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(4) the need to reach agreements quickly.

Because speed, simplicity, flexibility, and privacy are all common diplomatic requirements, we would expect to find informal agreements used frequently. Because the associated costs and benefits vary in different circumstances, we would also expect to find a distinct pattern of formal and informal agreements. Finally, we would expect to find various types of informal agreements used to meet particular needs.

This article examines the strengths and weaknesses of informal agreements. It is an inquiry into the neglected institutional constraints on international cooperation – and the imperfect devices to overcome them. It considers the basic choices between treaties and informal instruments, as well as the choices among different kinds of informal arrangements, all of which can be used to express cooperation among states. Finally, it asks what these varied forms of cooperation can tell us about the more general impediments to international agreement. The aim here is to use the *choice of forms of agreement* to explore some problems of rational cooperation in international affairs and particularly their contextual and institutional dimensions.

SELF-HELP AND THE LIMITS OF INTERNATIONAL AGREEMENT

When states cooperate, they can choose from a wide variety of forms to express their commitments, obligations, and expectations. The most formal are bilateral and multilateral treaties, in which states acknowledge their promises as binding commitments with full international legal status. At the other extreme are tacit agreements, in which obligations and commitments are implied or inferred but not openly declared, and oral agreements, in which bargains are expressly stated but not documented. In between lie a variety of written instruments to express national obligations with greater precision and openness than tacit or oral agreements but without the full ratification and national pledges that accompany formal treaties. These informal arrangements range from executive agreements and nonbinding treaties to joint declarations, final communiqués, agreed minutes, memoranda of understanding, and agreements pursuant to legislation. Unlike treaties, these informal agreements generally come into effect without ratification and do not require international publication or registration.

Although these agreements differ in form and political intent, legal scholars rarely distinguish among them. The dominant view is that international agreements, whatever their title, are legally binding upon the signatories, unless clearly stated otherwise. Thus, informal agreements,

if they contain explicit promises, are conflated with treaties. They are rarely studied directly, except for the curiosity of "nonbinding" agreements such as the Helsinki Final Act.[14]

This distinction between agreements that legally bind and agreements that do not is a traditional one. It is central to the technical definition of treaties codified in the Vienna Convention on the Law of Treaties. Article 26 states that treaties are "binding upon the parties" and "must be performed by them in good faith."[15] Similarly, texts on international law emphasize the binding nature of treaties and, indeed, a wide range of other international agreements.[16]

The implicit claim is that international agreements have a status similar to domestic contracts, which *are* binding and enforceable. This claim is seriously misleading. It is a faulty and legalistic characterization of international agreements in practice and is also a poor guide to why states sometimes use treaties and other times use informal means to express agreements. Although international agreements are contracted commitments, any simple analogy to domestic contracts is mistaken for several reasons. First, in domestic legal systems, binding agreements are adjudicated and enforced by courts, backed by the instruments of state power. *** Courts can hold parties responsible for their promises, whether those promises were originally intended as contracts or not, and can settle their meaning.[17] When parties discuss compliance after agreements have been signed, they bargain in the shadow of law and judicial enforcement.

[14] See, for example, Oscar Schachter, "The Twilight Existence of Nonbinding International Agreements," *American Journal of International Law* 71 (April 1977), pp. 296–304; Michael J. Glennon, "The Senate Role in Treaty Ratification," *American Journal of International Law 77* (April 1983), pp. 257–80; and Fritz Münch, "Non-Binding Agreements," in *The Encyclopedia of Public International Law,* vol. 7 (Amsterdam: North-Holland, 1984), pp. 353–57. The one general (and quite valuable) legal treatment of informal agreements is "The Theory and Practice of Informal International Instruments" by Anthony Aust, a practitioner in the British Foreign Office.

[15] The Vienna Convention on the Law of Treaties was opened for signature on 23 May 1969 and entered into force on 27 January 1980, after ratification by thirty-five nations. See UN document A/CONF. 39/27, 1969.

[16] See, for example, Lord McNair, *The Law of Treaties* (Oxford: Clarendon Press, 1961); and Taslim Elias, *The Modern Law of Treaties* (Dobbs Ferry, N.Y.: Oceana Publications, 1974).

[17] For a system of contract law to be effective, the parties cannot simply abandon their commitments unilaterally. Or, rather, they cannot abandon these commitments without facing legal penalties. Reflecting this understanding, the key disputes in contract law revolve around what constitutes a binding agreement and what constitutes an appropriate penalty for nonperformance. International legal scholarship largely avoids these fundamental issues, and it says all too little about related issues of renunciation, violation, and monitoring of agreements.

