idea of social justice due to rising income inequality through liberalised trade and finance, or detrimental to the idea of self-determination due to the increasing domestic impact of international law. Such ideational changes could subsequently lead, for instance, to growing public support for national autonomy and to a weakening of the ideational approval for multilateralism, for instance, regarding the World Trade Organization (WTO) and the European Union. Changing popular ideas and/or interests might thus lead to anti-establishment voting with the potential to overturn international commitments as evidenced by the Brexit vote and President Trump’s positions.

Besides a possible change in direction of societal demands, a change in character of societal influence on governmental preferences from one variable to another can occur. This may happen, for example, when ideationally informed governmental policies change the distribution of material gains, resulting in in the production of different or new material interests whose supporters seek to influence the government independent of the previously influential ideas. For instance, in several countries, the societal expectation (idea) of environmental protection motivated governments to support the renewable energy sector with large subsidies. These subsidies influenced the distribution of material gains and stimulated the growth of the renewable energy industry, which today constitutes an important economic sector and lobbies the government to continue and expand subsidies to promote the material interests of the employees and owners of renewable energy companies.

Plurality of ideas, interests, and institutions. Besides changing in character or direction and reinforcing or competing with one another in shaping governmental preferences, ideas,
interests, and institutions may also offer variation within each variable’s category. In other words, societies may feature a plurality of (competing) value-based ideas, a variety of (competing) material interests, and a multiplicity of institutional regulations, which might also not always complement each other. Thus, a comprehensive analysis must consider the conditions for the relevance of societal ideas, institutions, or interests and take into account how the plurality of ideas interacts with the variety of interests and institutions. Consequently, a plurality of ideational expectations together with a plurality of material interests and a plurality of institutions may shape governmental preferences. For example, a hypothetical two distinct ideational expectations in a given society salient for the policy area at stake may antagonise or align with a hypothetical three different material interest groups affected and a hypothetical two institutional regulations in shaping governmental preferences.

For instance, industrialised democracies’ policies towards China are often confronted with the two distinct societal expectations (ideas) of, first, embedding emerging powers cooperatively in global markets and, second, advocating for human rights protection. At the same time, many industrialised countries’ governments face lobbying (interests) from (1) competitive sectors seeking to promote trade and investment with China, (2) sectors threatened by imports from China demanding a restriction of trade with China, and (3) still other sectors pressuring the government to oblige China to follow US copyright standards (domestic institutions are neglected in this example to minimise complexity). Hence, the analysis has to, first, evidence the nature and strength of each societal variable and, second, examine whether the variables conflict with or support each other across the different categories of variables (inter-variable, e.g. between ideas and interests) and within the same category (intra-variable, e.g. among different interests) in shaping the government’s preferences. For example, the ideational support of multilateralism and free trade (embedding emerging economies in global markets) might politically strengthen the influence of sectoral economic interests favouring trade liberalisation, while the advocates of human rights protection (idea) may politically share a critical attitude towards further cooperation with China with protectionist lobbies (interest).

Another illustration of how the plurality of each variable and cross-variable alignments may shape governmental preferences is the role of Germany in the Eurozone crisis since 2010. In a stylised sketch, two societal ideas about appropriate policies seem important. First, German voters’ expectation that their government shows solidarity with other European countries as a prime foreign policy goal, and, second, voters’ expectation that the government defends a rules-based rather than discretionary policy approach (favoured, for example, by France). These two expectations contradict each other in the Eurozone crisis since sticking to the rules of the European Monetary Union (EMU) would imply rejecting a continuous bail-out for indebted countries such as Greece, because bail-outs are in principle forbidden by the EMU treaty and can only be enacted via a legal loophole. However, the expectation to show European solidarity implies bending the rules and supporting financial aid for crisis-ridden countries (on the domestic politics of the Eurocrisis, see Bülmer, 2014; Olender, 2012; Schild, 2013: 36, Schirm, 2018). The German position in the Eurocrisis seems to reflect this ambivalence, since the government agreed to bend the rules by supporting continuous financial bail-outs but insisted on strict conditions of fiscal restraint which are opposed by many Eurozone members.

This ambivalence in ideational expectations encountered a divergence of material interests in Germany. While the banking sector was interested in bailing-out crisis countries to secure its assets and profits, German taxpayers’ and savers’ interests opposed
bail-out policies, since these implied huge liabilities and very low interest rates by the European Central Bank (ECB; Sinn, 2014). While low interest rates help debtor countries, they negatively affect the traditionally high private savings in Germany. The German governments’ actual position indicates that voters’ support for European solidarity (idea) together with the lobbying of banks (interests) apparently prevailed over voters’ expectation that the government defends the rules of the EMU treaty (idea) and over the material concern of securing the value of private savings and of protecting taxpayer money (interests). Future research might investigate, whether the framing of the issue through the idea of European solidarity enhanced the impact of the banking lobby by giving financial support for crisis countries an ideational legitimation. In addition, future research might also enquire why Germany itself broke the EMU-deficit rules in the early 2000s and which role the ordoliberal tradition played in the Eurocrisis negotiations since 2010.

