

State Isomorphism in the Post-Socialist Transition

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Abstract

With the collapse of the communist regimes, the post-socialist countries are facing the problem of building new legal and institutional systems which will adequately address the needs of the markets. They also try to implement new reforms. But the transition towards economic and market reforms across the bloc has been very uneven, producing the countries-winners, countries-laggards, and countries-losers. There have been some attempts to explain that unevenness from the temporal path dependency perspective and from geographic proximity perspective. Can we explain this unevenness better drawing upon the theory of institutional isomorphism?

This paper is not ambitious and built exclusively on literature review. It attempts to borrow from some middle-range social theories of institution building and, especially, the theory of institutional isomorphism by DiMaggio and Powell. It shows that some parts of the bloc seem to be surprisingly isomorphic. The paper suggests an explanation of the possible causes and applicability of the phenomenon of isomorphism in the post-Soviet bloc.

In particular, it: 1) contrasts the facts of the transformation with the theory of institutional and organizational isomorphism, 2) makes a fair causal comparison with other explanations, 3) claims the adequate causal depth for the explanation, 4) points at an adequate causal mechanism of the transformation.

Kurzfassung


Mit dem Zusammenbruch der kommunistischen Regime stehen die post-sozialistischen Länder vor dem Problem des Aufbaus neuer rechtlicher und institutioneller Systeme, welche den Notwendigkeiten des Marktes gerecht werden. Darüber hinaus werden auch neue Reformen umgesetzt. Doch der Übergang zu ökonomischen und Marktreformenten war in dieser Ländergruppe sehr ungleich und hat Sieger, Nachzügler und Verlierer produziert. Es gab bereits einige Versuche diese Unterschiede aus einer zeitlichen, pfadabhängigen Perspektive und aus der Perspektive der geographischen Nähe zu erklären. Können wir dieses Phänomen der Unterschiedlichkeit besser unter Bezugnahme auf die Theorie des institutionellen Isomorphismus erklären?

Dieses Papier ist nicht ambitioniert und ist ausschließlich auf einen Überblick über die Literatur gestützt. Es versucht sich auf einige sozialwissenschaftliche Theorien mittlerer Reichweite der Entstehung von Institutionen und, im Speziellen, auf die Theorie des institutionellen Isomorphismus von DiMaggio und Powell zu stützen. Es zeigt, daß einige Teile der Ländergruppe überraschend isomorph sind. Das Papier unterbreitet eine Erklärung der möglichen Ursachen und der Anwendbarkeit des Phänomens des Isomorphismus im post-sovietischen Block.

Im speziellen werden die Fakten der Transformation mit der Theorie des institutionellen und organisatorischen Isomorphismus kontrastiert (1.); weiters wird ein ausgewogener Vergleich mit konkurrierenden Erklärungen angestellt (2.); dann wird behauptet, daß die angebotene Erklärung die ausreichende kausale Tiefe aufweist (3.), und schließlich wird der angemessene Kausalmechanismus der Transformation aufgezeigt (4.).

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1

Domino Theory:
A theory that if one nation becomes Communist-controlled
the neighboring nations will also become Communist-controlled.
Even Newton's theory of motion ignores friction.
Peter M. Blau

A. Introduction and Hypotheses of the Theory [↑]

With the collapse of the communist regimes, the post-Socialist countries are facing the problem of building new legal and institutional systems which will adequately address the needs of the markets. At the same time, there is a debate among sovietologists as of identification of the causal mechanism of building new legal and democratic systems, and what influences the choice of East European policy-makers. Even upon a cursory observation, it becomes obvious that some countries have clearly succeeded in the task more than the others. This paper attempts to borrow from some middle range social theories of institution building and, especially, the theory of institutional isomorphism by DiMaggio and Powell. It argues that a possible parallel can be made between the theory of institutional isomorphism within a country (or within an institutional field) and a number of countries, or a region as a whole. Considering the uneven development of the post-Socialist countries during the transition period and applying the theory of institutional isomorphism on the state level, we can observe the phenomenon of state isomorphism. The theory also shows that perhaps a significantly valid prediction can be made about future unfolding of the transition in the region.

