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The Global Diffusion of Public Policies: Social Construction, Coercion, Competition, or Learning?

Frank Dobbin,[1] Beth Simmons,[2] and Geoffrey Garrett[3]

[1]Department of Sociology, [2]Department of Government, Harvard University, Cambridge, Massachusetts 02138; email: frank_dobbin@harvard.edu, bsimmons@latte.harvard.edu

[3]Pacific Council on International Policy, Los Angeles, California 90089; email: ggarrett@pacificcouncil.org

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Abstract

Social scientists have sketched four distinct theories to explain a phenomenon that appears to have ramped up in recent years, the diffusion of policies across countries. Constructivists trace policy norms to expert epistemic communities and international organizations, who define economic progress and human rights. Coercion theorists point to powerful nation-states, and international financial institutions, that threaten sanctions or promise aid in return for fiscal conservatism, free trade, etc. Competition theorists argue that countries compete to attract investment and to sell exports by lowering the cost of doing business, reducing constraints on investment, or reducing tariff barriers in the hope of reciprocity. Learning theorists suggest that countries learn from their own experiences and, as well, from the policy experiments of their peers. We review the large body of research from sociologists and political scientists, as well as the growing body of work from economists and psychologists, pointing to the diverse mechanisms that are theorized and to promising avenues for distinguishing among causal mechanisms.

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All sorts of public policy innovations, from women's rights protections to tariff reductions to privatization, have spread around the globe in the last half century. Most of the new policies have been framed as part of a project of political and economic liberalization, but policy diffusion is nothing new. The signing of the Treaty of Westphalia in 1648 heralded the spread of the territorially bounded nation-state (Krasner 1993, Thomas et al. 1987). Participatory democracy became increasingly prevalent in the nineteenth century following the French and American revolutions (Boli 1987). Mercantilism, orthodox macroeconomic policies, and Keynesianism all enjoyed extended periods in the sun as global models for economic policy (Gourevitch 1986). What is distinctive about the late twentieth century wave of liberalization is its rapidity, its wide geographic reach, and its conjoining of political and economic reform.

How can this latest wave of diffusion be understood? The liberal character of recent political and economic reforms can be traced to broad historical forces: the American Century of economic expansion, the victory of the Allies in World War II, the waning of the German and Japanese interventionist economic models, the unraveling of communism, and the unprecedented economic growth during the 1990s in the paradigmatic liberal state, the United States. The diffusion theories developed by sociologists, political scientists, and economists seek to explain not only the general phenomenon, but also the pattern of diffusion of particular policies to certain countries at specific points in time. Why does Brazil reduce tariffs, Britain privatize, or Taiwan expand women's rights when they do? Most diffusion research utilizes quantitative data on the timing of policy shifts among countries to test hypotheses.

Diffusion theorists of different stripes share the view that the policy choices of one country are shaped by the choices of others, whereas conventional accounts of policy choices point only to domestic conditions. The power of global models is increasingly taken for granted even in studies focusing on domestic economic and political conditions. Thus, scholars of Latin America take for granted that liberalism is on the march and try to explain how politics or state institutions condition adoption (Schneider 2004).

A review of the contending theories of diffusion—constructivism, coercion, competition, and learning—is long past due. The paradigms have developed independently, with the result that two scholars may look at the diffusion of tariff reductions and draw entirely different conclusions about the cause. Our goal is to explicate the four prevailing theories of diffusion and to suggest ways to design empirical tests that help to distinguish among them. In practice the diffusion mechanisms we discuss are sometimes commingled, and sometimes the lines between them are blurred. But in many instances, it is possible to distinguish one mechanism from another empirically.

The theories we survey trace policy diffusion either to changing ideas or to changing incentives. Constructivists and learning theorists agree that changes in ideas lead to changes in policy, although constructivists point to theory and rhetoric as the source of new ideas and learning theorists point to rational, observational deduction. Competition theorists clearly point to shifts in incentives, and so do most of the hard coercion theorists. The soft coercion theorists point as well to hegemonic ideas and policy leadership.

