



Review: Approaches to the Study of State Reform in Latin American and Postsocialist Countries

Reviewed Work(s):

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Politician's Dilemma: Building State Capacity in Latin America by Barbara Geddes

Making Democracy Work: Civic Traditions in Modern Italy by Robert D. Putnam

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Approaches to the Study of State Reform in Latin American and Postsocialist Countries

Robert R. Kaufman

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Throughout the postsocialist and developing world a central challenge in the consolidation of democracy and market reforms is the construction of state bureaucracies capable of implementing economic policies, providing social services, and maintaining public order. During the 1980s this challenge was obscured by severe fiscal crises, which focused attention on scaling back activities conventionally assigned to the public sector. These reforms may have contributed to the construction of more capable states through the reduction of fiscal disequilibria and the establishment of more sustainable macroeconomic conditions, but the economic reformers of the last decade paid little attention to administrative restructuring or to the improvement of human resources within the public sector.

By the mid 1990s such issues had moved squarely onto the public stage. Within international financial circles increased attention to state reform was motivated partly by a concern to “lock in” fiscal and trade reforms of the past decade and partly by interest in moving on to social and regulatory policies that required greater administrative capacity. While it would be an exaggeration to speak of a “Washington consensus” comparable to the one that crystallized around policy reform in the mid 1980s, the agenda of state reform now being contested in Latin America and former socialist countries has been strongly influenced by four broad themes that have evolved within the World Bank and other international financial institutions.¹ First, on the centralization and political insulation of control over macroeconomic policy,

special emphasis has been attached to the establishment of central banks that are not directly subject to the day-to-day authority of the elected executive or the legislature. Second, in the decentralization and/or privatization of social service bureaucracies, it has been assumed that local authorities will be more responsive to constituent demands and that competition among providers will enhance the efficiency of services. Third, independent regulatory agencies could be created to monitor service providers and regulate the externalities of market-oriented reforms. Fourth, a more capable cadre of senior civil servants could be created by recruiting according to meritocratic criteria, providing it with discretion with respect to operating procedures, and evaluating it in terms of performance standards.

Under what conditions are such institutional reforms likely to be implemented? To what extent will they have their intended consequences? We begin with the assumption that reforming the state is not simply a matter of summoning the "political will" necessary to put the "correct" institutional formulas into place. Even more than economic policy reforms, efforts to transform the institutional framework in which policy is made will be affected by conflict and bargaining among domestic and international interest groups, politicians, and bureaucrats, many with important stakes in the status quo. Thus, despite broad public demand for greater honesty, efficiency, and equity within the public sector, many countries are characterized by what Guillermo O'Donnell has called "brown areas" in which state agencies have been captured by particularistic interests and can provide few of the services expected of state organizations.²

An understanding of both continuity and reform in state organization requires identification of the relevant actors in the political process, specification of their preferences and resources, and analysis of the way their choices are constrained by existing political and social structures. In this essay, I explore the assumptions about actors, preferences, and constraints contained in three broad theoretical perspectives: international political economy, institutional rational choice, and institutional sociology. Their implications for the politics of state reform are assessed with reference to Latin America and the postsocialist societies of Russia and eastern Europe, where many countries have completed an initial round of adjustment measures and now face a second generation of reform.

These perspectives yield complementary as well as competing insights into the politics of state reform, but their points of departure are quite different. Political economy approaches explain both policy outcomes and institutional change by focusing on relations among economic interest groups and the way such groups are linked to global trade and capital markets. A key issue to emerge from this approach is the extent to which national political leaders are constrained in their choices for state reform by the globalization of such markets and the strengthening of internationally oriented economic constituents.

Institutional rational choice emphasizes the role of politicians as "suppliers" of

state reform. It assumes that politicians' preferences for reform will be motivated by the goal of gaining or retaining office. Differences in electoral laws and constitutional rules, in turn, affect strategies for appealing to different constituencies and the strength of incentives to respond to voter preferences for reform.

Institutional sociology, finally, emphasizes the broader sociocultural context in which bureaucratic and economic behavior is embedded. It implies that the politics of state reform will be characterized less by the calculated pursuit of income or power than by more reflexive or normative behaviors that in turn are shaped by the existing matrix of social institutions. Unlike international political economy or rational choice, institutional sociology also directs attention to actors who may not be fully situated in either the market or the electoral and governmental arenas.