To begin with, Max Weber should be mentioned as the father of bureaucratization theory. According to Weber, bureaucratization arises primarily from increasing competition among capitalist firms and business. That assumes that businesses are driven by a search for efficiency and control over their

transactions. According to one of Weber's explanation, organizations (and bureaucracies) arise due to competition on the market and expansion of the market. The relation networks become extremely complex with the expansion of the market, and bureaucracy arises in order to adequately manage "more internal and boundary-spanning interdependencies." There is a problem with this explanation, however, because it assumes that organizations function according to the established norms which arise from necessity of activity coordination. In reality we observe that the rules are often violated and decisions are unimplemented.

Sociologists Meyer and Rowan in *Institutionalized Organizations* emphasize the second Weberian explanation of institutional rise, according to which the cause of formal structure comes from the legitimacy of rationalized formal structures (1983). That leads the authors to the conclusion that formal organizations incorporate the rational institutional rules and try to conform to them. Further, the authors hypothesize that as the society modernizes, institutional structures extend in a given domain (46).

Paul DiMaggio and Walter Powell build on the Weberian concept of legitimacy and, considering the Meyer and Rowan emphasis on conformity to the rules, present a more complete picture. They introduce us to a theoretical foundation of the concept of institutional isomorphism. According to the authors, when new organizations emerge, rational actors make their organizations increasingly similar as they try to change them. Bureaucratization and other forms of organizational change occur as the result of process that make organizations more similar without necessarily making them more efficient (147). The difference between Weberian rationality in contrast of the DiMaggio and Powell presentation is that Weberian actors think that it is important to try to achieve more efficiency, while DiMaggio and Powell stress the actors' belief that efficiency stems from legitimacy, and legitimacy stems from conformity to the "general" rules and norms, and, therefore, it is rational to conform in order to gain efficiency. In other words, the practices the organizations resort to in order to maintain their legitimacy stem from the actors' rational choice to appear legitimate, and that leads to organizational isomorphism and homogeneity of organizational structures. In a sense, Weberian efficiency may be called objective, while in reality, conformity to rules does not lead to efficiency necessarily, though the actors think it does.

A concept of organizational field, as it is developed by DiMaggio and Powell, has to be introduced at this point. By organizational field, DiMaggio and Powell mean those organizations that constitute a recognized area of institutional life. In our case, these are regulatory agencies, or legal systems, or even the whole East European region. Within the organizational field, bureaucratization arises out of structuration, when four conditions are present:

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1. interaction among organizations increases, (between Eastern and Western Europe, among the Central Asia countries, but not, for instance, between the West and Central Asia countries),
 2. the rise of interorganizational structures of domination and coalition (the West dominating the East),
 3. an increase in the information load with which organizations in the field must contend (as increased communication between the West and the East by the mid 1980s, as the West and Solidarity in Poland),
 4. the development of mutual awareness of a common enterprise (for example, the East European countries desires to become the NATO and EU members).

Once disparate organizations are structures in the same field, their drive to gain legitimacy becomes a powerful force that leads them to become more similar to one another (DiMaggio&Powell, 148).


Gaining legitimacy is the second form of the Weberian major cause behind bureaucratization. That leads to what the authors call the process isomorphism. This approach suggests that organizational characteristics are modified in the direction of increasing comparability with environmental characteristics (149).

The authors begin by distinguishing two types of isomorphism competitive and institutional. Organizations compete not just for resources and customers, but for political power and institutional legitimacy for social as well as economic fitness (150). More specifically the isomorphism results through the three causal mechanism:

1. coercive processes, from
2. an attempt to resolve uncertainty, and from
3. normative pressures of professionalization.

B. Applicability of the Theory to the Developments In the Post-Socialist Bloc

A question at this point can be asked as to what extent the abovementioned theory helps to explain variations in the legal and institutional development in the Post-Socialist societies? It can be argued that there are some surprisingly discernible similarities between the DiMaggio and Powell framework and the uneven development of Post-Socialist transition. In fact, the rate and extent to which reforms were implemented in the Post-Socialist societies strongly correlates with the relative isomorphic positions of those societies with respect to the West and each other.

The major premise of this paper is a rather simple possibility of successful substituting the concept of "organizations" for "states." We can see, for example, that the countries of Eastern and Western Europe are displaying more isomorphism than there is between Russia and Western Europe or Russia and Eastern Europe. At the same time, there is some isomorphism among the Asian countries, and even less isomorphism between those countries and the West. 