Whether the issue involves simple promises or complicated commercial transactions, the availability of effective, compulsory arbitration by courts supports and facilitates agreements. It does so, in the last resort, by compelling adherence to promises privately made or, more commonly, by requiring compensatory payment for promises broken.[18] Moreover, the prospect of such enforcement colors out-of-court bargaining.

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There is no debate over the propriety of these judicial functions. They are crucial in complex capitalist economies in which independent agents work together by voluntary agreement. What legal scholars debate is not the propriety of enforcement power but its substantive content and the underlying principles that should govern damage awards when promises are broken.[19] ***

Whatever the standard for damages, it is clear that the courts offer political backing for the exchange of promises and, indeed, for the institution of promising in all its facets. Their role provides an important measure of protection to those who receive promises. It diminishes the tasks of self-protection, lowers the costs of transactions, and thereby promotes contractual agreements and exchange in general.

To lower the burdens of self-protection is not to eliminate them entirely. Using local courts to sustain agreements is often costly or impractical. The enforcement of contractual rights and obligations is imperfect. These costs and uncertainties raise the possibility that breaches of contract will go uncompensated or undercompensated. Knowing that, the parties must look to themselves for some protection against

[18] This backing for promises is qualified in at least two senses. First, it leaves aside the expense and opportunity costs of using the courts (some of which may be recovered in the final judgment). Second, it assumes that the contested promises can somehow be demonstrated to the satisfaction of a third party. For oral promises, this may be a difficult hurdle, as Goldwyn noted.

[19] Fried and Atiyah represent opposite poles in this debate. Fried argues that the common law of contracts is based on the moral institution of promising, rather than on commercial exchange. To sustain this institution, the recipients of broken promises should be awarded their expectations of profit. Atiyah argues that court decisions have moved away from this strict emphasis, which arose in the nineteenth century, and returned to an older notion of commercial practice, which limits awards to the costs incurred in relying on broken promises. See Charles Fried, *Contract as Promise: A Theory of Contractual Obligation* (Cambridge, Mass.: Harvard University Press, 1981); Patrick S. Atiyah, *From Principles to Pragmatism* (Oxford: Clarendon Press, 1978); and Patrick S. Atiyah, *The Rise and Fall of Freedom of Contract* (Oxford: Clarendon Press, 1979).

opportunism.[20] It is also true that domestic courts do not become involved in contract disputes through their own independent initiatives. They are called upon by parties to the dispute – at the parties' own initiative, at their own cost, and at their own risk. In that sense, access to the courts may be seen as an adjunct to other forms of self-help. Like these other forms, it is costly and the results uncertain.

But the fact that self-help is common to all agreements does not eradicate the fundamental differences between domestic and international bargains. Hanging over domestic bargains is the prospect of judicial interpretation and enforcement, whether the disputes are settled in court or not.[21] There is simply no analogue for these functions in international agreements. Of course, the parties to an interstate dispute may, by mutual consent, seek judicial rulings or private arbitration. In multilateral treaties, states may also agree in advance to use procedures for dispute resolution.[22] These procedures may have teeth. They can raise the diplomatic costs of violations and ease the burdens of retaliation. But the punishments are also highly circumscribed. For the most part, they simply define and justify certain limited acts of self-enforcement or retaliation. At most, they may force a violator to withdraw from an agreement or a multilateral organization, giving up the benefits of participation.[23]

[20] The courts themselves require some efforts at self-protection. Once a contract has been breached, for instance, the "innocent" party is expected to take reasonable actions to minimize the damages and cannot win awards that cover a failure to do so. For the efficiency implications of this legal doctrine, see Anthony Kronman and Richard Posner, *The Economics of Contract Law* (Boston: Little, Brown, 1979), pp. 160–61.

[21] See Robert H. Mnookin and Lewis Kornhauser, "Bargaining in the Shadow of the Law: The Case of Divorce," *Yale Law Journal* 88 (April 1979), pp. 950–97. Mnookin and Kornhauser also conclude that the impact of differing legal arrangements on divorce settlements cannot be specified with precision. They attribute that to a more general theoretical gap: a limited understanding of how alternative institutional arrangements can affect bargaining outcomes.

