From Transplants to Hybrids: Exploring Institutional Pathways to Growth

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Within the study of economic growth and development, there is a consensus of sorts that "institutions matter." However, decades after political scientists, sociologists, and dissident economists first suggested that institutions played a crucial role in promoting the explosive post-war economic growth of first Japan and then the East Asian "tigers," the question of which particular institutions matter for growth, and exactly how they matter, is very much alive. We address this question in this special issue.

The contributors to this volume, who approach the problem from distinct disciplines, all react against a pronounced tendency among some social scientists and development practitioners to search for universal "best-practice" institutions. Peter Evans, a sociologist, terms this type of thinking "institutional monocropping" and suggests that processes of "deliberative development" may offer a promising alternative to the imposition of institutional blueprints. Stephan Haggard, a political scientist, details the elusiveness of institutional formulas for balancing *laissez-faire* economics and state intervention or for solving the credible commitment problems highlighted by rational choice institutionalism, and suggests that, in the case of East Asia, multiple institutional conjunctures have proved felicitous for promoting growth. Gérard Roland, an economist who in his studies of the transition from socialism has been a leading critic of imposed institutional models, here provides a framework for understanding the failure of institutional transplantation and urges economists not to neglect the role of social norms and values. David M. Woodruff, a political scientist, undertakes a comparative study of corporate governance laws

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Studies in Comparative International Development, Winter 2004, Vol. 38, No. 4, pp. 3-29.

in Russia and Poland that provides an important rationale for why similar formal institutions may have such different effects in distinct situations.

Although these analyses proceed along different substantive lines and emerge from diverse disciplinary lineages, several strikingly convergent themes emerge. First, the contributors emphasize the degree of social scientific ignorance that persists about the relationship of specific institutions and processes of institutional change to economic development. Second, they highlight in interesting and often unexpected ways the significance of the "match" between formal institutions and local social, political, economic, and cultural settings. Third, they stress the importance of moving beyond functionalist approaches to institutions, and they underscore the crucial role of complementarities within institutional systems. Finally, they explore the analytic and practical consequences of the uncertainties that characterize processes of institutional reform and probe the implications for the politics of institutional change.

These lines of analysis are in tension with the predominant approaches to institutions that have emerged within official development circles in recent years. It is therefore worth beginning by reviewing in broad outline the character of the recent "institutional turn" within the international financial institutions (IFIs). By 1990, after nearly a decade of experience with the debt crisis in Latin America, a broad and quite homogenous package of best-practice policy reforms had gained ascendancy in the development advice of official agencies and IFIs.[1] Best-known as the Washington Consensus,[2] the package focused primarily on a set of desirable economic policies rather than on the institutional configurations required to produce such policies, and even less on the processes through which such institutions could be created.[3] Despite the theoretical neglect of institutions and institution-building inherent in this essentially functionalist approach,[4] the underlying assumption of the neoliberal development agenda was that the solution to the economic woes of the developing world was the wholesale adoption of Western economic and political institutions, whose superiority was putatively proven by the high levels of economic prosperity in the West.

Nonetheless, an important development within the IFIs has been a gradual evolution of the Washington Consensus in response to the analytical and policy shortcomings revealed by the empirical puzzles we discuss below. After the fall of Communism and the apparent triumph of Western liberal capitalism, the expectation in the early 1990s was that Western institutions would arise more or less spontaneously as long as they were not suppressed by special interests and/or dictatorial regimes. When such replicas failed to materialize in most of the ex-Communist bloc (and, moreover, an unexpectedly sharp decline in output followed liberalization), the "rediscovery" of institutions by the IFIs led to a veritable explosion of structural conditions in International Monetary Fund (IMF) programs, from an average of four structural conditions per IMF program in 1991 to a peak of sixteen in 1997.[5] The emphasis on structural reforms mirrored a realization that implementation of the "right" policies required the creation of the "right" institutions, and thus marks the beginning of a second "deep" stage of institutional monocropping during the mid 1990s.[6]

As the contributors to this special issue suggest, however, this second stage of

reforms has entailed a remarkably uniform conception of what so-called "best-practice" institutions might be. Evans (SCID 38:4, 44) notes that the image of successful reform promoted by international financial institutions has crystallized around "ideal-typical versions of a particular sub-set of supposed Anglo-American institutions." International organizations and local policy makers, having become convinced that institutions matter, have combined

> to enforce the presumption that the most advanced countries have already discovered the one best institutional blueprint for development and that its applicability transcends national cultures and circumstances. They do this with increasing aggressiveness across a range of institutions—from debt-to-equity ratios in private firms, to relationships between central banks and bank presidents, to the organization of public hospitals or pension systems (Evans, SCID 38:4, 33).

Yet institutional monocropping has born uneven fruit, to say the least. As we review below, and as the contributors to this special issue stress, developments in cross-national economic performance since the early 1990s—from the economic outcomes associated with institutional restructurings in the so-called "transition" countries of Eastern Europe and the former Soviet Union to quite recent events in Latin America—have highlighted the inconsistency of empirical relationships between particular institutional reforms and growth. The apparent success of highly heterodox and hybrid institutions in China and elsewhere has appeared to confound claims about the inherent growth-enhancing superiority of specific institutions. Indeed, there is evidence, which we review below, that a more candid acknowledgement of the limited current understanding of the relationship between existing institutions, reform initiatives, and economic performance in the developing world has emerged even within official development circles. Whether this marks the beginning of a new stage in the approach of IFIs (particularly the Bretton Woods institutions) to institutional reform in developing countries, and what configuration such a stage might take, remains to be seen.

What is clear is that understanding the relationship of institutions to economic performance in particular settings continues to set an important intellectual agenda for scholars, one with significant practical stakes. With some idealized Anglo-American institutions recently in crisis,[7] and much of the social-scientific evidence about institutions and growth inconclusive, it might seem that little can be said about the best analytic paths forward at this point. Yet the four contributors to this issue propose novel strategies for understanding links between processes of institutional change and economic growth, and they do so by taking off directly from institutional monocropping's prescriptive and predictive failures.

Analyzing Institutions

In contrast to the homogenizing approach to institutions adopted by the IFIs in recent years, tremendous diversity exists within the social scientific literature on questions as basic as how best to define, conceptualize, and analyze institutions. This is, perhaps, because the conceptual difficulties are almost unavoidable. How

precisely do "formal" and "informal" institutions differ? Should the definition of an institution comprise both "rules" and "norms?" Exactly how is an "institution" different from a "policy"?

These are difficult and widely debated issues, and we cannot claim to offer a definitive statement. Nonetheless, to foster a constructive cross-disciplinary dialogue on the relationship between institutions and economic development, one must establish a certain conceptual common ground to facilitate discussion. Following a view to which many contemporary analysts (particularly political economists) adhere, one might define institutions as sets of formal, rule-based constraints on the behavior of individual and collective actors. Thus, institutions differ from beliefs and norms in that the latter are informal constraints on individual and/or collective action.[8] Organizations, on the other hand, are "purposive entities designed by their creators to maximize wealth, income, or other objectives defined by the opportunities afforded by the institutional structure of society" (North 1990: 73). Similarly, policies are best conceived as the official actions of individuals and/or organizations within the constraints of a given institutional framework.