If we take a very long view, it might also be useful to consider broader theories that focus on the impact of wars and revolutions. In western Europe, the initial emergence of territorial states owed much to ongoing military rivalries and domestic class struggles that provided rulers with an incentive to construct standing armies and civil bureaucracies.³ These developments in turn constrained opportunities for the emergence of strong states in other parts of the globe. From the sixteenth century onward, eastern European societies were vulnerable to the predation of their neighbors. The weakness of postcolonial Latin American states similarly may be linked to their dependence on great power patrons in the nineteenth and twentieth centuries.

While the relevance of this broad historical context should be acknowledged, it is difficult to demonstrate systematically the connection between the deep structural roots of state formation and the more immediate issues of state reform now on the agenda of former socialist and developing societies. An attempt to trace the causal links that lead from the sixteenth century to the present would take us well beyond the scope of this paper.

The approaches considered here have the advantage of focusing on political processes that are more proximate to the outcomes we want to analyze. At the very least, they are necessary supplements to macrohistorical explanations. My objective is to spell out some of the hypotheses about state reform that are contained within each perspective and to offer a preliminary assessment of the strengths and limitations of each approach.

International Political Economy

During the 1980s and 1990s the broadest impulses for both policy and state reform have come from the international financial and policy community and their allies within domestic political economies. Political economy approaches therefore provide a promising entry point for an analysis of how contemporary states might be transformed. Not all political economists agree, of course, on the predominance of

international factors; indeed, they are a matter of considerable debate. But most pay systematic attention to the role of international trade and capital markets and to domestic economic interest groups that stand to win or lose from participation in these markets.

A growing body of contemporary research has focused on globalization of financial markets. Globalization has provided banks, portfolio managers, and multinational lenders with powerful leverage over the monetary policies of national governments. Because of the rapidity of capital transfers, perceived macroeconomic policy failures can trigger massive currency speculation and high domestic inflation with devastating consequences for the economy as a whole. Politicians and government leaders therefore have strong incentives not only to maintain stable macroeconomic policies but also to introduce institutional changes to increase the credibility of their policy commitments.

This argument is a central thesis of Sylvia Maxfield's *Gatekeepers of Growth*.⁴ Maxfield's point of departure is the worldwide trend toward central bank independence which, she suggests, reflects the enhanced impact of international capital flows on public finances and political stability. Following this logic, we might hypothesize more broadly that competition for capital would encourage a convergence of state structures toward institutional models that enhance competitiveness and are perceived as acceptable in advanced capitalist societies.

In a related hypothesis, cross-national variations in the timing and extent of state reform will vary with the nature of the linkages between domestic and international economies.⁵ Responses would be most favorable in countries with relatively powerful banking and export sectors, those most closely linked to U.S. or European markets, and/or those most dependent on international capital flows to finance balance of payments. They would be weaker in countries with larger domestic markets and/or more limited prospects for integration into global trading blocs. Maxfield's studies of central bank reform in Mexico, Taiwan, Korea, and Brazil explore many of these assumptions. She argues that the timing of central bank reform reflected domestic rulers' expected utility of external financing. Financing in turn depended on balance of payments pressures, the supply and type of available capital inflows, and the extent to which domestic economies were linked to these flows through open capital accounts.

Ronald Rogowski and Jeffrey Frieden have made similar arguments about the consequences of expanding international trade.⁶ They argue that, as transaction costs decline, governments face increasing pressures to liberalize trade from internationally oriented sectors that stand to increase their profits and from political entrepreneurs who can gain from prospective increases in national income and government revenues.

Of course, it may be easier to alter government policy than to change the institutional rules through which policy is made. Even so, Frieden and Rogowski suggest that prospective winners of trade reform will also press for institutional reforms that

reduce access to groups seeking particularistic exemptions. Reforms would imply the creation of more centralized structures of macroeconomic decision making and an enlargement of the territorial constituencies of elected officials.⁷

While Maxfield and Frieden and Rogowski emphasize the centralization of control over basic macroeconomic policy instruments, globalization may also contribute to an expanded role for local governments in the delivery of social services and other public goods. The international transactions of local economic and political actors will become less dependent on the mediations of central governments. International financial institutions have reinforced such trends by emphasizing the potential efficiency and equity gains that can derive from the decentralization or deconcentration of governmental authority.⁸

Finally, political economy approaches imply the relative importance of demand-side pressures in the process of state reform. Political actors and institutions may also play a role, particularly in the resolution of collective action problems. But politicians are viewed primarily as brokers or entrepreneurs whose impact on reform depends mainly on the support they receive from their economic constituencies.