Conclusion

The societal approach is a mid-level theory developed to explain specific puzzles in IPE, that is, the reasons for governmental preferences in cross-country comparison. It especially aims at investigating the question on the prevalence of domestic ideas and/or institutions in some cases and of interests in other cases of governmental preference formation. To explain these puzzles, the societal approach proposes hypotheses on the conditions for the influence of domestic value-based ideas, regulatory institutions, and material interests on governmental preferences and conceptualises the interaction between the three variables.

In doing so, the societal approach complements domestic politics theories of IPE in three respects. First, it includes all three domestic variables which are potentially relevant for endogenous preference formation, while other theories often use only one or two variables. Second, the variables are defined and operationalised in a more comprehensive way than is the case in much of the domestic politics literature. Third, the societal approach fills a gap in research by conceptualising the conditions under which each of the independent variables influences governmental preferences. It proposes hypotheses on the prevalence of ideas, institutions, or interests and on how the variables affect a government’s ability to compromise internationally. In addition, changes in character and direction of the variables as well as their plurality and interaction are conceptualised.

Thus, the societal approach’s claim vis-à-vis domestic politics, institutionalist, and liberal theories is that all three domestic variables ideas, interests, and institutions matter and that each matters most under certain conditions. The societal approach reaches its highest explanatory power for democratic political systems, since it argues that government politicians are responsive to societal demands due to their wish to remain in office through elections. Admittedly, in democracies, governments influence the electorate and have a certain degree of autonomy, and elites can capture the political process. In democracies, however, societal ideas and interests articulate themselves with more autonomy than in authoritarian regimes and voter’s discontent can remove ruling parties from office through elections with more ease.

The societal approach contributes to the theoretical debate, but has clear limitations. With the focus on the bearing of domestic societal forces on governmental preferences, it conceptually deepens a crucial but limited part of the political process. Other potentially important factors, such as international influences on governmental decisions, the increasing transnationalisation of societies, and the role of transnational elites are not considered explicitly. Rather, following the argument that governments will be responsive to
domestic demands prior to international circumstances, international forces are seen as analytically secondary. The impact of international institutions, negotiations, and power shifts is not negated, but enters the analysis of governmental preference formation indirectly via the reception (or non-reception) of the international level by domestic interest groups, ideas, and institutions. Thus, through the examination of the three variables with the societal approach, the transnational and international influences on voters, domestic regulations, and lobbies are included in the analysis as soon as they become relevant for the domestic factors. Also, party programmes are not examined explicitly since the societal ideas and interests that shape the party programmes are considered via, for instance, public opinion polls or interest group statements. This does not preclude that political parties possess a certain degree of autonomy vis-à-vis the society and function as a transmission belt between societal demands and the government.

Future research might clarify further the interplay and boundaries between ideas, interests, and institutions. Conceptualising general societal interests (for instance of consumers, savers) seems to be especially challenging, because they are usually not as clearly identifiable as are sectoral interests and can best be evidenced through behavioural patterns, which the societal approach also uses to identify ideas (besides public opinion polls). Thus, research could focus on the conditions under which behavioural patterns refer to value-based ideas or to material interests. Research may also elaborate more on the link between the independent and dependent variables, that is, on the conditions for governmental responsiveness to societal demands.

Currently, further research seems especially important on the sources and consequences of domestic anti-establishment and populist movements for international politics. The societal approach is well equipped for an analysis of the implications of the dissatisfaction of large parts of Western societies with the material-distributive (economic interests) and cultural-participatory (value-based ideas) effects of neoliberal globalisation and multilateralism. This growing domestic discontent seems to trigger a turn to more nation-centred foreign economic policy preferences of governments as evidenced by recent US and UK policies.

Additional research is also promising on the influence of domestic forces on governmental preferences regarding international negotiations. While governments compromise internationally with more ease when domestic interests dominate their position than when ideas prevail according to H4, international leadership might gain strength if a potential leader country includes the ideas and interests prevalent in the domestic politics of potential follower countries in its leadership project (Schirm, 2010). Since governmental preferences are presumably informed by domestic variables, such an ‘inclusive leadership’ would enhance the legitimacy of any leadership attempt from the perspective of potential follower countries’ societies, enabling followers’ governments to align their international commitments with their domestic politics.

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