[22] These are often ad hoc procedures designed for a specific agreement. Their powers may be quasi-judicial, as in the dispute mechanisms of the General Agreement on Tariffs and Trade (GATT), or merely consultative, as in the procedures of the U.S.–Soviet Standing Consultative Commission, established in SALT I and SALT II. The presence of quasi-judicial bodies attached to specific agreements indicates, once again, the limits of international adjudication. And it points to the ad hoc means devised to manage the risks of international cooperation. See Richard B. Bilder, *Managing the Risks of International Agreement* (Madison: University of Wisconsin Press, 1981), pp. 56–61.

[23] A signatory always has the practical option of withdrawal, whether it is included as a legal option in the treaty or not. For legal analyses, see Arie E. David, *The Strategy of Treaty Termination: Lawful Breaches and Retaliations* (New Haven, Conn.: Yale University Press, 1975), pp. 203–16; and Herbert W. Briggs, "Unilateral Denunciation of Treaties: The Vienna Convention and the International Court of Justice," *American Journal of International Law* 68 (January 1974), pp. 51–68.

That can be punishment, to be sure, but it falls far short of the legal sanctions for violating domestic contracts. There, the rights of withdrawal are accompanied by external enforcement of damages, usually based on disappointed expectations of profit. The fact that *all* agreements contain some elements of self-protection and some institutions for private governance should not obscure these basic differences between domestic and international bargains.[24]

Domestic legal systems not only aid in enforcing contracts but also set effective boundaries on the scope and nature of private agreements. Statutes and court rulings limit the private, voluntary ordering of relationships. A significant portion of criminal law, for example, is devoted specifically to punishing certain categories of private agreements, from prostitution and gambling to the sale of illicit drugs. The rationale is that larger public purposes should override the immediate parties' own desires: their bargains should be barred or constrained. Civil laws governing rent control, usury, insider trading, cartel price-fixing, homosexual marriage, and indentured servitude are all directed at preventing private bargains, for better or for worse.[25] Such restrictions and the rules governing them are central elements of domestic legal systems.

Similarly, the law can restrict the *form* of agreements. One clear-cut and prominent example is the U.S. Statute of Frauds, which requires that certain agreements be put in writing. ***

Again, there are simply no equivalent restrictions on either the form or substance of international agreements. The domain of *permissible* international agreements is simply the domain of *possible* agreements.[26]

[24] There have been proposals, based on efficiency grounds or libertarian principles, that private agents play a much larger role in enforcing domestic laws and contracts and that they be compensated by bounties, paid either by violators or the state. These proposals cannot be applied to international agreements without significant modification, since they ultimately envision authoritative judicial interpretation and enforcement. See Gary S. Becker and George J. Stigler, "Law Enforcement, Malfeasance and Compensation of Enforcers," *Journal of Legal Studies* 3 (January 1974), pp. 1–18; Gary S. Becker, "Crime and Punishment: An Economic Approach," *Journal of Political Economy* 76 (March–April 1968), pp. 169–217; and George J. Stigler, "The Optimum Enforcement of Laws" *Journal of Political Economy* 78 (May–June 1970), pp. 526–36.

[25] As Mnookin and Kornhauser point out in their study of divorce laws, "A legal system might allow varying degrees of private ordering upon dissolution of the marriage. Until recently, divorce law attempted to restrict private ordering severely." See Mnookin and Kornhauser, "Bargaining in the Shadow of the Law," pp. 952–53.

[26] There is one restriction worth noting on the legal form of international agreements. The World Court will only consider agreements that have been formally registered with the United Nations. If the World Court were a powerful enforcement body, this restriction would influence the form of major agreements.

This absence of restraint is not due simply to the lack of an international legislature and executive (though surely they are absent). It is due equally to the absence of an effective system of adjudication. One major limitation on prohibited domestic bargains, aside from any direct penalties, is that illicit bargains are not enforced by courts. This restricts such bargains by making them more costly to execute. To implement illegal contracts requires special precautions and sometimes entails the establishment of a broader set of institutional arrangements: a criminal enterprise.[27]

These high costs of self-enforcement and the dangers of opportunism are important obstacles to extralegal agreements. Indeed, the costs may be prohibitive if they leave unsolved such basic problems as moral hazard and time inconsistency. The same obstacles are inherent features of interstate bargaining and must be resolved if agreements are to be concluded and carried out. Resolving them depends on the parties' preference orderings, the transparency of their preferences and choices (asymmetrical information), and the private institutional mechanisms set up to secure their bargains.[28] It has little to do, however, with whether an international agreement is considered "legally binding" or not. In domestic affairs, on the other hand, these legal boundaries make an enormous difference – the difference between selling contraband whiskey in Al Capone's Chicago and selling the same product legally ten years later.