As North (1990) has suggested, distinguishing institutions from organizations can lead naturally to a dynamic analysis, in which the incentive structure established by new, purposively-constructed institutions spawns organizations which then work within the rules set by those institutions–and which, in time, may work to shift those rules to their advantage, providing a source of institutional change.[9] Nonetheless, some social scientists, particularly some sociologists and political scientists, are less than eager to accept the stark dichotomy between institutions and organizations or to conceptualize institutions as merely "constraints" on behavior.[10] Furthermore, there are important reasons why one might want a definition of institutions to embrace "informal" constraints to behavior, such as those based on social norms (e.g., North 1990), rather than distinguish such informal constraints from formal rules as we do here. Informal constraints may be particularly important in the "loosely institutionalized" environments we consider in this special issue, where rules may in fact be less routinely codified or, if codified, less frequently directive than in more "thickly institutionalized" environments; equating institutions only with formal rules could therefore seem to risk reifying the practices of advanced industrial societies.[11]

While recognizing the potential validity of these critiques, there are also important analytic advantages to excluding norms, beliefs, and the like from the definition of institutions. Such a distinction may allow us to ask more clearly a range of questions about the interaction between formal rules (i.e., institutions) and social practices, expectations, norms, and beliefs: How do particular sets of beliefs or expectations undergird formal rules and give them their power to govern political, social, and economic life?[12] How do particular formal rules become "institutionalized" as the expectations, actions, practices, and beliefs of varied social actors converge around them? What is the relationship between imported institutional "models" and their local social, cultural, political, and economic settings? Of course, a definitional distinction between formal institutions and informal constraints on behavior, such as norms and values, may not be necessary to begin to answer such questions; in this issue, for example, Roland retains North's broad definition of institutions but then investigates the interaction between what he calls "fast-mov-

ing" (that is, largely formal and political/legal) and "slow-moving" (informal, cultural) institutions. However institutions are precisely defined, the contributions to this special issue all imply an analytic strategy centrally concerned with dissecting the relationship between (formal) institutions and their social, cultural, political, and economic settings.

Institutions and Growth: The Uncertain State of Social-Scientific Knowledge

Broadly speaking, the contributors to this special issue emphasize three points regarding social scientific ignorance about the relationship of specific institutions to economic growth. First, they suggest that similar formal institutions have had markedly different relationships to growth in different circumstances. Second, they observe that institutions that are allegedly "bad" for growth have sometimes engendered "good" results, and, relatedly, that very different institutional "paths" have apparently promoted growth outcomes. Third, they note the failure of recent studies to find strong relationships between particular institutions and growth that are stable across countries and across time; in particular, studies of institutions and growth in East Asia and Latin America, as well as global econometric evidence, seem to reject claims of parametrically stable relationships between specific institutional forms and growth. We review each of these claims in turn.

Evidence for the first suggestion, that broadly similar institutional arrangements can be associated with markedly different economic outcomes, comes in strong measure from the evolution of output trajectories among the countries of Eastern Europe and the Former Soviet Union (FSU) since the fall of Communism. The neoclassical economic theory that underpinned the rapid liberalization and privatization of the economies of Eastern Europe and the FSU[13] did not predict the prolonged economic contraction that would follow, and particularly did not foresee its depth.[14] Moreover, the divergence in outcomes across Eastern Europe and the FSU was unforeseen; economic performance in Poland, Slovenia, and Hungary declined less and recovered much faster than in the former Soviet republics, many of which suffered catastrophic declines in the early transition years and experienced only modest recoveries afterwards.[15] Although much scholarship has focused productively on differences in the speed and sequencing of liberalization, methods and forms of privatization, and other disparities between policy and institutional choices across national cases, such differences seem insufficient to explain the dramatic variation in output trajectories.[16] As Roland has written elsewhere,

> A paradox is that differences in reform strategies [were] not so huge between [the countries of Eastern Europe and the FSU] despite the divergence in output trajectories . . . . All countries have liberalized early on. While Russia and the Czech Republic have had policies of mass privatization, Poland did not. Although economic developments in the Czech Republic have been less brilliant than in Poland in the late 1990s, the difference between the GDP paths in those countries is smaller than the differences between Russia and other countries. (Roland 2000: 171)[17]

The idea that formal institutions may have markedly different substantive effects is

compellingly explored in these pages by Woodruff, who relates the disparate effects of broadly similar corporate governance arrangements in Poland and Russia to the divergent privatization paths undertaken by those countries.

The second point which the contributors to this symposium make regarding social-scientific ignorance about institutions and growth is that institutional arrangements that analysts may expect, for various *a priori* reasons, to be "bad" for growth have sometimes in practice confounded such expectations. A key case is China, which, despite its sustained series of market-oriented reforms beginning in the late 1970s under Deng Xiaoping, emphatically did not adopt the policy prescriptions of the Western advisors to other transition countries.[18] For a range of reasons, scholars might have thought *ex ante* that institutions in China would *not* lead to the economic take-off of the last twenty or so years. For example, analysts might not have expected the one-party Chinese Communist state to be able to commit to respecting the property of private investors, which much current literature tends to see as the *sine qua non* of economic growth. Yet institutions for growth, based in part on private accumulation, seem nonetheless to have arisen,[19] and China has recently experienced higher and more sustained economic growth than any of the transition countries and any country of remotely comparable size. The contributions of Evans, Haggard, and Roland all detail various ways in which the sustained growth of China seems to pose a challenge to various conventional wisdoms about the nature of "best-practice" institutional models. As Evans puts it, "the star performers in terms of sheer economic growth during the last ten years—e.g., China, Vietnam, and Malaysia—exhibit institutional patterns that are embarrassingly hybrid relative to the monocropping ideal" (Evans, SCID 38:4, 35).

Not only have allegedly "bad" institutions sometimes appeared to engender growth, but the institutional "paths" of countries with high growth outcomes have varied widely—a point which is in some sense the inverse of the one made above, that similar formal institutions have had apparently disparate effects. The claim is familiar to readers of the "varieties of capitalism" literature on the advanced industrialized countries of the Organization for Economic Cooperation and Development (OECD): advanced industrial states have "converged" in terms of growth outcomes but have not "converged" in terms of the adoption of similar capitalist models.[20] Indeed, continental European states have pursued forms of market coordination that are quite distinct from the Anglo-Saxon capitalist ideal. Haggard (1990) has made a similar point with respect to the Newly Industrialized Countries (NICs) in East Asia, noting the "varieties of capitalism" even among those East Asian countries and sub-regions that are similarly situated with respect to the global economy. Again, the larger point here is to emphasize both the uncertain state of social scientific knowledge about the "optimality" of particular institutional arrangements for growth and the extent to which such optimal arrangements may be conditional on a range of contextual features—factors which are carefully explored elsewhere in this issue.

Third, the contributors to this special issue comment, in various ways, on the inability of scholars to identify stable relationships between particular institutions and growth—stable, that is, across countries and across time. Three additional broad bodies of evidence are especially important in this respect. The first stems from the voluminous scholarship on the role of institutions in promoting East Asian devel-

opment over the last few decades, ranging from the huge developmental-state literature launched by Chalmers Johnson (1982) to more recent debates about the relationship of political regime type to growth. As suggested by Haggard, who provides a sweeping historical tour of this body of scholarship in his contribution to this special issue, this literature reveals the cyclical nature of many debates over the role of institutions in promoting growth. As Haggard points out, "John Williamson's (1990) famous checklist of the 'Washington Consensus' could have been taken directly from the early literature on the [Newly Industrializing Countries]" (Haggard, SCID 38:4, 54). The East Asian financial crisis seems to have given rise to the most recent round of revisionism. In some circles, the crisis inspired sharp criticism of the deregulation policies of the IMF and in turn led to a number of more systematic attempts to rethink institutional requirements for economic development.[21] In other circles, some post-crisis analysts suddenly saw more ominous implications in the close relationship of the state to business, seeming ready to replace Evans' (1995) formulation of "embedded autonomy" with "crony capitalism."[22] Although, as Haggard points out, the power of the private sector *vis-à-vis* the state may have grown over time in key East Asian countries, this latest revisionism also underscores the elusiveness of finding universally applicable "magic formulas" for balancing state intervention and *laissez-faire* or for solving the credible commitment problems highlighted by rational choice institutionalism.[23]