How useful are these hypotheses in understanding the politics of state reform in Latin America and the former socialist countries? A cursory survey of evidence on central bank reform offers some preliminary support. First, as suggested, the contemporary trend toward formal central bank independence provides backing for the convergence hypothesis. Between 1989 and 1993, a period of rapidly accelerating investment in emerging markets, Maxfield observes twenty-three instances of increases in *de jure* central bank authority, almost twice the total number registered during the preceding thirty years. Eleven of the twenty-three reforms were in Latin America and eastern Europe.⁹

The demand-side hypotheses also receive indirect support from the institution of reforms in such a wide variety of political systems. Reforming countries included both parliamentary and presidential regimes, central and federal constitutions, fragmented and relatively well consolidated party systems. Predictably, these changes have lagged in Russia and Brazil. Both are continental nations with huge domestic markets and powerful actors who prefer to protect distributive rents through administrative controls.

Finally, more direct evidence for demand-side hypotheses comes from cross-national statistical studies, which show that central bank independence is closely linked to the strength of banking and financial sectors in national economies and only much less to variations in party systems and regime stability.¹⁰

Although this evidence points to the potential utility of political economy approaches, there are reasons to doubt that the strong versions of these hypotheses can be generalized beyond reforms of central banks and finance ministries, that is, beyond the agencies that must deal with the questions of stabilization and adjustment that were so pressing in the 1980s and early 1990s.

First, the administrative difficulties of strengthening large, service-providing

bureaucracies are generally greater than those of reforming elite macroeconomic agencies. Initiatives regarding the reform of central bank statutes can draw on relatively well defined international models. Staffing and budget requirements of central banks and finance ministries are also generally more limited than those of larger line agencies. Moreover, the reform of elite macroeconomic agencies can be undertaken without significantly reducing opportunities to dispense patronage in other parts of the state apparatus.

Just as important, financial investors have more limited stakes in issues that lie outside the domain of macroeconomic management. They are primarily concerned with the institutions that deal with exchange rates, balance of payments, and monetary policy. This limitation has not prevented the World Bank and other international financial institutions from opening debates about other aspects of state reform, including decentralization of social services and regulatory and judicial reform. While the reform agenda is broader, however, there is still considerable uncertainty about the efficiency and effectiveness of specific institutional arrangements.¹¹

Such uncertainty provides politicians with greater leeway to respond to the interests of particular domestic clienteles. Indeed, in Latin America decentralizing reforms have varied widely and have been heavily influenced by domestic politics. In Chile efficiency goals emphasized by the international financial institutions played an important role in the trend toward decentralization. In contrast, in countries such as Brazil, Colombia, Bolivia, and Venezuela the shift toward local government was motivated more strongly by other factors such as democratization and demands for greater participation. Finance ministers and other economic officials were often left outside the planning loop leading to these reforms and frequently objected to many of their provisions on efficiency grounds.¹²

Finally, even when considering macroeconomic institutions, it is important not to overestimate the strength of international market forces. Regardless of their formal authority, neither central banks nor finance ministries can function effectively without some capacity to enforce compliance of public agencies in accounting for revenues and expenditures flowing through the state bureaucracy. As the Soviet/Russian experience demonstrates quite vividly, plugging illegal local and regional leaks in such flows can be a major challenge for central authorities.¹³ More broadly, the extraction of revenues involves particularly complex systems of monitoring and compliance that can strain the capacities of even the most advanced state bureaucracy.¹⁴

With specific reference to central banks, it is crucial to distinguish between reforms that increase their statutory autonomy and their actual capacity to make independent decisions. A relatively strong central bank in Mexico was unable to block borrowing decisions that led to the peso crisis of 1994. More important, quantitative evidence analyzed by Cuckierman, Webb, and Neyapti show that *de jure* central bank independence in developing countries is not highly correlated with either the tenure of monetary officials or monetary stability.¹⁵

These findings do not disprove the proposition that some form of centralization may help overcome coordination problems associated with macroeconomic management, but they do indicate the need for more research about the norms and informal practices that underlie formal authority structures.¹⁶ I will return to this point in the discussion of institutional sociology.

Rational Choice Institutionalism

Rational choice institutionalism focuses primarily on electoral politicians as suppliers of both public policies and the administrative means to implement them. Other actors, including economic actors, of course, also lie within the domain of this approach; indeed, many of the key concepts of rational choice institutionalism derive from the analysis of principal agent and transaction cost problems within economic hierarchies. The writers discussed in this section, however, generally concentrate on the strategic choices of party leaders, government executives, and legislators. Their basic premise is that the response of these actors to constituent demands for reform will depend on how much they need patronage to win election.