CONSTRUCTIVISM

Studies of diffusion across individuals, organizations, and social movements have a venerable tradition in sociology (Coleman et al. 1966b, Davis et al. 1994, Dobbin 1994, Dobbin & Dowd 2000, Edelman 1992, Hagerstrand 1967, Rogers 1995, Strang & Meyer 1993, Strang & Soule 1998). Since the late 1970s, sociologists have studied public policy diffusion through the lens of social construction. Meyer's (Meyer & Hannan 1979,

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Strang 1991) "world polity" approach depicts an increasingly global political culture comprising broad consensus on the set of appropriate social actors (individuals, organizations, and nation-states have replaced clans, city-states, fiefdoms), appropriate societal goals (economic growth and social justice have replaced territorial conquest and eternal salvation), and means for achieving those goals (tariff reduction and interest rate manipulation have replaced plunder and incantation). Both legitimate ends and appropriate means are shared social constructs that vary from one period to the next (Berger & Luckmann 1966, Hirschman 1977, Meyer et al. 1997). The role of a trade tariff, for instance, is socially constructed, and the construction changes over time. Tariffs were thought to do very different things in 1880, 1947, and 1995. Following Weber (1978), understanding the meaning of a social action, or policy, to the actor or policy maker is key. Whereas early sociological accounts of diffusion often highlighted social network connections, constructivists point to the cultural theorization of practices (Strang & Meyer 1993).

The conventions of nation-states are socially generated, much like the conventions of families, social movements, or religions. Although policy makers see themselves as trying to divine best practices and although they work under teleological assumptions about the trajectory of policy, they are seldom able to judge whether an innovation improves upon the status quo. Policy choices are based on fads, revered exemplars, or abstract theories, rather than solid evidence.

Early constructivist studies traced the diffusion of educational and human rights policies from the First World to the Third World, showing that most countries changed policies not when they were developmentally ready but when they were influenced by global norms (Boli-Bennett & Meyer 1978). The seminal study was Meyer et al.'s (1977) "The World Educational Revolution, 1950–1970," which documented, first, that in the two decades after World War II educational enrollments skyrocketed in all sorts of countries, as mass schooling was defined as key to providing both growth and democracy (Meyer et al. 1977, 1992). It documented, second, that economic development, social development, and political development did not predict the expansion of mass schooling. Diffusion happened everywhere, regardless of local characteristics and, in particular, regardless of whether a country had real economic need for an educated workforce or the economic infrastructure to support mass schooling. Education had been constructed as integral to modernity.

Human rights were not far behind. Developing countries signed human rights treaties to signal their commitment to global norms, even when Amnesty International was chiding them for rights abuses (Boyle & Preves 2000, Forsythe 1991, Ramirez & McEnealey 1997). Transient global norms determine political programs, so that any two countries ratifying constitutions in 1980 specified virtually identical rights, as did any two countries ratifying constitutions in 1850 (Boli 1987). Wotipka & Ramirez (2007) find that countries are more likely to ratify women's rights conventions in years of rights conferences, when they are members of nongovernmental organizations (NGOs) and international nongovernmental organizations (INGOs), and as the popularity of rights conventions among local peers rises (Boli & Thomas 1999). International organizations defined women's rights policies as an important norm (Berkovitch 1999).

In international relations, the constructivist paradigm made inroads via the early contributions of Hedley Bull and others, who theorized the role of international society in maintaining order in an anarchical international setting (Buzan 1993, Herrell 1993). Defining the nation-state as the appropriate collective actor had been the first major project of social construction of foreign policy (Krasner 1993, Ruggie 1993, Thomas & Meyer 1984). Katzenstein's (1996) collection of constructivist studies of national security explores how cultural meaning shaped

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the reconfiguration of national security theory and practice after the fall of Soviet communism. More recently, constructivist studies highlight how international agencies and governments actively construct theories of action and corresponding models of behavior (Finnemore & Sikkink 2001, Ruggie 1998, Wendt 1999).

Comparative political economists have also pointed to the role of ideas in policy diffusion. Hall (1989) argued that the ideas of John Maynard Keynes led to a new approach to economic management that ultimately spread widely throughout the world. Gourevitch (1986) charted the global policy response to three major economic crises, finding that during each, the macroeconomic strategy favored by one group of economists came to dominate. Dobbin (1993) showed that a new macroeconomic orthodoxy spread following the Great Depression, but that national industrial policy strategies resisted change. In these studies, professional economists were the main purveyors of new macroeconomic conventions. Kogut & MacPherson (2007) show that it is not just any old economists that matter. After Margaret Thatcher's early experiments with privatization and Milton Friedman's advocacy at the University of Chicago, the number of American-trained economists in a country had a significant effect on the likelihood of a privatization event. Meseguer (2004) shows that in Europe and Latin America, countries mimic the privatization strategies of role models.