Another broad body of evidence relevant to the problematic relationship between institutions and growth concerns events of the last two decades in Latin America. These events seem particularly critical because Latin America, the original target of the Washington Consensus, seemed to some observers to provide *prima facie* evidence of monocropping's success during much of the 1990s, as both political democracy and improved economic performance (certainly relative to the "lost decade" of the 1980s) appeared to take hold across the region. Skeptics, however, pointed out that patterns of growth in the 1990s in Latin America seemed to be feeding what was already the world's highest regional level of income inequality and undermining both the long-term sustainability and the quality of growth (not to mention the fragility of the region's political institutions). Sustainability of the improved economic performance, which had already been briefly cast into doubt during the Mexican peso crisis of 1994–95, was further undermined by the ripples of international financial crises in East Asia and Russia, and by 1999 much of South America was experiencing a serious recession. The persistence of weak and/or negative growth in several of the region's countries over the last four years, and the dramatic financial and political collapse in Argentina[24]—one of the region's erstwhile showcase examples for the economic benefits of neoliberal reforms—raised even more pointed questions about the long-term economic and political viability of neoliberalism in Latin America.

Thus, an intra-regional comparison of the relationship between liberalization, institutional reform and economic growth in Latin America during the last decade paints a mixed picture. On the one hand, Chile's stellar growth performance (with an average exceeding six percent per year during the 1990s) and Bolivia's solid growth during the same period provide some evidence that neo-liberal reforms can work in Latin America, at least to enhance growth.[25] On the other hand, the Dominican Republic, hardly a showcase example of Washington Consensus policies,[26]

delivered one of the most impressive economic growth track records, even exceeding that of Chile, in the second half of the decade. The early success of neoliberal populists[27] in Argentina and Peru[28] were at least partially reversed by the end of the decade, whereas Jamaica consistently underperformed in terms of growth despite sticking closely to the neoliberal agenda. In Central America in the mid-to-late 1990s, economically open countries such as Panama and El Salvador grew faster than the regional average, but so did Nicaragua, one of the region's more closed economies. Thus, even a brief review of the Latin American growth experience in the last decade suggests that, contrary to the hopes of the promoters of the Washington Consensus at the beginning of the 1990s, neoliberal policies and institutions have hardly provided a panacea for the region's development dilemmas, even narrowly defined in terms of growth. Instead, what emerges is a renewed sense that there seem to be few clear, long-term empirical regularities in the relationship between institutional choice and economic growth, particularly because—as the Argentine case emphasizes—today's economic miracle can turn into tomorrow's basket case.

A final body of evidence, stemming from numerous recent econometric studies of large samples of countries, also has yet to confirm consistent and stable relationships between specific institutional arrangements and economic growth. On the one hand, some important multivariate regression-based studies have found positive and statistically significant partial associations between various indices of institutional development—based, for example, on cross-national measures of the "rule of law" (Levine 1997), and corruption (Mauro 1995), the quality of the bureaucracy (Evans and Rauch 1999), or even "trust" (Knack and Keefer 1997, La Porta et al. 1997)—and economic growth.[29] On the other hand, the parameter estimates obtained by many such studies have depended largely on sample composition, while the direction of causality is also frequently challenged (see Acemoglu, Johnson, and Robinson 2001 for the most compelling attempt to overcome the endogeneity of institutions in econometric work, by instrumenting their measure of property rights with colonial settler mortality rates). In a recent, more general critique which they call "an obituary for growth regressions," Lindauer and Pritchett (2002: 19) observe that "by now, there are thousands of papers that put economic growth on the left-hand side and other stuff on the right-hand side . . . [yet] estimates in the typical growth regressions are unstable over time and across countries."[30] In general, growth regressions that "allow parameters to vary across decades easily reject the hypothesis of parameter stability," whether because the true covariates are not in fact linear (or loglinear), because they have different magnitudes across levels of development, or for several other possible reasons (Lindauer and Pritchett 2002: 18–24). In addition, scores of cross-national empirical studies have looked at the relationship between political regime type and economic growth (most recently and thoroughly Przeworski et al. 2000) yet, as Haggard points out in this volume, such studies have failed to find consistent relationships that hold up across income thresholds. In the case of small institutions for sectoral management, although even mainstream economics now recognizes the potential of government interventions to improve on welfare in the presence of certain well-defined market failures,[31] precisely which interventions will promote growth in specific circumstances is widely debated with little agreement.

In sum, although it may be clear that institutions "matter" for growth, it has been difficult to identify causal links between particular institutions and good economic performance that withstand cross-national and inter-temporal comparison. At this point, as Haggard (SCID 38:4, 70) puts it, "we still know far too little about government and market institutions [at a 'small' institutional level of analysis]. . . . [W]e also know too little about the complementarity among these 'small' institutions and the larger political order." Yet if the search for the all-purpose institutional fix for economic development is likely to continue to produce inconsistent results across time and space, for reasons outlined above and further detailed by the contributions to this special issue, the questions of what may be particular "institutions for growth" for certain economic and political environments, and of how best to "acquire" them, remain crucial topics.[32]

Institutions and Local "Matching"

Why have similar formal institutions had such seemingly disparate effects on growth? One important clue to emerge in this special issue concerns, in sometimes subtle and unexpected ways, the importance of the "match" between institutions and various social, economic, and political settings. It may be almost a truism that institutions must be suited to local conditions, but it is a truism that bears repeating, particularly because social scientists and development practitioners have a remarkable predisposition for unlearning the insights of their predecessors, coupled with an equally strong inclination to reinvent the wheel. Thus, academics and policymakers expecting the spontaneous emergence of capitalist institutions in the former Communist countries would have been well-advised to read Karl Polanyi's (1944) landmark work on the development of capitalism in England, which provides strong evidence that markets are social creations and do not simply arise along Smithian lines from the innate propensity of people to trade and barter. Similarly, proponents of the wholesale adoption of the institutions of certain developed countries by the developing world could have been reminded that, more than four decades ago, Alexander Gerschenkron (1962) provided ample comparative-historical evidence that economic development in "backward" countries would necessarily proceed along distinct trajectories due to the significantly different domestic and international contexts faced by modernizers in late-developing countries. Finally, the enthusiasm of the Washington Consensus for "one-size-fits-all" institutions could have been dampened not only by earlier criticisms from the left, such as Hirschman's (1958: 29) famous attacks on "monoeconomics,"[33] but also by echoes of similar concerns voiced by one of the forefathers of neoliberalism, Friedrich Hayek, about the other large-scale institutional monocropping experiment of the last century: Communism.[34]

The last point suggests one of the more striking ironies of post-Communist economic and political development, which leads us to a broader discussion of the "match" between local environments and institutions: despite their fundamental differences in terms of economic ideology, neoliberal and Communist monocroppers displayed a number of remarkable similarities with respect to their methods and intellectual approaches. Thus, whereas the Communists had justified their actions by referring to the universal laws of history that constituted the theoretical founda-

tion of Marxism-Leninism, neoliberals have made similarly sweeping claims about the universal applicability and superiority of (neoclassical) economic laws.[35] Moreover, although its proponents have avoided the often-violent "persuasion" methods of the Communists, neoliberalism (especially in its big-bang version) has adopted a similar logic of top-down impositions of economic reforms in order to avoid political interference. Not surprisingly, such methods have provoked accusations of "market Bolshevism" from some critics.[36] However, such parallels were also suggested by one of the key promoters of shock therapy, Jeffrey Sachs, who, paraphrasing Lenin, titled the first lecture in one of his volumes "What Is To Be Done NOW"[37] but claimed that the neoliberal revolutions in Eastern Europe—unlike their Leninist predecessors—were of a "relentlessly pragmatic" rather than ideological character.[38]