Rational choice institutionalism was previously applied mainly to the analysis of party and legislative politics in the United States.¹⁷ With the spread of electoral politics in Latin American and postsocialist countries, however, many of the conceptual tools developed in the United States can be adapted to them. Politicians who pursue electoral office can be expected to play an increasingly important role in deciding issues related to recruitment, budget, and mandate of government agencies.

In *Politician's Dilemma*, Barbara Geddes argues that politicians' preferences about state reform involve trade-offs between the maximization of their personal chances for political survival and the collective goals they pursue with members of their party or with the "political class" as a whole.¹⁸ The "political class" has a collective stake in sustaining public support for the electoral system; its interests are thus served by meritocratic bureaucracies that can provide the electorate with the public goods it demands. In a similar vein, politicians may also wish to enhance the state's capacity to implement broad party programs. However, the political survival of individual politicians may depend on their ability to maintain narrower personal constituencies built through patronage and discretionary control over public funds. They are therefore inclined to oppose the "depoliticization" of the public bureaucracy.

Geddes argues that incentives to rationalize the bureaucracy are strongest for heads of government and leaders of large national parties because they rely most directly on the support of large national constituencies. She adds, however, that the preferences of such actors will depend on their time horizons and on their control over their own coalition. Executives threatened by military coups are less likely to relinquish patronage resources than those who can reap the long-term rewards of an

effective development program. Reform initiatives are also less likely where party fragmentation or indiscipline increases executives' vulnerability to the patronage demands of coalition partners and of rivals within their own party.¹⁹

Geddes also models the conditions in which legislative politicians might support civil service reform. In her model, legislators weigh the political payoff for responding to electoral demands for reform against the costs of giving up patronage and the gains from forcing their competitors to do the same. Since few voters will base their vote on the single issue of reform, the payoff for supporting reform will be small relative to the losses incurred from relinquishing control over patronage. Geddes' model thus predicts that legislators will vote for reform only when they can impose comparable losses on their competitors, that is, when there is a roughly even balance among legislative parties.²⁰

Other writers have pointed to other institutional factors that influence politicians' preferences toward reform. Building on the work of John M. Carey and Matthew Soberg Shugart, Stephan Haggard has argued that politicians will be most reluctant to relinquish patronage in electoral systems that encourage them to seek support from personal followings rather than from party-line voters.²¹ This situation is most common where candidates must run in primaries or on open list ballots and where voters choose among competing lists within the same party. Conversely, the importance of patronage declines where national party leaders exercise greater control over nominations and candidate lists and where voters have strong partisan attachments.

In related work, Willis, Garmen, and Haggard focus on the way party systems affect relations between central and local governments. Governors and mayors acquire the widest discretion over the use of federal revenues, they hypothesize, in systems where national legislators depend on the support of state and local politicians to win nominations or elections; the reverse is true in more centralized party systems.²²

Finally, constitutional design can also affect the way executives and legislators interact over issues of reform. Terry Moe argues that, because legislation in presidential systems is difficult to reverse, legislators have an incentive to protect their constituents with detailed legislative mandates for government bureaucracy.²³ More generally, systems with multiple veto gates can impede efforts to rationalize bureaucratic organization. In parliamentary systems (or any system with only a few veto gates) existing legislation is easier to reverse, and the incentive to impose formal restrictions on bureaucratic agencies is weaker. Politicians and bureaucrats in these systems tend to establish credible commitments through consultation and reputation, which in Moe's view contributes to "bureaucratic agencies better suited to the jobs they are expected to do."²⁴

Efforts to examine these hypotheses are still at an early stage, but there are some indications of potential utility. Brazil's patronage-oriented system, not surprisingly,

has been an important locus of research into how party politics affect bureaucratic organization.²⁵ But the Brazilian case alone is not sufficient to assess these effects. Geddes takes a more comparative step in testing her game theoretic model in Chile, Colombia, Uruguay, and Venezuela. With the exception of Chile, civil service reforms were in fact passed during periods of parity among the legislative parties, and the use of patronage expanded again as disparities reemerged.²⁶

In Chile, the single exception, periods of parity did not lead to reform. As with central bank authority, this exception raises a troubling question about the relation between formal legislation and actual bureaucratic practice, since the Chilean civil service is widely viewed as one of the most honest and capable in Latin America. Even so, Geddes is able to account for it in terms consistent with her general argument; exceptional fragmentation within the Chilean party system, she suggests, increased the importance of patronage in holding governing coalitions together.