Whereas most constructionist studies neglect broader political ideals in modeling policy choice, Quinn & Toyoda (2007) show that the ebb and flow of anticapitalist sentiments affect policy liberalization. Global communist party voting is associated with capital account controls, even net of the effect of local party voting.

For constructivists, understanding how public policies become socially accepted is the key to understanding why they diffuse. Compared with coercion theorists, constructivists emphasize that although the United States and World Bank may promote policy models, followers are typically willing. Compared with learning theorists, constructivists describe policy makers as constrained by bounded rationality, lacking the information and cognitive capacity to assess the costs and benefits of each and every alternative (March & Simon 1993).

Social acceptance of a policy approach can happen in three different ways: (*a*) leading countries serve as exemplars (follow-the-leader); (*b*) expert groups theorize the effects of a new policy, and thereby give policy makers rationales for adopting it; or (*c*) specialists make contingent arguments about a policy's appropriateness, defining it as right under certain circumstances.

First, policy makers play follow the leader by mimicking the countries that appear to be doing best (Haveman 1993a). When the United States is on top, others translate its happenstance policy shifts in securities regulation, antitrust, and central bank structure into demonstration projects (McNamara 1998). Because causal processes are difficult to isolate empirically, followers may copy almost anything, and they may copy ritualistically. Evidence of ritualistic copying of policies suggests an effort to mimic the success of leading states without fully comprehending the roots of that success (Bennett 1991). Thus, for instance, Walker (1969) showed that ten American states copied California's fair trade policy so perfectly that they repeated serious typographical errors. One prediction developed by organizational constructivists is that policy makers will copy a leading group, which might mean copying the largest, richest, or fastest-growing countries (Haveman 1993b).

Second, expert theorization happens when epistemic communities of policy experts theorize a new policy solution (Haas 1989, Strang & Meyer 1993). DiMaggio & Powell (1983) call this normative isomorphism, for experts advocate new policy norms that lead to isomorphism. In this way, a policy may spread even without a particular exemplar, although experts frequently build on the experience of

a leader (Strang & Macy 2001). Experts need a good theory, and without one an effective policy may not spread, as in the case of East Asian trade policies (Gruen 1999).

Which expert groups matter? The different management specialties—finance or personnel specialists—have been the purveyors of new theories of organizational policy (Edelman 1992, Fligstein 1990). Different professional groups promoted their own licensing systems across the American states, as Zhou (1993) shows. NGOs and INGOs defined most global human rights policy norms (Berkovitch 1999; Boli & Thomas 1997, 1999; McNeely 1995; True & Minstrom 2001). National expert groups matter as well, as Enrione et al. (2006) show in the case of corporate governance regulations. The balance between national and global expert groups has evidently shifted over time. Ramirez et al. (1997) found that the extension of suffrage to women hinged before 1930 on the number of national organizations promoting suffrage and after 1930 on a nation's participation in a prosuffrage international alliance. The growing importance of global groups of experts may explain why public policies thought to come with development have recently spread to nation-states at all levels of development (Frank et al. 2000, Ramirez et al. 1997).

Evidence of the power of new policy norms is that countries often sign on when they have no real hope of putting new policies into practice (Meyer & Rowan 1977, Weick 1976). Studies show that developing countries often sign on but fail to implement. Strang & Chang (1993) find that ratification of International Labor Organization welfare rights treaties leads developed countries, but not developing countries, actually to increase welfare expenditures. Cole (2005) shows that newly established states are more likely to sign international human rights covenants, symbolizing their commitment, but not more likely to sign the optional protocols that ensure enforcement. Yet even when countries sign on as window dressing, they are signaling acceptance of new global norms. Hafner-Burton & Tsutsui (2005) find that although the connection between signing a treaty and protecting human rights is weak at the level of the individual nation-state, the growing legitimacy of the ideal of human rights has led to a broad decline in state repression.

The third mechanism rests on theorization of perceived similarities among countries. Experts and policy makers alike engage in deliberate theory building about what kinds of states should adopt what kinds of policies. Women's rights conventions have thus taken two forms, a liberal democratic form and an Islamic form (Berkovitch & Bradley 1999). What makes a country a relevant peer depends on the policy (Strang & Meyer 1993). Some argue that socio-cultural linkages contribute to "psychological proximity" (Rose 1993) among nations, such that Britain looks to the United States (Waltman 1980) and Syria looks to Saudi Arabia (Stone 1999). Decision makers also look to their structural equivalents to evaluate policy options, as suggested by Burt's (1987) reanalysis of data from the classic study of the mid-1950s diffusion of tetracycline among physicians. Physicians followed others who shared their structural positions in networks rather than others with whom they had direct contact. Structural equivalence in trade networks is one measure now used by policy researchers (Elkins et al. 2006).