Like that of the original Bolsheviks, however, the experience of neoliberal institutional reforms has highlighted important sources of tension between the top-down, authoritative introduction of formal rules and local social and economic settings. The tensions emerge not just for the informational reasons highlighted by Hayek in his criticisms of central planning[39] but also, perhaps, because of certain discontinuities between formal and apparently rational (in the Weberian sense) ordered schema, instituted "from above," and existing distributions of power, local knowledge, and other factors we consider below. For example, the potential problems encountered by the authoritative introduction of formal institutions have been highlighted, in another context, by the political scientist and anthropologist James Scott, who, in a critique of high-modernist state-led reform projects, makes the case for what he calls "*mētis*-friendly institutions." As Scott (1998: 311) puts it, "Any large social process or event will inevitably be far more complex than the schemate we can devise, prospectively or retrospectively, to map it." Thus, Scott proposes, "We can find in the Greek concept of *mētis* a means of comparing the forms of knowledge embedded in local experience with the more general, abstract knowledge deployed by the state and its technical agencies." Noting that captains of large freighters often turn over the control of their vessel to local pilots (who know the local harbor intimately) when approaching major ports, Scott (1998: 317) suggests "We might call the art of piloting a 'local and situated knowledge'. . . . The pilot's experience is *locally superior* to the general rules of navigation."[40]

This formulation seems useful in underscoring a central tension highlighted by the contributors to this volume, that between generalized or global institutions and specific local realities. As Evans notes in these pages (33), "Institutional monocropping rests on both the general premise that institutional effectiveness does not depend on fit with the local socio cultural environment, and the more specific premise that idealized versions of Anglo-American institutions are optimal developmental instruments, regardless of level of development or position in the global economy." Evans emphasizes the importance of the match between the requirements of the modified institutions and the capacities of the organizations that surround them: "Imposing new sets of formal rules without simultaneously reshaping the distribution of power that underlies prior institutional arrangements is a dubious strategy from the perspective of political economy" (SCID 38:4, 34). The predicted result of institutional monocropping is therefore failure; indeed, Evans notes that "the most obvious concrete examples of monocropping's lack of efficacy are the governance-related conditionalities imposed by the international financial in-

stitutions (IFIs), which usually do not 'take' and often fail to produce the expected results even when adopted" (this volume: 35). The analogy is clear between Scott's view of the failure of state-led modernization projects and some current practices in international governance—practices which, as Evans (SCID 38:4, 31) points out, may place a heavy priority on the standardization and homogenization of relations. Given this tension between global institutional models and local realities, the contributors to this volume suggest various ways of analyzing the lack of "match" between formal institutions and local organizations. They also propose various ways that such a general failing might be overcome. Evans, for example, traces the potential source of institutional monocropping's failures to a lack of recognition that governance problems in developing countries may be symptomatic of an underlying inability to make social choices. Drawing on Sen's "capabilities" approach to social choice and to the issue of how to conceptualize "development,"[41] Evans suggests that global imposition of uniform blueprints tries to circumvent the development of institutions that allow effective social choice. By pre-empting social choices before mechanisms for making them have been developed, monocropping reduces incentives for states and citizens to build choice-making institutions, and therefore diminishes the likelihood that such institutions will emerge.
By way of reference to two well-analyzed cases of "deliberative development"—Kerala, India and Porto Alegre, Brazil—Evans then takes up the question of how, in the absence of externally-imposed institutional models, "thick" institutions for making social choice might in fact emerge.

Roland also takes up the question of the interaction among various institutions (albeit along different lines than does Evans) and how this interaction may affect growth. He starts with a conceptual distinction between those institutions that may change quickly and discontinuously, in large steps, and those that change slowly, continuously, and in small steps.[42] Into the former category he places political and (to a lesser extent) legal institutions, while into the latter he places social norms and broader sets of underlying cultural values. Roland then suggests a framework for understanding institutional change as the product of the interaction of these two broad categories of institutions. On the one hand, slow and continuous change in cultural values and norms may slowly put pressure on existing political, "fast-moving" institutions until the latter change abruptly, much as tectonic pressures eventually lead to sudden earthquakes and transformations of physical topographies;[43] on the other hand, fast-moving political and legal institutions may themselves impede or alternatively promote various kinds of "slow-moving" institutions. The most important point for present purposes is that the interaction between specific fast-moving and slow-moving institutions has a logic specific to those particular institutions; indeed, certain fast-moving institutions may be most appropriate for particular cultural and historical paths. As Roland explains in this issue (110), "[t]he interaction between slow-moving and fast-moving institutions thus provides an explanation for why the transplantation of 'best-practice' institutions . . . does not work. . . . The appropriate question for analysts of development may not be what constitutes a globally optimal set of institutions but rather whether fast-moving institutions are appropriate to the slow-moving institutions with which they interact."

It is useful to place Roland's framework in the context of current thinking in economics. First, his focus on values and norms should be understood in conjunction with the recent efforts in economics to model the role of ideas and endogenous

technological change in promoting growth—work that has helped to address the prior neglect of these issues in the discipline.[44] Second, Roland's article reflects the recent evolutionary approach among some economists and economic historians (Acemoglu et al. 2001) that emphasizes initial conditions, flexibility, experimentation, and processes of institutional selection—what Roland terms a "Jared Diamond"[45] vision of the world. In this context, Roland's contribution therefore provides an initial framework within the discipline of economics for integrating the role of social norms and values into the mainstream debate on the determinants of growth.

Finally, Woodruff's comparative analysis of privatization and corporate governance in Russia and Poland underscores the importance of seeing institutional reform as a process of "matching" formal rules to specific contextual factors, including what he calls "sociological facts." Drawing on work in the economic sociology of law, Woodruff explains the diverse trajectories of corporate governance in Russia and Poland with reference to the distinctive relational contexts that new post-privatization laws attempted to regulate. In Russia, by offering outsiders a share of ownership in privatized enterprises "without providing for (indeed, discouraging) pre-privatization negotiation between outsiders and insiders" (Woodruff, SCID 38:4, 90), the form of privatization "set the stage for intense and long-running struggles over property rights" (Woodruff, SCID 38:4, 93). Attempts to regulate such relationships through corporate governance law led to more conflict as well as "instability" in the system of property rights protection, precisely because of the incongruence between such laws and the "relational context" that the process of privatization had helped to engender. In Poland, by contrast, the form of privatization "ensured that those in a position to challenge shareholders' property rights were embedded in relationships that encouraged them not to do so." That is, stakeholders could "achieve negotiated, locally appropriate recognition of their stakes as part of the privatization process. Importantly, these negotiations involved structuring the relational context in which the post-privatization property rights would operate" (Woodruff, SCID 38:4, 90). The same written law can therefore have distinct effects, depending on the relational context into which it is "inserted." Of course, what is ironic here is that the outcome of the Russian case was in some sense due to the desire of the Russian reformers, having witnessed the impasse of Polish privatization (where stakeholders were given veto rights and privatization proceeded on a case-by-case basis), to take micro-politics seriously; as Woodruff explains, when "plans to privatize without insider preferences met political opposition, reformers created a program that would neutralize the resistance of stakeholders by turning them into stockholders" (Woodruff, SCID 38:4, 91). Moreover, it was the outsiders who engaged in post-privatization debt-for-equity swaps and thereby consolidated control over huge Russian conglomerates that became the most effective lobby for corporate reform, precisely to prevent others from exploiting the same "legal loopholes." Woodruff's is therefore a fascinating study in the political economy of institutional change, as well a commentary on the importance of the "match" between institutions and context, or what Woodruff calls, in the case of Polish privatization, the "simultaneous transformation of legal form and social substance" (Woodruff, SCID 38:4, 94).