Willis, Garmen, and Haggard test their decentralization hypotheses by examining patterns of revenue sharing in all of the federal systems of Latin America. As expected, local governments have the most discretion over spending in Brazil's decentralized party system, and the least in the highly centralized party systems of Venezuela and Mexico.²⁷

There is less research on how parliamentary and presidential regimes affect bureaucratic organizations. Comparisons among postsocialist and Latin American countries, however, can provide important tests. The extensive red tape that surrounds Latin American bureaucracies would be expected in presidential regimes, but, since all Latin American countries have presidential constitutions, intraregional comparisons can not assess the effects of alternative regimes. The wide array of parliamentary and semipresidential systems in postsocialist countries provides much broader variation and opens the possibility for fruitful cross-regional analysis.²⁸

Rational choice institutionalism is thus a potentially powerful tool in analyzing the way electoral and representative institutions mediate demands for state reform. But it also has important limits. First, rational choice institutionalism tends to be most useful in "repeat-play" situations with clear rules of the game and relatively good information about the preferences of other actors. The utility of this assumption is much more questionable, however, in the newer constitutional governments of many postsocialist and Latin American countries. Widespread debate over basic constitutional issues continues in Poland, Russia, and Mexico. Colombia, Venezuela, Argentina, and Peru have also recently experienced sweeping constitutional reforms, and electoral laws are subject to contestation almost everywhere.

Even in these countries, existing laws are not irrelevant to the choices of important political actors. Compared to members of the United States Congress, however, choices in Latin America and postsocialist systems are made on the basis of limited information and short time horizons, and there is a greater likelihood of miscalculation. In weakly institutionalized systems, moreover, many actors are likely to pursue

goals other than political power, for example, business careers or ideological expression.

Rational choice perspectives, moreover, may be less useful in explaining why changes occur than in identifying impediments to bureaucratic reform. Politicians can, to be sure, seek to change institutions if it is in their interest to do so. Yet a basic premise of the rational choice perspective is that existing bureaucratic organizations reflect the preferences of powerful politicians who benefit from control over appointments and funding.²⁹ Thus, some of the most important impulses to reform may come from outside the state, from society or the international system.

Advocates of the institutional rational choice perspective generally recognize, of course, that external shocks and social demands are starting points for analyses of reform politics. They argue that political actors and institutions mediate the responses to such demands. To treat such demands as given, however, may leave crucial questions outside the theoretical framework: the emergence of preferences for reform, the ways collective action problems are overcome, and the extent to which social groups might bypass legislative institutions. In Latin America, as Scott Mainwaring has noted, social movements and nongovernmental organizations have contributed to major legal and constitutional changes in countries with widely different electoral and party institutions, including Colombia, Brazil, Venezuela, Bolivia, Mexico, and Argentina.³⁰

Moreover, parties and legislatures may not be the only channels through which reformist demands can be represented. Courts have played a central role in reshaping American governmental institutions, for example, by acting on institutional and professional interests that differed substantially from those of electoral politicians. Judiciaries are far weaker in most Latin American and postsocialist countries but could become important arenas for contesting the scope and authority of executive agencies. In Brazil, popular movements and social reformers have already begun to turn to the courts to press for the implementation of social welfare policy and corresponding changes in administrative practice.³¹ In eastern Europe, constitutional courts have acquired authority that sometimes goes significantly beyond that of the United States Supreme Court. Hungary's constitutional court, for example, may not only overturn any law it deems unconstitutional but may do so on its own initiative, without reference to cases appealed from lower levels of the judicial system. In 1995 it ruled against reductions in welfare entitlements, and its veto power is likely to influence the way health and pension systems are restructured in the future.³²

Finally, the influence of electoral politicians on bureaucratic reform is constrained by historical legacies. Contemporary state bureaucracies in both regions have been shaped in fundamental ways by prior regimes. Politicians in the former socialist countries must deal with powerful constellations of interests organized originally around the *nomenclatura* and the command economy. David Stark and Laszlo Bruszt have shown, for example, how decisions on privatization have been constrained by

the types of interfirm networks that evolved during the Communist period.³³ In most Latin American countries centers of bureaucratic power backed by pensioners, public sector unions, and industrial clienteles have also proved very difficult to change. As in eastern Europe, moreover, the prior periods of authoritarianism have left an important mark. State reform in Argentina, Brazil, and Chile can not be analyzed without careful consideration of the legacies of Peron, Vargas, and Pinochet.

Institutional Sociology

Compared to both international political economy and rational choice, institutional sociology encompasses very diverse and sometimes opposing modes of analysis.³⁴ Three broad assumptions, however, differentiate it from them.