In international affairs, then, the term "binding agreement" is a misleading hyperbole. To enforce their bargains, states must act for themselves. This limitation is crucial: it is a recognition that international politics is a realm of contesting sovereign powers. For that reason, it is misleading to understand treaties (as international lawyers typically do) in purely formal, legal terms, as instruments that somehow bind states to their promises. It is quite true that treaties incorporate the language of formal obligation, chiefly phrases such as "we shall" and "we undertake," together with specific commitments. Such conventional diplomatic language is a defining feature of modern treaties. But that language cannot accomplish its ambitious task of binding states to their promises. This

[27] Criminal organizations such as the Mafia can be understood partly as an institutional response to the problems of providing criminal services when the bargains themselves are illegal. For a fascinating economic study of such institutional arrangements, see Peter Reuter, *Disorganized Crime: Illegal Markets and the Mafia* (Cambridge, Mass.: MIT Press, 1983).

[28] On the mechanisms of private governance, see Oliver R. Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (New York: Free Press, 1985).

inability is an inherent limitation on bargaining for international cooperation. It means that treaties, like all international agreements, must be enforced endogenously.

WHAT DO TREATIES DO?

If treaties do not truly bind, why do states use that language? Why frame agreements in that form? The chief reason, I think, is that states wish to signal their intentions with special intensity and gravity and are using a well-understood form to do so. The decision to encode a bargain in treaty form is primarily a decision to highlight the importance of the agreement and, even more, to underscore the durability and significance of the underlying promises. The language of "binding commitments," in other words, is a diplomatic communication aimed at other signatories and, often, at third parties. In the absence of international institutions that permit effective self-binding or offer external guarantees for promises, treaties use conventional forms to signify a seriousness of commitment. By making that commitment both solemn and public, the parties indicate their intention, at least, to adhere to a particular bargain.

The effect of treaties, then, is to raise the political costs of noncompliance. That cost is raised not only for others but also for oneself. The more formal and public the agreement, the higher the reputational costs of noncompliance. The costs are highest when the agreement contains specific written promises, made publicly by senior officials with the state's fullest imprimatur. States deliberately choose to impose these costs on themselves in order to benefit from the counterpromises (or actions) of others. Given the inherent constraints of international institutions, these formal pledges are as close as states can come to precommitment – to a contractual exchange of promises. In short, one crucial element of treaties is that they visibly stake the parties' reputations to their pledges.[29] The loss of credibility (because of deliberate violations) is a real loss, although it is certainly *not* always a decisive one, in terms of policy

[29] If a state already has a poor reputation for keeping its promises, then it risks little in staking that reputation on other agreements, and its pledges will fail to convince future partners without special efforts (such as bonds, hostages, or collateral) and careful monitoring, all designed to minimize reliance on "trust." That does not rule out treaties, but it suggests that they may be disingenuous and cannot be relied upon. Stalin and Hitler, for example, found their pact useful because it produced immediate gains for each: the division of Eastern Europe. The incorporation of the new territories also postponed a confrontation between the two. The pact was useful for these immediate and simultaneous gains, not for any future promises of cooperation it held out.

calculus.[30] Informal agreements are generally less reliable and convincing precisely because they involve less of a reputational stake.[31] The stakes are diminished either because the agreements are less public (the audience is narrower and more specialized) or because high-level officials are less directly involved.

In a world of imperfect information, where others' current and future preferences cannot be known with certainty, reputation has value. As a result, it can be used as a "hostage" or bond to support contracts. Because breaking a contract or even appearing to do so degrades reputation, it produces a loss of reputational capital. The threat of such loss promotes compliance, although it cannot guarantee it. Whether it succeeds depends on (1) the immediate gains from breaking an agreement, (2) the lost stream of future benefits and the rate of discount applied to that stream, and (3) the expected costs to reputation from specific violations.[32]

Not all violations discredit equally.[33] First, not all are witnessed. Some that are seen may be considered justifiable or excusable, perhaps because others have already violated the agreement, because circumstances have changed significantly, because compliance is no longer feasible, or because the contracted terms appear ambiguous. Thus, memory, inference, and context – social learning and constructed meaning – all matter. Second, not all actors have a reputation worth preserving. Some simply do not have much to lose, whether their violations are visible or not. Moreover, they may not choose to invest in reputation, presumably because the costs of building a good name outweigh the incremental