It is useful to look at the progress the post-Socialist societies have made towards free markets and democracy. Although in this paper we will not look at empirical data, we will trust instead the literature and research of specialists in the area. So, for example, successful transition will be defined as adoption of market reforms and shock therapy and democratization. There is a remarkable similarity between the results of the transition so far, and the propositions which are provided by the isomorphism theory. The pattern of legal and economic development and adoption of reforms within the region is well-reflected in the conditions and causal mechanism specified by the isomorphism theory. The countries, similarly to individual social actors, are influenced by the same causal mechanisms.

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Now, let us look at how the original conditions fit the facts of regional development:

Condition I

Before looking at the first condition, let us mention that it is not a secret that Western economists played a significant role advising the model of shock therapy, which would have allegedly benefited the countries in transition most, while from ideological point of view, the West was looking forward to East European sharp break with its communist past. Let us look at the first condition of

structuration. The shock therapy assumes rapid price liberalization, privatization, legal and economic reforms – in other words, a leap towards capitalist institutional and market arrangements.

To a large extent scholars agree that more economic reforms have been adopted in Eastern Europe rather than in the Asian part of the former bloc. The same can be said about the rate of democratization. According to the first condition of structuration, interaction among the actors must increase for isomorphism to appear; in other words, there has to be an increase in the extent of interaction among the organizations in the field.

A case can be made that economic reforms were adopted to a larger extent in Eastern Europe than in the post-Soviet bloc in part because East European countries had a closer historical and geographical contact with the capitalist West (which satisfies our first requirement), plus the frameworks for those reforms originated from the West (Western advisers) and were introduced with help of the West. In comparison, the Asian countries adopted fewer reforms, while Russia falls in between. The data are well summarized in Appendix A in *A Politics of Institutional Choice* by Frye). Countries which more than less adopted shock therapy are Hungary, Czech Republic, Poland, Croatia, Estonia, Lithuania, Slovakia, Slovenia, and, to a lesser extent, Latvia. Kazakhstan represents an exception among the Asian countries (but only with respect to economic reforms, not political), while it is clear that the Eastern portion of the bloc, plus Georgia and Ukraine, adopted fewer reforms. Countries that are located in between the Asian bloc and Eastern bloc, such as Bulgaria, Romania, and Moldova, fall in between on reform adoption.

An excellent source to measure transition towards free markets is *The index of Economic Freedom, 2000*. The rankings range from 1 to 5, 4 to 5 corresponding to repressed, and 1 to 1.95 corresponding to free. So, the mean for Latvia, Lithuania, Estonia, Hungary, Poland, Czech Republic, Slovenia, Slovakia, and Croatia is 2.75., while the former Soviet republics (excluding the three Baltic States) are ranked as "mostly unfree" with score from 3 to 3.95, and Bosnia and Belarus are ranked as "repressed."

To some extent, transition to free markets can be measured in terms of property rights, since solid property rights must exist for markets to function. Property rights is one of the ten factors considered in measuring economic freedom. Again, the mean for the nine republics (Czech Republic, Poland, Hungary, Slovenia, Slovakia, Croatia, and the three Baltic states) is 2.55, while it is 3.7 for the former USSR (excluding, again, the Baltic states).

As we can see, according to the first condition, there is a strong organizational field consisting of the countries of Western and Eastern Europe inasmuch as the ties between the West and East are historically and geographically closer than, (arguably) say, between Russia and Western Europe. That may explain the difference in the extent of the adoption of shock therapy (recommended by the West) and, generally, reform adoption. As we know, while Hungary, Czech Republic, Slovakia, Slovenia, and Poland adopted shock therapy quite fast, Russia adopted it only partially, while the Asian bloc countries largely ignored the policy.

Condition II

According to the second condition, there is a rise of interorganizational structures of domination and patterns of coalition. An argument can be made that the East-European countries felt superiority of the West, while Russia could not afford it because of some "pride considerations" factor, and the Asian countries are even more West exclusive. With the collapse of the Communist regimes, Eastern Europe felt more dominated by the West in all respects: technologically and economically as well as intellectually. Russia, at the same time, did not feel much either intellectually or technologically dominated by the West (considering the well developed Russian military complex).

Conditions III and IV

Those conditions are very well shown in *Subversive Institutions* by Valerie Bunce.

Condition 3 specifies an increase in information load within the field. Indeed, as Bunce notes in her book, communication and informational exchange increased as early as 1970's with the advent of Détente, which "reduced East-West conflict by recognizing Soviet-American equality, and rendered more porous the cultural, economic, and political boundaries that had for so long isolated the eastern from the western halves of Europe" (60). Similarly, Gale Stokes points out at increasing flow of information between Western and Eastern Europe in the case of Solidarity movement in Poland (*The Walls Came Tumbling Down*, 1991).