First, social institutions shape the cognitions and values of individuals who act within them. In both political economy and rational choice institutions are systems of rules that constrain the way actors pursue exogenously posited goals, such as income and political office. In institutional sociology human behavior is embedded in a matrix of organizations and informal relationships that provide fundamental filters through which basic identities and preferences are created. Means-ends calculations provide the microtheoretical foundation of the first two perspectives. In institutional sociology the rationality calculus is bounded by habit, imitation, and aversion to subjectively defined risk. Hall and Thorp usefully summarize a key implication for state reform: "The panoply of existing institutions provide a delimited set of templates on which those seeking new or better institutions draw."³⁵

Second, though somewhat less widely shared than the first assumption, domestic society and historically determined institutions persist despite changes in the international system. Social organizations may, as DiMaggio and Powell have argued, pursue legitimacy and status by imitating the practices of powerful international competitors.³⁶ Such imitation may help to explain contemporary trends toward de jure central bank independence. DiMaggio and Powell emphasize, however, that imitation tends to affect the form rather than the actual operation of institutions and may be suboptimal from the perspective of enhancing competitiveness. More important, many scholars who work within the tradition of institutional sociology are skeptical of international convergence theories and emphasize the path-dependent character of social and political transformations within individual national societies and subnational regions. For example, this theme recurs in David Stark's work on changes in eastern Europe. Political capital accumulated under the command economy provides building blocks for the construction of the new order. It is thus important to focus on the way new elements combine with "adaptations, rearrangements, permutations, and reconfigurations of already existing institutional forms."³⁷

Finally and most importantly, institutional sociologists tend to challenge the util-

ity of the dichotomous distinctions between state and market that characterize both political economy and rational choice perspectives. They are inclined instead to focus on the associational spaces that exist between the authority of the state and the exchange relations of the market. Informal networks, formal associations, and other civic groups that fill these spaces provide critical mechanisms of coordination and resource allocation within societies. In the long run, governmental accountability and effectiveness may depend as much on the strength of civil society as on the structure of public institutions themselves.

The importance of these linkages in advanced capitalist economies has been explored by Hollingsworth, Streeck, and Schmitter and is a central theme in Peter Evans' analysis of the "embedded autonomy" of East Asia's developmental states.³⁸ Evans pays particular attention to the way that links to such associations enable state officials to elicit information and cooperation from business sectors. Hollingsworth, Streeck, and Schmitter offer a slightly different, but complementary hypothesis: networks and associations assume coordinating functions that decrease the "load" on state officials and reduce market uncertainties.

In Latin America and the former socialist countries the utility of the state-market dichotomy has been increasingly challenged as well, especially in the aftermath of the "big-bang" macroeconomic reforms of the 1980s and early 1990s. The capacity to respond to new challenges, such as deepening capital and labor markets, encouraging domestic savings, and promoting exports, may depend on the way networks and associations mediate the relation between governments and firms.³⁹

Eduardo Silva's work on Pinochet's Chile provides a useful illustration of this perspective for Latin America. He contrasts the isolation of state officials during the 1970s with the establishment of more systematic modes of consultation with the private sector during the 1980s. Silva argues that the incorporation of peak association representatives in policymaking committees and the appointment of business leaders to subcabinet positions help account for the successful recovery from the economic crisis of 1982–83.⁴⁰

This skepticism about the state-market dichotomy has a normative as well as analytical component. Writers such as Evans, Silva, and Stark and Bruszt are inclined to doubt that price signals provide sufficient incentive for efficient economic activity and that governments uniformly have the information necessary to correct market failures. States and markets are both essential mechanisms of social coordination, but they work best when they are rooted in networks and associations that cushion risks and build trust among the relevant economic actors.

Robert Putnam comes to rather similar conclusions about the delivery of social services in *Making Democracy Work: Civic Traditions in Modern Italy*. The capacity of government to deliver such services, he argues, depends on the stock of "social capital" derived from participation in civic associations.⁴¹ Associations provide public authorities with information. They also have a direct impact on the quality of

public services as watchdogs and monitors of governmental performance. Finally, they contribute indirectly by encouraging norms of reciprocity and mutual trust essential to collaboration in both the public and private sectors.