Functionalist Fallacies, Complementarities, and Institutional Systems

As we suggested above, and as Evans, Haggard, and Roland underscore, a major obstacle to understanding how and why particular institutions influence growth is that, although we may know much about the economic problems that institutions must "solve," such knowledge may lead neither to an explanation of the global variety of institutions associated with growth nor to an elucidation of the persistence of "inefficient" institutions. As Haggard notes in this issue (p. 46), "we need to be wary of the functionalist view of institutions that is so central to much economic reasoning . . . . Institutions do produce gains from coordination and exchange, but there is typically more than one way to structure them to achieve those ends." Roland's discussion of what he calls the "functionalist fallacy" serves to remind us that simply identifying an institution that solves a particular problem or fulfills a particular function does not tell us how or why the institution arose in the first place.

It bears emphasis that the well-known pitfalls of functionalism have special relevance for attempts to understand more general relations between institutions and economic performance, as well as for efforts to analyze "best-practice" institutional frameworks. For one, as we saw above, a considerable literature on the advanced capitalist countries suggests the many ways in which these countries' institutions have exhibited marked divergence even as they have experienced broadly convergent growth outcomes (*inter alia*, Zysman 1983, Hall and Soskice 2001). This is also an important point for the NICs, as Haggard (1990) has emphasized; Singapore and Hong Kong, for example, despite their broadly similar relationship to the global economy, have had quite different institutional structures associated with the high-growth period of recent decades. The possibility of true equifinality in institutional choice, in which multiple causal paths may lead to similar outcomes, can pose important problems for empirical analysis. More to the point, institutional equifinality underscores the difficulty functionalist analyses face in explaining the global diversity of institutions; suggesting that institutions may "solve" certain kinds of economic problems does not begin to explain which institutions are in fact chosen.

On the other hand, as Roland points out, in a functional sense institutions may clearly be complementary: the felicitous growth effects on a particular institution may depend on the interactions between that institution and a whole range of other institutions. So, for example, the effects of corporate governance arrangements on economic performance may be conditional on labor market institutions, the social security system, the structure of ownership and property rights, or even (as suggested by Woodruff's analysis of how the prior history of privatization conditioned the impact of corporate governance laws in Poland and Russia) on the processes through which these other institutional configurations arose. For students of comparative politics, the lesson that the impact of one institution may depend on institutions in other realms is a familiar conclusion of an earlier literature on corporatism and centralized wage bargaining in Europe, a literature that arose in the 1970s and 1980s in part as an attempt to explain the ability of some European states to avoid "stagflation" in the wake of the oil crises (e.g., Schmitter and Streeck 1991, Berger 1981). Like the issue of institutional equifinality, however, multiple interactions may pose challenges to valid causal inferences about the (conditional) effects of

institutions on growth, as the number of potentially relevant institutional combinations rapidly outstrips the number of cases available for analysis.

In practice, conceptualizing sets of institutions as *systems* may provide some leverage on causal questions, since institutions tend to be highly correlated across national cases (e.g., particular types of institutions for governing financial markets may be related to particular institutions related to corporate governance, and so on). Roland therefore suggests that factor analysis may be a productive analytic strategy, since it could allow us to identify clusters of complementary institutions for governing the market (along the lines perhaps of what Hall and Soskice [2002] call "liberal market economies" and "coordinated market economies" in their analysis of advanced industrial states) and to look at how such clusters may drive certain patterns of growth. Like other approaches to institutions, of course, a systemic approach is challenged to trace the reasons why such different sets of institutions have evolved. Explanations focused only on factors like the positive externalities to adopting complementary institutions are likely to prove insufficient for understanding the global diversity of institutions, and moreover can easily fall into some of the same "functionalist fallacies" that the contributors to this volume seek to avoid.

For purposes of the criticisms made in this issue of "best-practice" institutional frameworks, however, the implications of a systemic approach to institutions are clear. To be specific, pushing the adoption of idealized forms of Anglo-American institutions upon institutional systems characterized by multiple interactions and complementarities can be growth-inhibiting, if not a recipe for disaster. As Roland puts it, "Institutional systems are generally not modular constructions where one module can be replaced easily by another . . . . Replacing one institution by another can in some cases dangerously disrupt this systemic consistency" (Roland, SCID 38:4, 113). A systemic approach to institutions, while leaving us with the challenge of how to explain the appearance of such "systems" in the first place, therefore provides an important rationale for predicting the failure of instances of institutional monocropping.

Uncertainty, Politics, and the Analytics of Institutional Change

Another theme emphasized by the contributors to this special issue concerns the value of institutional diversity and an experimental approach to reform. The argument for diversity and experimentation rests in no small measure on the degree of uncertainty engendered by large-scale institutional change. Roland's concern with this theme stems from his earlier work on post-socialist transitions, which stressed the importance of analyzing the effects of this uncertainty systematically. Opposing the so-called "big bang" approach to transitions from socialism, which stressed the need to implement far-reaching reforms *tout d'un coup*, Roland and other advocates of a more piecemeal and sequenced approach suggested that substantial *ex-ante* uncertainty about the economic results of institutional change made "gradualism" a valuable strategy for reformers (subsequent developments in Eastern Europe and the FSU have underscored the degree of uncertainty that reformers in fact faced). First, in contrast to the explicit goal of the "big bang" approach of achieving "political irreversibility,"[47] advocates of gradualism suggested that this

strategy would provide an option for policy reversal or correction. By lowering the costs of mistakes, gradualism would therefore allow reformers to build political support for initial reforms and sustain popular backing for the continuation of reforms if these initial reforms turned out to be successful.[48] Furthermore, gradualism would not lock in disastrous results, such as those of the Russian privatization program.[49]

The uncertainty faced by would-be reformers therefore carries important implications for institutional monocropping. For example, gradualist—or what Roland (this volume, 2000a) has more generally called "evolutionary-institutionalist"—approaches have stressed the extent to which "hybrid" institutions may provide valuable opportunities for local "experimentation." Perhaps reformers cannot know whether certain institutional forms will "take," as Evans (SCID 38:4, 35) terms it in discussing IFI-imposed conditionalities, because they cannot predict just how such institutions will interact with or "match" local situations. In the face of this ignorance and uncertainty about the effects of authoritatively-introduced institutional change, hybrids may provide valuable flexibility and adaptability after the "resolution" of uncertainty.

Beyond the possible value of gradualism or experimentation for selecting effective institutional forms that are well-matched with local situations, such approaches may build political support and consensus in the face of uncertainty about the consequences of institutional change. This raises a crucial point for the contributors to this issue: the *means* by which political consensus (or lack thereof) about institutional change is achieved may have crucial consequences for post-reform outcomes, including growth outcomes. Woodruff, for example, takes up the implications of the political process by which privatization of state-owned enterprises was achieved in Russia and Poland, tracing contrasting outcomes with respect to the effectiveness of corporate governance laws to divergent patterns of privatization in the two cases. Evans depicts a means of achieving local consensus through particular forms of political deliberation; "deliberative democracy," as Evans describes it, is a policy-making process that allows for reversals and adjustment as citizens, rather than technocrats, make choices about the weighting of developmental objectives.[50] Moreover, this particular process of institutional choice may, by providing a mechanism for the emergence of "thick" democracy, enhance the legitimacy of political institutions in ways that are plausibly "growth-neutral" but that enhance the *quality* of economic performance in various ways.