Condition 4 states that there must be the development of mutual awareness of involvement in a common enterprise. Clearly, to the extent that the East European countries plus the Baltic states are desirous to join Western Europe, the European Community and, of course, NATO, there is indeed a mutual awareness of a common enterprise and a unified Europe. Russia, however, still regards itself more detached from Europe (and that is, perhaps, as much the fault of Europe as of Russia), not mentioning Russia's downright hostility towards NATO expansion (*Security and Defense and Enlargement of the European Union*, European Parliament, Briefing # 31). In other words, mutual awareness of a common enterprise is less visible between Russia and the West, or the Asia and the West, than between the East and the West.

With regard to Eastern Europe, the 4th condition is best specified by Bunce in her book, where she says:

Demands for political change... tend to arise when two factors converge. The first is... the formation of solidaristic and resourceful political groups that have shared economic, political and cultural experiences; that have developed a common identity, a common set of goals [mutual enterprise], and a common definition of enemy, and that are empowered by ideology and leadership (17).

Ideology may as well have come to Eastern Europe from the West, since by ideology Bunce most likely means the ideology of liberal and democratic reforms. Perception of a common enemy can be, therefore, considered as a mutual goal. Hardly communist Russia was looked upon as a friend by the West, and Eastern Europe was highly resentful of communism (Gale Stokes; Paul Kennedy, *The Rise and Fall of Empires*, 1989). Already some presence of isomorphism within Eastern Europe is shown in what Bunce calls the formation of "islands of autonomy" by the end of 1980s, such as Poland and Hungary, Yugoslavia, and the Baltic states (32). In particular, Bunce stresses that even before the collapse, Eastern Europe was homogenized by the domination of the Soviet bloc.

C. Causal Mechanism of Isomorphism

As we could see, the four conditions are satisfied to a larger extent between Western Europe and East Europe than between Asia and the West or Russia and the West. The difference in presence or absence of those conditions alone, however, cannot account for the difference in policy adoption across the Post-Soviet bloc. The conditions only give satisfactory environment for the four causal mechanisms to occur, which lead to institutional isomorphism. The difference in the strength of those conditions accounts in the difference of effectiveness of the causal mechanisms identified below, and that, in turn, explains the difference in the extent of policy adoption and state isomorphism across the bloc.

The first mechanism leading to institutional isomorphism is coercive isomorphism, which stems from political influence and the problem of legitimacy. As DiMaggio and Powell explain: "Coercive isomorphism results from both formal and informal pressures exerted on organizations [states] by other organizations [states] upon which they are dependent and by cultural expectations in the society" (150). Perhaps, taking into consideration the proximity of Eastern and Western Europe (and the four conditions in general), there was a perceptible element of coercion on the part of Western Europe as to the rapid shift to the market economies. This coercive isomorphism does not have to be necessarily explicit: "Such pressure can be felt as a force, as persuasion, or as invitation to join in collusion" (DiMaggio and Powell, 150). Applying the theory, the shock therapy policy can be seen from the fact that Western Europe was considered as dominating over Eastern Europe, as if Eastern Europe were its "subsidiary." "Subsidiaries," writes DiMaggio, "must adopt practices, performance evaluations, and budgetary plans that are comparable with the policies of the parent corporation [state]" (151).

Mimetic isomorphism is the second causal mechanism. According to mimetic isomorphism, uncertainty is a powerful force behind imitation and institutional convergence. When organizational technologies are poorly understood (March and Olsen, 1976), when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations [states] may model themselves on other organizations [states] (DiMaggio and Powell, 151). The modeled states can serve as a convenient source of practices that the borrowing states may use (151). Models can be diffused by organizations [states] as consulting firms, such as, for instance, the influx of foreign advisers to the bloc.

DiMaggio and Powell also point out at a very relevant point with respect to the relationship between the West and the East: "Organizations," they say, "tend to model themselves after similar organizations in their field that they perceive more legitimate and successful" (152). Indeed, the alleged economic success of the West as it was and is perceived in the East cannot be overemphasized. This point is not altogether new and was mentioned earlier by Meyer, who contends that "it is easy to predict the organization of a newly emerging nation's administration without knowing anything about the nation itself, since peripheral nations are far more isomorphic in administrative and economic pattern" (qv. in DiMaggio and Powell, 152). As Bunce also points out, "The key role in mobilized publics in many of the eastern transitions...[was] their widespread assumption that leaving socialism would produce not just the democracy of the West but also its prosperity" (*Regional Differences in Democratization*, 198).