Making Democracy Work has spawned a vigorous debate. Theoretically, it has been criticized for emphasizing the density rather than the structure of associational networks and for ignoring the way associations might be shaped by the ongoing interplay of economic and political factors.⁴²

The generalizability of Putnam's empirical findings to postsocialist Russia is challenged by the findings of Kathryn Stoner-Weiss in *Local Heroes*. With a research design similar to Putnam's, Stoner-Weiss compares the performance of four Russian provincial governments from 1990 to 1993, focusing both on substantive outputs in development policy and education and on surveys of public opinion about performance. Like Evans and most other writers cited in this section, Stoner-Weiss finds that state capacity depended on collaboration between enterprise managers and government officials in the implementation of shared policy projects. Against Putnam, however, she finds no evidence that social trust or civic associations played a significant role. On the contrary, officials and enterprise managers were most able to overcome collective action problems where Soviet-era regional elites had established concentrated control over assets, labor, and production.⁴³

Notwithstanding these challenges, Putnam's work, like that of Evans and others, has attracted attention precisely because it offers a powerful hypothesis that refocuses explanations of state capacity away from bureaucratic structure and back toward society. Stoner-Weiss herself notes that the positive effects of political and economic concentration may be limited mainly to situations of extreme uncertainty such as Russia's during the early 1990s.⁴⁴ Over a longer period, the participation of a wider array of civil society groups may be essential to ensure governmental accountability.

The organization of civil society is also important in understanding how reform movements emerge. As Sidney Tarrow argues in *Power and Movement*, civic associations and informal social networks provide the organizational and symbolic resources that enable "movement entrepreneurs" to overcome barriers to collective action.⁴⁵ To be sure, in a world of electoral politics legislative institutions and party politicians may filter or deflect the demands of reform movements. However, social groups can exert considerable direct pressure on rulers to institute reform.

Still more fundamentally, the emphasis on civic associations may also be relevant in the provision of law and order. In many Latin American and postsocialist countries vicious circles of official corruption and citizen mistrust have reached crisis proportions. In both regions economic crisis and the dislocations of adjustment have led to an upsurge of violent crime, drug mafias, and privatization of police functions. Weak judiciaries have typically been overwhelmed by such problems, and underpaid police forces often act as predators rather than protectors of citizens' rights.

Strong civil societies will likely play a pivotal role in reversing these patterns. In

communities that lack strong civic associations individual citizens are isolated and vulnerable to both police predation and reprisals for collaborating with public authorities. In societies where participation in civic life encourages mutual assistance and social responsibility these risks diminish. Citizens who come forward, whether to collaborate with police or to demand accountability, are more likely to expect and receive the support of their neighbors. Strong civic associations and strong states thus go together.

While institutional sociology thus seems relevant to basic problems of governance in both Latin America and eastern Europe, it also suffers certain limitations relevant to state reform. First, the microfoundations of political sociology are vague. As Margaret Levi points out, for example, Putnam does not specify the mechanisms through which cooperation in civic associations leads to broader social trust rather than to divisive social cleavages.⁴⁶ More generally, the sociological literature is often unclear about the identity of relevant actors and the social-psychological processes through which their preferences are formed.

In part because individual motivations are not clearly specified, current sociological theories are also weak in explaining the origins of existing networks and patterns of association. It is commonly argued that existing social and state structures are the "given" products of historical social conflicts and bargains, but this assertion is problematic on a number of grounds. First, as noted above, civil society is shaped by contemporary as well as historical political and economic forces. In her excellent study of successful government programs in the Brazilian state of Ceara, Judith Tandler shows how state officials were able to stimulate more effective performance at the municipal level by strengthening or even creating local civic associations that monitored programs and collaborated in their implementation. Civil society played an important role in Tandler's success stories, not as the result of historical "givens," but because of complex interactions with different levels of government.⁴⁷

Path-dependent arguments, in contrast, often become indistinguishable from simple historical description. Putnam's study provides a good example. He traces the strong civic traditions of northern Italy to communal patterns of social organization established in the twelfth century.⁴⁸ This tradition, he argues, survived in weakened form as republicanism faded during the fourteenth century but then revived during the *Risorgimento*. Putnam's historical argument rests on an implausible assertion of continuity across eight centuries of black death, conquests, foreign occupations, and civil wars.

Moreover, institutional sociological perspectives generally fail to specify *ex ante* how variations in types of networks and associations might affect the operations of the state or the economy. Behavior within associations and networks can be directed toward confrontation or the extraction of rents, as well as toward productive collaboration between political and economic actors. In specific instances of associational activity, how would we know whether to expect "good" or "bad" results?

Putnam emphasizes the distinction between associations with hierarchical and

relatively egalitarian structures. Another approach focuses on the linkages among, as well as within, community organizations.⁴⁹ Empirical research into both propositions, however, is still at an early stage.