Simple network connections may also be at work here. In organizational studies, firms learn of new practices even through weak connections to others; the poison pill strategy spread through corporate board networks and became ubiquitous in no time (Davis 1991). Countries may copy neighbors, whom they see at close range. Sikkink (1993) finds that issue networks shape public policy in Latin America. Ramirez et al. (1997) find that women's suffrage spread regionally; between 1930 and 1990, regional neighbors with suffrage influenced holdouts. Studies have increasingly sought to distinguish empirically whether neighbor effects reflect knowledge flows, trade contacts, networks

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among coreligionists, etc. (Beck et al. 2006, Lenschow et al. 2005, Simmons & Elkins 2004).

Once diffusion reaches a tipping point, it often speeds up, and policies spread to polities for which they were not originally designed. Studies of mass schooling show this pattern, for after World War II what was defined as necessary in Europe for further industrialization came to be defined as necessary everywhere for nation-building (Meyer et al. 1977, 1992). Tolbert & Zucker (1983) find that among American municipal governments, civil service reforms first spread to those that had real need of them. Once they had become popular, they spread to governments that were too small to make use of them. This suggested the hypothesis that once new policies reach a certain threshold of adoption, others will come to take the policy for granted as necessary and will adopt it whether or not they have need of it.

The driving idea here is that changes in ideas drive policy diffusion. Policy makers derive ideas about how to bring about political justice and economic growth from the world around them. Given changing norms and uncertainty about which policies are most effective, policy makers copy the policies that they see experts promoting and leading countries embracing or policies that they see their peers embracing. World polity theorists have typically tested their ideas using detailed time-series data to control for the internal characteristics of countries, and data on nations' NGO memberships, professional affiliations, and participation in global conferences to test arguments about social construction. What they have typically neglected, however, are the other potential mechanisms of diffusion, and this has generally been the case for research from each camp (Ikenberry 1990). Lee & Strang's (2006) study of privatization, discussed in the side bar, is a notable exception, demonstrating that this can and should be done to develop more sophisticated insights about diffusion.

HOW ECONOMIC THEORY DISTORTED LESSONS ABOUT DOWNSIZING

Lee & Strang's (2006) study of government downsizing is one of the few that looks at actual evidence-based learning and social construction side by side, showing that learning is conditioned by ideas from economic theory. Governments copied downsizing when they saw it help other governments to achieve economic goals, learning from evidence. But in the period when economic theory supported downsizing, they did not learn lessons from negative evidence about downsizing, or from successful government upsizings. This suggests that learning does occur, but that it occurs through the lens of current economic theory. Policy makers learn lessons that are supported by their beliefs.

COERCION

One prominent explanation for policy diffusion focuses on a distinctly antiliberal mechanism: coercion. Coercion can be exercised by governments, international organizations, and nongovernmental actors through physical force (Owen 2002), the manipulation of economic costs and benefits, and even the monopolization of information or expertise. Thus, the preferences of the U.S. government, the European Union (EU), the International Monetary Fund (IMF), and the World Bank may shape policy in countries reliant on those entities for trade, foreign direct investment, aid, grants, loans, or security. Some argue that coercion is not a mechanism of diffusion, in that policy change is not voluntary. We do not treat military force as a mechanism of policy diffusion, but we do review studies of persuasion, loan and aid conditionality, and unilateral policy choices that shape the choices of other countries.

Coercion typically involves a change in incentives to nations, as when the World Bank conditions aid on fiscal austerity or when the United States implies that tariff reduction will put a nation in America's good graces. But political scientists treat hegemonic ideas and policy leadership as soft forms of coercion.

Gleditsch & Ward (2006) provide examples of both in their study of the diffusion of democracy in which they find that neighbors offer power resources that support (or hamper) transitions, from military support to social movement exemplars.

Conditionality

Conditionality occurs when the EU or the IMF sets requirements for aid, loans, or other considerations. Powerful countries may set conditions themselves or they may act through international institutions. Mosley and collaborators (1995) have researched the roots of conditionality in the case of the World Bank, culminating in the structural adjustment loans of the 1980s. Multilateral aid may come about when economic deterioration in a developing country leads to political dissensus, which leads that country to appeal to international financial institutions for conditional aid (La Ferrara 1994). Developing countries typically succumb to conditions because they need financial assistance to ward off crises or to make infrastructural investments that are hard to fund through private markets (Vreeland 2003). Lenders and donors typically condition support on economic or political reforms they deem desirable.