The last causal mechanism leading to isomorphism as identified by DiMaggio and Powell is normative pressures. That source derives primarily from professionalization. This mechanism maybe not as strongly pronounced as the first two with regards to Eastern and Western Europe, but it does not mean that the mechanism has no validity. For example, the European Union has come to unifying standards for its professionals in each field across the EU countries. The development of that is yet to be seen in Eastern Europe if it is moving towards more isomorphism within itself and with the West on the first two causal mechanisms (*The Social Aspects of Enlargement of the European Union, European Parliament*, Briefing #29).

It is important to stress that those causal mechanisms can proceed without any indication of increasing efficiency in the state's performance. The states are driven by those mechanisms to adopt reforms and simulate the more efficient examples (the West), but it does not mean that those policies are best for the adopting states. In fact, there was some argument that perhaps Eastern Europe should have proceeded with more cautiousness regarding shock therapy, and cultural factors must be taken into

account. For example, Holmes not once expressed concern that "the rush to adopt Western-style constitution in the midst of transition could ultimately undermine efforts to create a stable and liberal constitutional order in the long run" (Holmes, *When Less State Means Less, Freedom*). Similar concerns come from some political economists, such as Amsden. In her book *The Market Meets Its Match* Amsden criticizes the shock therapy approach and its disregard for and waste of valuable human capital.

The Eastern European states internalize the implicit notion that more isomorphism with more efficient Western states and among themselves will lead to more legitimacy in the eyes of the developed capitalist world, and that feeling of being legitimate is by itself rewarding. To the extent that the state's effectiveness could be enhanced, the reason will often be that states are rewarded for being similar to one another. That is, of course, a rational thing to do, since this similarity can make it easier for an organization [state] to transact with other organizations [states], to attract career-minded staff, to be acknowledged as legitimate and reputable, and to fit into administrative categories that define eligibility for... grants and contracts. Grants and contracts, or more simply, foreign aid and investments, is exactly what Eastern Europe needed and still needs. Arguably, Russia needs foreign aid too, but unlike Eastern Europe, Russia is still rich in natural resources and is not experiencing an acute energy crisis. Could it be that Russia is less dependent on foreign aid than Eastern Europe is?

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D. Hypotheses [↑]

That point leads us to the first two hypotheses of isomorphic change offered by DiMaggio and Powell: "The greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus" (154). It would be wrong to consider dependence in economic terms alone. For example, Russia is definitely less dependent on Western Europe in terms of military defense (in fact, it is absolutely independent). That case can hardly be made with regard to Eastern Europe and the three Baltic states. The Baltic states experience downright hostility towards Russia, and look westward for military protection, not mentioning their desire to become NATO members (*Russia and the Enlargement of the European Union*, European Parliament, Briefing #14). This position of dependence leads to isomorphic change.

Hypothesis I is closely linked to Hypothesis II: "The greater the centralization of organization A's resource supply, the greater the extent to which organization A will change isomorphically to resemble the organizations on which it depends for resources" (154). A note should be made that the first two hypotheses are derived directly from the coercive isomorphism. In fact, as Eastern Europe is dependent on the West, the latter may demand (and it does) the introduction of reforms and shaping legal institutions according to its own models. The IMF demands are particularly visible in the Russian case, though these demands are largely ignored by the Russian government. If taken true, the hypotheses make us question once again the extent of Russia's dependency on the West.

Hypotheses III and IV are derived from mimetic isomorphism: "The more uncertain the relationship between means and ends, and the more ambiguous the goals of an organization, the greater the extent to which the organization will model itself after organizations that it perceives to be successful" (154 – 155). As it was mentioned before, the Western style capitalism was perceived as largely successful in the eyes of the East. At the same time, in the East, the relationship between the means and ends was indeed uncertain. Communism was destroyed, but the path towards possible alternatives was vague. That also point at ambiguities of the goals. Similarly to DiMaggio and Powell, Meyer and Rowan argue that organizations which lack well-defined technologies [transition technologies, or technologies of building and operation a market economy] will import institutionalized rules and