In the final analysis, it is possible that the impact of associational life may depend less on the properties of associations and networks than on the bureaucratic structures and political institutions within which they operate. This conclusion is implicit in Peter Evans' explanation of why the embeddedness of developmental states does not degenerate into the provision of rents: not particular forms of embeddedness, but strong formal and informal norms preserve the autonomy of the state bureaucracy vis-à-vis its private sector allies.⁵⁰

Along similar lines, we might speculate that several economic and institutional conditions have fundamental effects on the role played by associations and networks in the operations of the state. These conditions include the imposition of a hard budget constraint through institutions that impose strict fiscal and monetary discipline, the liberalization of trade policies, and the political access offered to community-based groups through political decentralization and other institutional reforms. These factors, it should be noted, are emphasized in political economy and rational choice perspectives.

Conclusions

The areas of agreement among these three approaches should not obscure important differences in emphasis and assumptions. Sociological approaches, in particular, stand well apart from the other two. The most basic points of divergence concern the emphasis on reflexive social behavior and the "public" functions of networks and associations. These arguments cut directly against the rationality assumptions and the sharply drawn state-society distinctions at the core of international political economy and rational choice.

Differences about the dynamics of state reform are only slightly less sharp. They turn mainly on the hypothesis that state institutions will converge in response to economic globalization. Sociological theories place greater emphasis on the "stickiness" of existing social institutions and the constraints imposed by the legacy of earlier struggles. They are therefore usually quicker than international political economy and rational choice theorists to reject strong convergence hypotheses and to argue that the politics of state reform will follow distinctive national paths.

International political economy and rational choice are far more complementary approaches. They share many of the same micro assumptions about individual motivations and behavior. Nevertheless, each places quite different theoretical emphasis on the way economic and political actors influence state reform. For international political economy, economic actors are decisive. Political actors may mediate the

pressure from economic groups, but over time similar configurations of economic “demands” should lead to basically similar patterns of state organization. For rational choice, in contrast, political institutions shape both the capacity of economic groups to engage in collective action and the incentives for politicians to respond. Differences in institutions could lead to wide variations in both public policy and state organizations.⁵¹

These differences, even when they are matters only of degree, are important both in clarifying underlying theoretical assumptions and in fostering cumulative empirical research. Nevertheless, one approach will not necessarily be left standing while the others are discarded. Indeed, given the complexity of state reform, it is likely that each of these perspectives will make important contributions. The relevant question is not which will explain the most, but rather, in what domains of research each can be most useful.

In light of the early state of empirical research on contemporary state reform, I can offer hunches but no clear answers. The logic of the preceding discussion suggests that international political economy is most useful in analyzing the emerging agenda of state reform, that institutional rational choice provides important insights into the politics of (re)structuring mandates and formal authority within state organizations, and that institutional sociology is essential in understanding the behavior and effectiveness of these organizations.

On the whole, the factors emphasized by international political economy—globalization and economic demands—do not appear to have a strong direct impact on state institutions. Macroeconomic policy institutions may, it is true, constitute a partial exception; the increased integration of global markets has clearly strengthened incentives to expand the authority of finance ministries and central banks. Global market forces are less likely, however, to impose tight constraints on a broader range of state institutions, including those dealing with police protection, industrial policy, regulation, and social welfare, because state reforms in these areas are less salient for the international financial sector and demand more coordination among government agencies and groups in civil society.

International political economy appears important, indeed indispensable, in determining the reform agenda now facing most countries of the developing world. Different societies may deal quite differently with these agendas because of differences in both political and civic organization. But most of the issues at stake, from central bank reform to the general image of a leaner and meaner state organization, have been forced on the table by economic crisis and increased global competition. In this respect, somewhat like the military rivalries of earlier centuries, the contemporary challenge of international economic competition could provide an incentive for rulers to forge new bargains with their constituents.

Both rational choice and institutional sociology provide important tools in understanding how domestic actors respond to such incentives. The comparative advantage of rational choice perspectives may lie in explaining intrastate reforms: staffing,

legal mandates, the establishment of new lines of authority, and the allocation of financial resources within the government bureaucracy. Although the judiciary may become increasingly important, legislatures and other elective institutions process most issues of bureaucratic reorganization in one way or another. And while the politicians who act within these institutions depend on the support of broader social constituencies, it would be wrong to assume that they do not pursue their own interests with considerable independence.

Finally, the emphasis in institutional sociological perspectives on the social embeddedness of state institutions seems essential in understanding whether and how reform initiatives might affect the capacity of states to deliver collective goods. Both political economy and rational choice approaches also deal with such issues. But it is only in political sociology that we find systematic examination of cognitive and normative understandings that link state to society and make possible the consolidation of stable social equilibria. Attention to these nonrational links makes political sociology an essential complement to the other approaches. It is particularly appropriate in examining the boundaries and meanings of the state, the transfer and management of flows of information, and the forms of collaboration that evolve between state officials and actors within the private sector.

NOTES

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