In sum, both uncertainty about the economic effects of institutions and the importance of the interaction between formal institutions and local environments suggest that the *process* of institutional change should be accorded pride of place in analyses of reform instances. Kolodko (1999: 253), for example, has recently emphasized that the most challenging problem for institutional and organization analysis is not finding a new, "optimal" target design towards which transition should teleologically lead, but rather in furthering analytic understanding of processes of transition themselves. Focus on process, of course, inevitably involves focus on the politics of change—precisely the politics that top-down, market-oriented institutional reforms seek either to ignore or simply to manage, as implied by the idea that politics is merely a "constraint." Thus Haggard, drawing on a long intellectual history in the study of East Asian growth, describes the important role of "deliberative

councils" in providing flexible institutional fora that facilitate ongoing relationships between the state and private sector. Roland highlights the importance of gradualist, "evolutionary-institutionalist" processes of reform not only for facilitating experimentation and learning but also for building political consensus and support. These perspectives therefore focus our attention on the political processes by which economic decisions are reached.

Although the focus of this issue is, in part, on the failure of top-down, market-oriented institutional reforms to produce consistently salutary effects on economic growth, it is worth emphasizing the extent to which the critiques of the contributors have much wider theoretical and policy implications. Noting "how rare it is to encounter advice about the future which *begins* from a premise of incomplete knowledge," Scott (1998: 345) gives a practical plan for the implementation of institutional reforms that closely echoes the prescriptions of the "gradualists" in the debate over transition: "(1) Take small steps, (2) favor reversibility, (3) plan on surprises, and (4) plan on human inventiveness." Seen from this perspective, one of the key conclusions of the interdisciplinary dialogue between the contributors of this special issue—the failure of social science to identify cross-regionally and cross-temporally consistent "institutional silver bullets" for successful economic development—highlights the importance of avoiding "monocropping" in theoretical institutional analysis as well as in policy advice. At the very least, our current ignorance should call for modesty and caution when using inferences about a large population to make predictions for particular cases, especially when these cases differ substantially from the set of cases on which the theory was originally based. As Scott (1998: 318) warns, "[w]hile something can indeed be said about forestry, revolution, urban planning, agriculture, and rural settlement in general, this will take us only so far in understanding *this* forest, *this* revolution, *this* farm . . . a mechanical application of generic rules that ignores these particularities is an invitation to practical failure, social disillusionment, or most likely both."

However, the analytical dangers sometimes inherent in unbounded generalizations should not be interpreted as a wholesale rejection of social-scientific theorizing that goes beyond thick description of individual cases. This is a theme, of course, long echoed by a particular strand of comparative scholarship, exemplified by Tilly's (1984) treatment of "big structures, large processes, huge comparisons." In this issue, the analysts bring similar methodological orientations to bear on the role of uncertainty in processes of large-scale institutional reform, emphasizing not a fatalist acceptance of our social-scientific ignorance but rather the importance of thinking systematically about the implications of uncertainty itself. For example, Roland's comparison of industrial reform in Russia and China can be seen as a theoretical starting point for understanding the conditions under which such experimentation might be able to emerge, and the conditions under it which it may or may not be successful in promoting various institutions for growth. Haggard's work in this issue also underscores the way in which East Asian reforms, though punctuated by particular critical junctures of institutional reform, seen in long-term perspective also evolved gradually through a series of institutional innovations over several decades. The lesson for analysts of institutional reform seems to be that "allowance for the unexpected," as Hirschman called it, does not necessarily imply that we

cannot develop quite rigorous theories of the ways in which social actors may adapt to and even take advantage of the unexpected.

Conclusion

Scholars of development and transition, including a number of economists, are beginning to engage with the notions of experimentation and context developed in this special issue, taking seriously ideas about the importance of the match between institutions and their particular settings. For example, the recent volume edited by Rodrik (2003) emphasizes the extent to which experimentation, attention to local conditions, and willingness to deviate from orthodox blueprints played an important role in the emergence of growth-enhancing institutions in some developing countries. Several chapter of the book—particularly Qian on China, Acemoglu, Johnson and Robinson on Botswana, and Subramanian and Roy on Mauritius—illustrate the context-specificity of successful institutional solutions. While all three cases reveal important idiosyncratic factors, such as Mauritius' particular ethnic mix, Botswana's colonial heritage and China's peculiar style of federalism, they nevertheless underscore a broader common theme of the crucial fit between institutional choices and local conditions and the key role of local leaders in initiating such "contextually appropriate" institutions. As such, these studies do not offer a clear alternative recipe for developing countries but, as the authors of this special issue have argued, the search for such universal recipes may be not only futile but also counterproductive.

It is certainly premature to sound the death knell of institutional monocropping, either intellectually or within official development circles. Various institutional development indicators that have proliferated in the last few years seem to have a monocropping logic, assuming that the inevitable endpoint of reforms will be the adoption of Western political and economic institutions.[51] Structural conditionality remains a large and important part of World Bank, International Monetary Fund, and regional development banks' programs. It does appear, however, that an incipient shift is beginning to take place within official development circles. Stung by public criticism of their expanded mission and, perhaps, by widespread public protest at various IFI conferences, official reports and papers have questioned the practices most closely associated with institutional monocropping. For example, in 2001, the IMF's Executive Board established an Independent Evaluation Office (IEO), which, according to the office's website, "provides objective and independent evaluation on issues related to the IMF. The Office operates independently of IMF management and at arm's length from the IMF's Executive Board. It enhances the learning culture of the Fund, promotes understanding of the Fund's work, and supports the IMF's Executive Board in its governance and oversight."[52]

Even though such initiatives may not by themselves succeed in reforming the IMF, in-house reports and appointed task forces have recently delivered important criticisms of the organization, which, together with the public complaints of prominent economists, might have important consequences for the way conditionality is conducted. In 2000, The Financial Institution Advisory Commission released the "Meltzer report," which recommended that the IMF (along with the World Bank

and the regional development banks) write off the debts of certain heavily-indebted countries, and that the IMF should restrict its lending to the provision of short-term liquidity.[53] As for structural conditionality, in a recent official document, the IMF (2001: 53–54) acknowledged that there has been "a perception that the Fund follows a 'textbook' approach to structural conditionality which, together with staff arrogance, may undermine ownership of reforms." The report went on to recommend that, "in addition to streamlining conditionality, the Fund could also make additional efforts to strengthen ownership by ensuring that program negotiations adequately incorporate the country's views and, to the extent possible, a wider dialogue among stakeholders within the country. This would mean applying current best practice to ensure that programs are formulated in the light of adequate discussion of the tradeoffs among various alternatives" (IMF 2001: 41). Recognizing the tendency of local distributions of power to influence the way in which formal institutions work in practice, and in particular drawing on the experience of the transition economies,[54] IMF staffers have enthusiastically remarked on research reports that have called for the Fund to invest resources "to better understand the political economy of different countries" (IMF 2001a). A specially-created Reform Task Force advised in an interim report from 2000 that "structural conditionality will be limited to a core set of essential measures that are macro-relevant and in the Fund's core area of responsibility, with a broader approach requiring justification based upon the specific country situation," while allowing for the possibility that "the Fund may continue to advise on a broader range of structural reforms in some cases, but they would not generally be part of conditionality" (IMF 2001a).

In practical terms, these internal criticisms may have already contributed to initiatives to reorient IMF conditionality towards more easily observable policy objectives (Overseas Development Council 2000). Whether this change merely marks a return to the "institutional black box" approach of the 1980s or signals the beginning of a more nuanced understanding of the relationship between policy reforms, institution-building, and economic outcomes may depend on the extent to which recent IFI statements about the importance of local ownership and knowledge go beyond rhetorical commitments and become an integral part of the Western approach to conditionality in the developing world. Moreover, as Evans (SCID 38:4, 38) puts it, while the move towards local "ownership" of reforms within the IFI's constitutes an important development, "the implications of this shift should not be overstated. 'Participation' in projects and 'ownership' of loans involves limited possibilities for the exercise of choice."