practices. The problem of legitimization should not be forgotten, too, since Communism was illegitimate in the eyes of the West and, later, the East, but lack of any legal or economic system in the East was destabilizing and uncomfortable; therefore, the building (or in our case, borrowing) institutional rules from the West was a quick way to gain legitimacy. The West expected the East to establish free market economies as fast as possible. As DiMaggio and Powell see it, there are two reasons in believing these hypotheses. The first reason is that borrowing organizations "find to their advantage to meet expectations of important constituencies about how they should be design and run" (155). The second reason is that conflict over organizational goals is repressed in the interest of harmony. Interest of harmony can be seen in the interest of constructing a unified Europe. Many instances of potential conflicts were not developed upon the Communist collapse, but instead were settled peacefully (such as the dispute over Western boarder between Poland and Eastern Germany, and in case of Czech Republic and Slovakia).

Hypotheses V and VI are built upon the third causal mechanism professionalization. According to the hypotheses, more isomorphism will come if the participation in trade increases between and among organizations, and organizations will rely more on academic credentials in choosing managerial staff and personnel (155). As Eastern Europe adopted shock therapy to a larger extent than Russia and the Asian bloc states, it allowed the flow of private investment and advent of Western businesses into the region. Russia, as the case of partial reforms, did not allow foreign businesses to the same extent. For example, there is not a single foreign bank in Russia even to this day, because it would create strong competition with domestic banks. "The Soviet Union," says Brian Murray, "developed autarkic economies closed to most foreign trade and investment" (*Foreign Investment and Advice*). There are all indicators that the trade between Eastern Europe and Western Europe is more developed than the trade between Western Europe and Russia. The last two hypotheses make one think about relationship between the geographical location of the states and the possibility of isomorphism to occur. For example, it is possible that trade is more difficult to establish between the Asian bloc states and the West than the West and the East. Therefore, the borrowing of specialists is less likely in the first case. Indeed, for the Hypotheses V and VI to be true, the first condition of structuration must be present (interaction among organizations). Geographical distances may well inhibit such interaction.

7

The theory of isomorphism emphasize the question of legitimization and conformity. The question of legitimacy is an important one as organizations have to compromise between being highly efficient and conforming to the norms. Incorporating norms and institutionalized elements is important because "it protects the organization from having its conduct questioned," and thus the organization appears legitimate (*Institutionalized Organizations*, 50).

As Meyer and Rowan explain institutional isomorphism, organizations a) incorporate elements which are legitimated externally, rather than in terms of efficiency, b) they employ external or ceremonial assessment criteria to define the value of structural elements, c) dependence on externally fixed institutions reduces turbulence and maintains stability (49). Conformity is still considered to be a rational choice, though, unlike Weberian rationality, this one does not directly lead to efficiency. The path lies through conformity first, because conformity means legitimacy. In other words, conformity protects the state from having its conduct questioned. It becomes legitimate and uses its legitimacy to strengthen its support and secure its survival.

Thus, Meyer and Rowan come up with their proposition, which is similar to the theory of DiMaggio and Powell: "Organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival" (53). The key words here are societally legitimated rationalized. Meyer and Rowan offer to make a study of the loans

banks would be willing to offer organizations which vary only in 1) the degree of environmental institutionalization, and 2) the degree to which the organization structurally incorporates environmental institutions (61). Are banks willing to lend more money to firms whose plans are accompanied by econometric projections? Similarly, it can be asked whether Western banks and states are willing to lend money to the countries which conform Western econometric expectations and meet expected institutional requirements?

E. The Importance of the Theory [↑]

Now it is a time to ask: what is at stake here in offering an explanation from the perspective of isomorphism? As Bunce notes, the idea of a unified Europe today is as strong as it has never been. "European Union in the process of both deepening and widening and a NATO expanding eastward," and there is a possibility that "the Europe of the future will be united" (*The Historical Origins of East-West Divide*, 275). Does the theory of institutional isomorphism have any explanatory and predictive power in the case of post-Socialist transition? Is the theory valid if applied on the state level? The facts from the Post-Socialist transition indicate that the theory might as well hold its validity explaining state isomorphism. For example, East European and West European countries can be said to form a unified institutional field, and Eastern Europe steadily moves away from Russia, Asia, and the past (Socialism) towards more isomorphism with Western Europe. Or it can be said that Eastern Europe moves faster towards Western-type economic and political arrangements than do Russian and Asia. That is seen in the countries' 1) adoption of shock therapy and 2) the level and speed of democratization, 3) openness of the market and Western specialists.