[30] Of course, commitments may be cast aside, no matter how formal, as Saddam Hussein did when he declared Iraq's border agreement with Iran "null and void" in 1981. The agreement, reached in 1975 in Algiers, stated that "land and river frontiers shall be inviolable, permanent and final." There is a cost to discarding such an agreement unilaterally, even if that cost seems remote at the time. It virtually rules out the ability to conclude useful agreements on other border disputes. See United Nations, *Yearbook of the United Nations, 1981,* vol. 35 (New York: United Nations, 1985), pp. 238–39. See also Iran, Ministry of Foreign Affairs, Legal Department, *A Review of the Imposed War* (Tehran: Ministry of Foreign Affairs, 1983), including the text of the 1975 treaty, the treaty addendum, and Iran's interpretation.

[31] In this sense, secret treaties are similar to informal agreements.

[32] In other words, if the future is highly valued, there can be an equilibrium in which the (current discounted) value of a reputation exceeds any short-run gains from taking advantage of it. If the prospective gains from reputation are sufficiently large, then it also pays to invest in reputation. See David M. Kreps, *A Course in Microeconomic Theory* (Princeton, N.J.: Princeton University Press, 1990), p. 532.

[33] J. Mark Ramseyer, "Legal Rules in Repeated Deals: Banking in the Shadow of Defection in Japan," *Journal of Legal Studies* 20 (January 1991), p. 96.

stream of rewards.[34] Sovereign debtors, for example, value their reputation least when they do not expect to borrow again.[35] Alternatively, actors with poor reputations (or little track record) may choose to invest in them precisely to create expectations about future performance. If these expectations can produce a stream of rewards and if the future is highly valued, it may be rational to make such investments.[36] Thus, the value of reputation lost depends on the visibility and clarity of both promises and performance, on the value of an actor's prior reputation, and on the perceived usefulness of reputation in supporting other agreements.

Compliance with treaties, as I have noted, is specifically designed to be a salient issue, supported by reputation. Unfortunately, the hostage of reputation is not always strong support. Some states foresee little gain from enhanced reputation, either because the immediate costs are too high or the ongoing rewards are too little, too late. They may sign treaties cynically, knowing that they can violate them cheaply. Others may sign treaties in good faith but simply abandon them if their calculations about future rewards change. Finally, some states may invest heavily to demonstrate the credibility of their promises, to show that they are reliable partners, unswayed by short-term gains from defection.[37] The general importance of reputation, in other words, does not eliminate the problem of multiple equilibria. Just as there can be economic markets with some sellers of high-quality goods and some sellers of

[34] Again, the shadow of the future is crucial. If future rewards are sharply discounted, then it pays to exploit prior reputation (to disinvest) to reap short-term rewards.

[35] Elsewhere, I have shown that sovereign debtors in the nineteenth century moved to settle their old defaults when they contemplated seeking new loans. Creditors had the greatest bargaining leverage at precisely these moments. See Charles Lipson, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries* (Berkeley and Los Angeles: University of California Press, 1985), p. 47. See also Carlos Marichal, *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820–1930* (Princeton, N.J.: Princeton University Press, 1989), pp. 122–23.

[36] The short-term price of reputation may either be foregone opportunities or direct expenditures, such as fixed investments that are most valuable within a specific bilateral relationship. Williamson has explored the use of such fixed investments to make credible commitments in *The Economic Institutions of Capitalism*.

[37] The United States made such an investment in reputation in the late 1970s, after its credibility as leader of the North Atlantic Treaty Organization (NATO) was damaged by the neutron bomb affair. The problem arose after the Carter administration first supported and then opposed NATO's deployment of new antitank weapons, equipped with enhanced radiation warheads or neutron bombs. Key European leaders had already declared their support publicly, at considerable political cost, and now they had to reverse

shoddy goods, both of them rational, there can be diplomatic environments in which some states are reliable treaty partners and some are not.[38]

Reputation, then, can contribute to treaty self-enforcement if not ensure it. Self-enforcement simply means that an agreement remains in force because, at any given moment, each party believes it gains more by sustaining the agreement than by terminating it. That calculation includes all future benefits and costs, appropriately discounted to give their present value.[39] Enhancing a reputation for reliability is one such benefit. It is of particular value to governments engaged in a range of international transactions requiring trust and mutual reliance. Of course, other costs and benefits may outweigh these reputational issues.[40] The key point, however, is that reputation can be used to support international cooperation and has important implications for its form. The choice of a formal, visible document such as a treaty magnifies the reputational effects of adherence and buttresses self-enforcement.