What seems crucial, however, is that in the midst of a period of uncertainty and transition within official development circles about how to approach institutional reform, social scientists devise ways to think creatively about the intellectual challenges posed by institutional monocropping's predictive and prescriptive failures. While such efforts may never produce universally-applicable institutional "magic formulas" for economic growth, they can lead to careful theories about how various institutions interact with their economic, political, and social settings; what the implications for economic performance of these interactions may be; how uncertainty, experimentation, and political economy factors play crucial roles in institutional change; and how various political and deliberative processes may enhance support for and legitimacy of institutional reform. Interdisciplinary dialogue prom-

ises important benefits along these lines yet is often lacking in both theoretical and policy-making discussions. Symposia such as the current special issue could contribute to sparking valuable discussions about institutions and development among a wider social-scientific community. The contributions of Peter Evans, Stephan Haggard, Gérard Roland, and David M. Woodruff to this volume take important steps along this path.

Notes

1. It is incorrect, of course, to paint an overly homogenous picture of the approaches taken by the various IFIs and official lending agencies. For example, the distinction between the policy advice of the International Monetary Fund (IMF) and the World Bank (International Bank for Reconstruction and Development, IBRD) has often been significant. See Stiglitz (2002) and our Conclusion.
2. The term "Washington Consensus" was originally coined by Williamson (1990) to describe an alleged consensus of the IMF, the World Bank and the U.S. Treasury on policy towards Latin America. Even though the increasingly visible tensions between the World Bank and IMF question the reality of this consensus, over the last decade the term has come to symbolize the dominance of neoliberal economic policies and has therefore become a prime target for critics of this analytical and political agenda (see e.g. Roland 2000, Kolodko 2002).
3. As formulated by John Williamson (1990), the Washington Consensus contained the following policy prescriptions for Latin American countries recovering from debt crises during the "lost decade" of the 1980's: "Fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalization; a competitive exchange rate; trade liberalization; liberalization of inflows of foreign direct investment; privatization; deregulation (to abolish barriers to entry and exit); and secure property rights." See <*http://www.cid.harvard.edu/cidtrade/issues/washington.html*>, Williamson (1990), and Williamson (2000).
4. The absence of institutions in the Washington Consensus reflected a lacuna in mainstream neoclassical economics, because, as Douglass North (1997:2) has argued, "few Western economists understand the institutional requirements essential to the creation of such markets since they simply take them for granted."
5. See, e.g., Kapur (2001), Pop-Eleches (2003).
6. For example, a World Bank report co-authored by the vice president and chief economist of the Bank's Latin America and the Caribbean Regional Office, with the telling title "Beyond the Washington Consensus: Institutions Matter," suggests that the good policies of the Washington Consensus need to be backed with good institutions, and proposes strategies for institutional reform. Chapters 1 and 2 are titled, respectively, "Institutions Matter for Development" and "Institutional Reform is Possible" (Burki and Perry, 1998).
7. One might mention here the severe corporate governance scandals (Enron, WorldCom, etc.) that have beset the North American securities markets, suggesting that the degree to which the institutions governing such markets only approximate "idealized" forms of Anglo-American institutions.
8. In sociology, for example, the "new institutionalism" has stressed the role of norms and culture as templates for symbolic action, suggesting that institutions are endogenous to the beliefs that stem from such templates—not ascriptive beliefs but rather symbolic filters of meaning akin to Durkheim's *représentations collectives* or Weber's webs of signification. In political science, see Hall and Taylor (1996) for a penetrating review of the "three institutionalisms," what the authors call "historical institutionalism," "rational choice institutionalism," and "sociological institutionalism." See also Immergut (1998).
9. Of course, the ultimate question of whether institutions precede organizations or vice versa is ultimately left undetermined (though the tendency is to discuss rules shaping behavior which in turn shapes rules), a problem analogous perhaps to Rousseau's (1985) old question about whether consciousness precedes language or the reverse.

10. For example, there is a long and important debate in sociological institutionalism, international relations theory and elsewhere about the relationship between "regulative" and "constitutive" rules. The contributors to this volume tend to stress the "regulative" aspects of institutions.
11. For example, does a rule become more "formal" because it has been written down and codified by some "modern" rule-making body, such as a constitutional assembly? An important strand of institutionalist work in sociology has concentrated on demonstrating the extent to which formal institutions in advanced industrial societies depend on myth, ritual, and symbolic belief systems—elements which early anthropologists and sociologists had associated with supposedly less "advanced" societies. For example, Meyer and Rowan have stressed the role of belief systems and templates of symbols in structuring actions in the most advanced societies, and Dimaggio and Powell's work on institutional isomorphism dispensed with the notion that organizations looked alike because they had converged on a similarly efficient form of collaboration.
12. E.g., Aoki (2001)
13. Even in countries where reforms were more cautious (e.g. Romania and Bulgaria), the pace and magnitude of change was nonetheless staggering in historical perspective.
14. Of course, some countries of the FSU, such as Belarus, Turkmenistan, and Uzbekistan have even today barely begun reforms of the scope of their neighbors.
15. As late as 1997, five of the former Soviet republics—Azerbaijan, Georgia, Moldova, the Ukrain, and Tajikistan—had GDP levels at less than 40 percent of their 1989 output (UNICEF 2001).
16. Research in this vein has focused on defining which options were chosen from a "menu" available to reformers, i.e., were state-owned enterprises transferred to "insiders" or "outsiders," did macroeconomic stabilization follow or precede privatization, etc. This work has produced important understandings of the tradeoffs often entailed in the design of economic reform packages and has also highlighted, as Roland has pointed out in his own work, the divergent "political constraints" with which various reform programs may contend (for example, the interests of various powerful domestic actors, the need to build wider political support for reforms through methods of privatization, and so on). See Roland (2000) for a review of this large body of scholarship.
17. A large econometric literature that studies the relationship between economic reforms and growth in the transition cases attempts to control for the varied "initial conditions" of the formerly socialist countries (e.g., Falcetti et al 2000, Berg et al 1999 De Melo et al 1997, Havrylyshyn and Wolf 1999). It is certainly true that at the close of the 1980s, a large amount of variation existed among the transition countries of Eastern Europe and the FSU—whether stemming from divergent religious traditions, the degree of temporal proximity of experience with market-based economies or democratic political systems, or some other source—and that these differences undoubtedly influenced the course and outcomes of institutional restructuring. The conventional wisdom of this literature, however, seems to be that while initial conditions can explain differences in both growth and economic reform trajectories, these initial conditions became less important over time. Indeed, the general tone, perhaps driven by the affiliation of many of the authors with International Financial Institutions (IFIs), is that initial conditions can be overcome by choosing the right policies.
18. Although China has not experienced the so-called "dual transition" to a market economy and a democratic polity, its significant market-oriented reforms since 1978 sometimes cause scholars to include it, along with Vietnam, among the "transition" countries.
19. See note 18 above.
20. See, *inter alia*, Zysman (1983), Hall and Soskice (2001). We thank Stephan Haggard for suggesting this point to us.
21. See Roland (2000), Rodrik (2000), Kolodko (1999).
22. See, e.g., Krueger and Yoo (2002).
23. On rational choice institutionalism in political science, see Hall and Taylor (1996).
24. Since the start of the crisis, Argentina has experienced six presidents, widespread popular mobilization (particularly during the early days of the crisis), and a large rise in crime. Real GDP fell 11.3 percent in 2002, although GDP fell at a record 16.3 percent annual rate of in the first quarter of 2002, while recorded unemployment in 2002 was 18.8 percent (Economist Intelligence Unit and Cibils et al, 2002). Real monthly wages declined by 18 percent over the course of 2002, while "official poverty and indigence rates have reached record levels: 53% of Argentines now

live below the official poverty line, while 25% are indigent (basic needs unmet). Since October 2001, 5.2 million Argentines have fallen below the poverty line, while seven out of ten Argentine children are poor today" (Cibils et al, 2002).