Joel Hellman identifies Eastern Europe – Poland, Hungary, Czech Republic, Slovak Republic, Slovenia – as advanced in their reform adoption, following by Estonia, Bulgaria, Latvia, Lithuania, Albania, and Romania (*Winners Take All*, 225, Table 5). Those countries scored highest on trade liberalization, small scale privatization, financial reform, and enterprise restructuring (Hellman, *Constitutions and Economic Reform*, 48, Table 1). The East European countries are identified as transition leaders by other analysts as well (*Regional Difference in Democratization; Politics of Institutional Choice*). Yugoslavia can be regarded as a possible outlier in terms of implementing reforms, but even in that troubled region there is an advent of such Western ideas as democratization and individual freedom.

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It is amazing to what extent the fourth condition can be applied to Eastern Europe. There is no doubt that the membership in the European Union is the ultimate goal of the East European countries. As Mitchell Orenstein put it: "East-Central Europe has little choice but to join the capitalist world system,"... and "East-Central Europe is oriented towards the provision of a set of goods whose ultimate purpose is to qualify for membership in the European Union" (*A Genealogy of Communist Successor Parties in East-Central Europe*, 481).

It can be said, at the same time, that the Asian bloc countries form their own isomorphic field exactly because they have little in common with the West but a lot in common with each other: lack of democratization (more autocracy), they are ill-marketized, and still exclusive of Western professionals (businesses). The causal mechanisms leading towards isomorphism with the West cannot work in the Asian bloc countries inasmuch as the four conditions (with regard, again, to Western Europe) are not pronounced. That is, there is little interaction between the Asian bloc countries and the West, the Asian bloc countries do not see themselves as dominated by the West (perhaps, it is largely the perception of their leadership), and there is little mutual awareness of a common enterprise between the Asian bloc countries and Western Europe. At the same time, these states are grouped together,

and with no democracy the only common enterprise the leadership can hold to is staying in power and selling state assets.

Countries such as Russia, Belarus, Ukraine, Moldova, and are typical laggards, having adopted partial reforms, located, so to speak, in between, with Yugoslavia as an outlier (*Winners Take All*, 225; see also Motyl, 1997). Interaction between those states and the West is very moderate and, to put mildly, strained. In the Russian case, a lot of it has to do with the question of NATO expansion. The factor of "Russian pride" is still existent (though it is hard to quantify), if not in the masses, but at least at the leadership level, which might hinder interaction with the West, and, of course, recognition of Western dominance.

What can be said about the importance of the abovementioned theory of isomorphism and how it may apply to the states during transition, in particular, Eastern Europe with regard to Western Europe? It is possible that for some, the state isomorphism would be too obvious a thing to look at. In fact, the facts of the transition so far, as well as the theory itself, cannot be divorced from many historical accounts and geographical locations of the countries analyzed. For some analysts then, the faster reform adoption rate in Eastern Europe is just a natural and inevitable fact given its relative proximity to the West and historical ties. For example, as Bunce reminds us, "After the war, [economic and ideological] differences took on clear-cut institutional forms, with Europe split along north-south and east-west axes." Indeed, the West played a critical role in shaping developments of the East...so was the East influential in the development of the west (*The Historical Origins*). There is a profound body of literature on the question of cultural and geographical divide between Europe, Russia, and Asia (*Russia Between Europe and Asia*).

Applicability of the theory of isomorphism only stronger validates the cultural and geographical explanations of the regional development variance through identification of causal mechanisms through which isomorphism occurs. It does not disagree with cultural or historical explanations (in fact, it is deeply embedded in them), but it also provides us with the detailed mechanism through which historical and cultural factors are working.

F. Causal Depth As Necessity

The theory of "state isomorphism" can be said to strengthen the importance of cultural explanation, which is not so obvious to some analysts. But it does more than that: it provides an adequate causal depth and identifies an adequate causal mechanism of the difference in the Post-Socialist development.

The idea of causal depth is well explained by Richard Miller in his book *Fact and Method* (1987). The idea itself is often overlooked by social scientists. Indeed, it is somewhat elusive, but its importance cannot be overemphasized. The problem is that due to an incorrect causal depth (too shallow or too deep) social explanations are often meaningless.