Nations still can and do break even their most formal and solemn commitments to other states. Indeed, the unscrupulous may use treaty

course. After the crisis died down, the Carter administration proposed another approach to nuclear modernization: Pershing II missiles. The administration then held fast (as did the Reagan administration) in support of its new plan. It did so despite a rising tide of public protest abroad and wavering support from European leaders, especially the Germans, who had initially proposed the modernization. According to Garthoff, "The principal effect of the neutron weapon affair was to reduce Western confidence in American leadership in the alliance, and later to lead the United States to seek to undo that effect by another new arms initiative for NATO . . . The Carter administration itself felt it needed to compensate for its handling of the neutron decision. It sought to do so by responding boldly to a perceived European concern through exercising vigorous leadership . . . . Doubts about the military necessity or even desirability of deploying new [long-range tactical nuclear force] systems were overwhelmed by a perceived political necessity within the alliance." See Raymond L. Garthoff, *Detente and Confrontation: American–Soviet Relations from Nixon to Reagan* (Washington, D.C.: Brookings Institution, 1985), pp. 853 and 859.

[38] Firms can guarantee quality by offering warranties. But what guarantees the warranty? The answer for expensive items may be the threat of litigation. But for less expensive items, it is simply the firm's reputation. "The hostage for performance," according to Rubin, "must be in the familiar form of a quasirent stream [either of profits or return on capital]. In either case, the price of the product must be above marginal cost, and the difference must be high enough so that cheating by the firm does not pay." See Paul Rubin, *Managing Business Transactions: Controlling the Cost of Coordinating, Communicating, and Decision Making* (New York: Free Press, 1990), p. 147.

[39] L. G. Telser, "A Theory of Self-Enforcing Agreements," *Journal of Business* 53 (January 1980), pp. 27–28.

[40] Thus, a single agreement can be self-enforcing, even if it is divorced from any reputational concerns. Conversely, even when reputational issues are salient, a treaty may break down if other costs are more important.

commitments as a way of deceiving unwary partners, deliberately creating false expectations or simply cheating when the opportunity arises. (Informal agreements are less susceptible to these dangers. They raise expectations less than treaties and so are less likely to dupe the naive.) But states pay a serious price for acting in bad faith and, more generally, for renouncing their commitments. This price comes not so much from adverse judicial decisions at The Hague but from the decline in national reputation as a reliable partner, which impedes future agreements.[41] Indeed, opinions of the World Court gain much of their significance by reinforcing these costs to national reputation.

Put simply, *treaties are a conventional way of raising the credibility of promises by staking national reputation on adherence.* The price of noncompliance takes several forms. First, there is loss of reputation as a reliable partner. A reputation for reliability is important in reaching other cooperative agreements where there is some uncertainty about compliance.[42] Second, the violation or perceived violation of a treaty may give rise to specific, costly retaliation, ranging from simple withdrawal of cooperation in one area to broader forms of noncooperation and specific sanctions. Some formal agreements, such as the General Agreement on Tariffs and Trade (GATT), even establish a limited set of permissible responses to violations, although most treaties do not. Finally, treaty violations may recast national reputation in a still broader and more dramatic way, depicting a nation that is not only untrustworthy but is also a deceitful enemy, one that makes promises in order to deceive.

This logic also suggests circumstances in which treaties – and, indeed, *all* international agreements – ought to be most vulnerable. An actor's reputation for reliability has a value over time. The present value of that reputation is the discounted stream of these current and future benefits. When time horizons are long, even distant benefits are considered valuable now. When horizons are short, these future benefits are worth little,[43] while the gains from breaking an agreement are likely to be more

[41] A poor reputation impedes a state's future agreements because the state cannot use its reputation as a credible and valuable "performance bond."

[42] "Reputation commands a price (or exacts a penalty)," Stigler once observed, "because it economizes on search." When that search must cover unknown future behavior, such as a partner's likelihood of complying with an agreement, then reputations are particularly valuable. See George Stigler, "The Economics of Information," *Journal of Political Economy* 69 (June 1961), p. 224.

[43] This discount rate refers only to the present value of known future benefits. It assumes perfect information about future payoffs. Greater risk or uncertainty about future benefits can also affect their present value.