25. Of course, Bolivia has most recently experienced less stellar economic performance as well as political and social upheaval, including widespread mobilization by coca-growing *campesinos* as well as conflict between the police and the army, and, most recently, the removal of a sitting president.
26. For example, the Dominican Republic scores below the Latin American average on the Heritage Foundation's economic freedom scores, a common measure of market economic reforms. See also Schrank (2002), who argues that the location of export processing zones in the Dominican Republic has been driven by existing human capital networks, not factor costs as neoclassical theory might suggest.
27. As Weyland (1999) points out, the very notion of "neoliberal populism" runs counter to the traditional populist model in Latin America, which combined personalist politics with active state intervention in the economy.
28. That is, Presidents Menem in Argentina and Fujimori in Peru.
29. In each case except corruption, of course, these institutional indicators are positively associated with growth. Burki and Perry (1995) present original evidence linking institutional indicators to growth and summarize the studies described in the text, along with several other studies that find significant links between various institutions and growth.
30. Lindauer and Pritchett (2002) cite Knack and Keefer (1997) and Levine (1997) among several other studies that show how estimates depend on sample composition. Eichengreen (2001) attributes the opposite conclusions reached by two leading studies of the effect of capital mobility on growth (Rodrik 1998 and Quinn 1997) to, among other factors, differences in the time period studied.
31. See Haggard (SCID 38:4, 53–81) and Roland (SCID 38:4, 109–31) for treatments of this theme.
32. The phrase comes from Rodrik's (2000) article in *SCID*.
33. Hirschman (1958: 29) presciently warned that "theories which, because of their high level of abstraction, [may] look perfectly 'neutral' as between one kind of economic system and another, often are primarily relevant to the conditions under which they are conceived." See Shadlen (SCID, forthcoming) on the unequivocal acceptance, contra Hirschman (1981), of "monoeconomics" in the development agenda of the IFIs during the 1990s.
34. In his famous critiques of central planning, Hayek criticized the arrogance of a social science that reduced empirical phenomena merely to episteme and foresaw the important informational problems that would bedevil the authoritative introduction of large-scale, planned institutional change. As Hayek once darkly put it, "The delusion that advancing theoretical knowledge places us everywhere increasingly in a position to reduce complex interconnections to ascertainable particular facts often leads to new scientific errors . . . . Such errors are largely due to an arrogation of pretended knowledge, which in fact no one possesses and which even the advance of science is not likely to give us" (Hayek 1989).
35. Lawrence Summers, the former chief economist of the World Bank and later U.S. Treasury Secretary, said that "the laws of economics, it's often forgotten, are like the laws of engineering. There's only one set of laws and they work everywhere" (cited in Green 1995: 27).
36. The term was coined by Reddaway and Glinski (2001) to describe the undemocratic ways in which economic reforms were instituted in Russia. Similarly, Przworski (1992:45) argues that "the economic transformations envisaged in these countries ironically mirror the communist project. . . . Replace 'nationalization of the means of production' with 'private property' and 'plan' with 'market,' and you can leave the structure of the ideology intact."
37. Sachs (1993) cited in Hanson (1998). The title, of course, recalls Lenin's (1902) famous (and itself quite pragmatic) treatise on the means by which a dictatorship of the proletariat—and thus "freedom," could be achieved—by the establishment of a vanguard party of dedicated revolutionaries.
38. As Haggard points out, "Such a critique can also be leveled, however, at those who suggested that the developmental state model of East Asian growth could be exported, or that import-substitution would have equal value for industrialization across countries. The tendency to want to extend "models" has not been limited to the communists and the orthodox; those of us who are

heterodox in orientation have been tempted too!" (Stephan Haggard, personal communication, 27 August 2003.)

39. Hayek (1989), anticipating future developments in informational economics, stressed the problems central planners would have in centralizing the decentralized and often unobservable knowledge and preferences of citizens.
40. See articles by Haggard and Roland (this volume) for treatments of this theme.
41. See Sen (1999).
42. The assertion that social norms and values change, on average, more slowly than political or legal institutions may be debated by other social scientists. See, e.g., Finnemore and Sikkink (1998) and Lutz and Sikkink (2000) on the role of tipping points and cascades in the evolution of norms. An economist who has worked on "reputational cascades" is Kuran (1991).
43. This usage of the metaphor of tectonic pressures is analogous to Krasner's (1983) use in political science.
44. E.g., Paul Romer (1994). Whereas, in the basic Solow model that dominated the study of growth during the 1980s, growth stemmed from an exogenous rate of technological progress—which descended like "manna from heaven" upon an economy—the new growth models seek to endogenize ideas and technological change. Introductions to these developments in the study of economic growth are in Jones (2002) and David Romer (2001).
45. Diamond (1999) traces differences in current levels of human prosperity to initial natural conditions facing early human groups, including the presence or absence of domesticable plants and animals and the shape of the continents (latitudinal or longitudinal). Diamond argues that in some settings, these initial conditions led to population growth, a higher production of economic surplus via greater division of labor and, importantly for present purposes, to certain kinds of institutions (e.g., the state, and within that category, "kleptocratic" versus "egalitarian" institutions).
46. For a classic example of an inefficient institution, consider Roland's discussion (drawing on Evans [1989] and others) of the distinction between "developmental" and "predatory" institutions. Conditional on being able to collect additional tax revenue, dictators might seek to maximize the total economic product of society, making everyone at least weakly better off and thus, in terms of the maxims of welfare economics, leading to increased efficiency. For a variety of reasons—perhaps a fear of loss of power—dictators may hesitate to do so, however, leading to "inefficient" institutions. See Robinson (1997) on the incentives of leaders of predatory states.
47. A more economic argument was that the felicitous effects of complementarities between institutions could only be realized if various reforms were undertaken more or less simultaneously. See Lipton and Sachs (1990).
48. It is interesting that, like the fundamental defense economists gave of the big bang approach (the need for "irreversibility"), this defense of gradualism follows a fundamentally political logic. An important contrarian view from a political economy perspective is that of Hellman (1998), who argues that partial reforms can get "locked in" by rent-maximizing elites.
49. Such results included widening inequality and the tremendous problems with corporate governance. Nonetheless, the Russian privatization program has been defended *ex-post* on the grounds that Russian reformers did the best they could (they achieved a politically-feasibly "second best" solution) under the circumstances. See Boycko, Shleifer and Vishny (1995) and Shleifer and Treisman (2000). On the implications of the Russian privatization program for corporate governance, see Woodruff (this volume).
50. An important reference on "deliberative democracy" is Elster (1998).
51. For example, the EBRD economic reform indicators (EBRD, 2001) rank transition economies on a scale from 1 to 5, where 5 indicates "standards and performance typical of advanced industrial economies." See also La Porta et al. (1998a); Knack and Keefer (1995).
52. See <*http://www.imf.org/external/np/ieo/index.htm*>.
53. The Report of the International Financial Institution Advisory Commission (popularly known as the Meltzer Commission) was released on 9 March, 2000; the Commission was appointed by the U.S. Congress in 1999.
54. E.g., the IMF comments that "The powerful new elites formed in the early years of transition were able to capture the institutions of government and become a strong vested interest blocking reforms. While pro-market in general, these elites feared that greater transparency, good governance, and the rule of law would reduce their ability to extract economic rents" (IMF 2001: 53).

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