A well-known example – collapse of the Soviet Union – can show the importance of the "right" depth for social explanation. Why did the USSR collapse? There are, of course, multiple causalities and varieties of social explanations. For instance, some scientists stress the "Gorbachev factor" as one of the causal contributors to the collapse, and undoubtedly there is some element of truth. It is also, for example, true that the Soviet state was in financial crisis due to the military overspending. However, a serious scientist realizes that an explanation on that level is too shallow and not sufficient. It does not mean that the Gorbachev factor loses its causal power, but there were much deeper causes, such as a multitude of social problems, the overall crisis of the system, developed over a long period of socialist

existence, and primarily that was the problem that undermined the regime.

The same idea of causal depth can be applied in our case. To illustrate the importance of the idea of causal depth, let us look at some explanations of the variations in the Post-Socialist bloc. For example, Steven Fish also embarked on the question of variations in economic reforms across the region (*The Determinants of Economic Reform*). The cultural explanation is identified by Fish as "an underlying set of orientations determined by historical tradition" (39). The author concedes that there exists perhaps "Christian versus non-Christian dichotomy" in terms of economic reforms. The political-junctural explanation is found to be the most important, however, and "religion and government type are explaining the bulk of variation" (54). With more regression analysis, religion does not hold as a significant factor, leaving only the importance of the first elections as a factor of successful reform adoption. But correlation does not mean causality. Can we really divorce so easily cultural factors from economic and political performance? A social philosopher would say that Fish, in fact, offers a shallow causal explanation, and there is not enough causal depth in his analysis inasmuch as the outcome of the first elections may have been directly influenced by cultural and historical circumstances. While many factors, such as, for example, political platform of the first election winners may be quite important in explaining the speed of reform adoption, it does not adequately explain the difference in the winners' political affiliation at the beginning.

Similarly, Lipton (1990), Hellman (1998), Linz and Stepan (1996), and Sachs (1999) rightfully maintain that path dependence is important: that is, initial institutional choices are important. Linz and Stepan argue that presidential systems produce unstable semi-authoritarian democracies, and parliamentary systems produce democracies (1996). That might be true, but why did some countries choose a parliamentary system over presidentialism? That is exactly the question we have to look into, and the Linz and Stepan explanation is therefore shallow, though might be true. The same goes for Hellman's explanation of shock therapy adoption: it explains the variation in performance, but it does not say anything why some countries adopted shock therapy while others did not! These analysts assumes that all countries had (objective!) possibilities for transformation, and they do not explain why some countries, for instance, liberalized their economies more rapidly or slowly.

At the same time, it would not be right to stop at the geographical level of explanation only, because the level does not offer an adequate causal mechanism through which isomorphism may occur. The theory does, inasmuch as it identifies the four necessary conditions and further elaboration on the mechanism.

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Is there a counterpart of the theory of isomorphism in Political Science? Looking at some concepts in Political Science, such as, for example, the Domino Theory, we see that the mechanism has been used in political analyses before. The Domino Theory states that there would be a state isomorphism with regard to countries responding to Communist takeover. It seems that the whole Eastern bloc just swings towards dominant powers.

The theory also remarkably reconciles two positions identified by Bunce comparativists and area specialists (*Regional Differences in Democratization*). In fact, the theory leaves enough room for both. It is exactly the question Bunce is asking "What precisely is the place of "place" in comparative analysis?" To some extent, differences in democratization are perhaps generalizable taking into account difference in the strength of isomorphism.

An attack can be made that the theory is very deterministic. Perhaps, it is true; but it is determined by the balance of power, as the Domino Theory already implies. Alice Amsden describes the situation

excellently in one phrase: "It will be much cheaper for the West to "save" Estonia or Slovenia than Russia or the other populous sector of the USSR" (*The Market Meets Its Match*, 49). Undoubtedly, there is the feel of it (the prospective policies from the West) in Eastern Europe and Russia. State isomorphism is deterministic in so far as it is determined by the policies of the dominant powers.

Of course, there are some outliers, such as Yugoslavia and Albania, which do not fit isomorphism perfectly. No theory is entirely perfect, and it does not have to be, as Peter Blau would say (see the epigraph). The task of this paper, however, is to show that the theory might be applied on a macro (state) level, and that there is possible, however vague, applicability of the institutional theory to state isomorphism, although it is still a question whether we can so easily equate states with organizations and international state system with organizational field. Those generalizations are confined to and do not go further than one particular historical experience: adoption of reforms during the transition period within the post-Socialist bloc.

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Endnotes

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