Why should powerful actors care about policies or institutions of other countries? Political scientists characterize costly policy interventions as efforts to enhance international stability and national security (Owen 2002). Economists argue that they may seek to discourage moral hazard problems that can lead to system-wide financial instability (Guitian 1995, Mishkin 1999), encourage the repayment of sovereign debt (Babai 1988, Fafchamps 1996, Hopkins et al. 1997), and protect lenders' investments (Guitian 1995, Khan & Sharma 2001). On the other side of the bargaining table, those who borrow from the IMF or World Bank, like those who line up to join the EU (Schimmelfennig et al. 2003) or to receive various forms of bilateral aid (Kevlihan 2001), have little choice but to accept neo-liberal economic policy prescriptions. Kevlihan (2001) argues that aid conditionality itself has diffused among donor countries, with Ireland copying the big boys in establishing conditions for aid.

Notwithstanding the currency of conditionality among pundits and the press, legitimate questions have been raised about how hard it bites. Economists have noted that IMF conditionality can rarely be credibly enforced and that it seldom has the intended effects (Eichengreen & Ruehl 2000, Santiso 2003, Svensson 2000). A raft of studies has exposed noncompliance with IMF programs, finding that it is hard to monitor recipients (Cordella & Dell'Ariccia 2002) who lack the institutional capacity to change policy (Martinez-Vazquez 2001). These problems may explain why the World Bank has recently talked more about program ownership than conditionality (Nelson et al. 1996). Some even question whether this sort of conditionality is actually coercive. Vreeland (2003) argues that governments often accept IMF loans because they want conditions imposed on them. Drazen (2002) argues that when a government faces political opposition to policies that are in the nation's ultimate self-interest, it may be happy to have those policies imposed by outsiders.

Although evidence for the efficacy of conditions imposed by the World Bank and IMF is weak, there is growing evidence that countries impose aid conditions unilaterally, and that such conditions can be effective (McPherson 1987). The EU's negotiations with Latin American countries over free trade contained a contentious democracy clause (Sanahuja 2000). In World Trade Organization (WTO) discussions, the European Commission and the United States demanded privatization in some developing countries in exchange for further agricultural liberalization (Ainger 2002, Siegel & Weinberg 1977). Some of the best evidence of the efficacy of bilateral conditionality comes from Hafner-Burton's (2005) research on human rights, showing that when countries are promised preferential trade arrangements for human

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rights improvements, they are more likely to make concrete improvements.

Policy Leadership

As Gruber (2000) has argued, the powerful may influence the weak even if it is not their intention to do so. Gruber calls this go-it-alone power: the ability to influence unilaterally a government's policy choice by altering the nature of the status quo it faces. For instance, the United States's decision to liberalize trade with Canada stimulated Mexican leaders to liberalize well before they planned to (Gruber 2000). In economics, von Stackelberg's (1934) leadership thesis is that a monopolist's decision about how much to produce affects market entry and production decisions of others. "Stackelberg leaders" thus enjoy first-mover advantages. Unilateral policy leadership can be critical to the solution to coordination problems. Schelling (1960) famously argued that focal points help to solve coordination problems characterized by multiple equilibria. Where nations need to coordinate their policies, participants may follow the behavior of a powerful nation simply by virtue of its salience. Focal points may come from other conventions, such as precedents, as well (Crawford & Haller 1990). The coordination capacity of a leader may wax and wane when, experimental evidence suggests, trust in the leader erodes (Wilson & Rhodes 1997). Pahre (1999) goes so far as to claim that a Stackelberg leader committed to an international public good (e.g., trade liberalization) may under some circumstances undermine the willingness of others to liberalize. To prove the "powerful actor as focal point" argument, one must first show that the policy arena in question requires coordination. Simmons (2001), for instance, shows that policies regulating money laundering are not subject to the logic of coordination.

Leaders may, on the other hand, simply provide well-tested models, as Garrett & Weingast (1993) argue of Germany's influence on the rules and practices adopted by the nascent EU. The European Central Bank looks much like the German Bundesbank, and the EU's political structure (an upper house representing states, a lower house representing citizens) looks much like Germany's Bundesrat and Bundestag. The salience of German institutions as a model for Europe has probably played an important role in the development of these supranational innovations, even if Germany never sought to influence Europe.

Hegemonic Ideas

The weakest, though perhaps most pervasive, form of coercion operates through hegemonic ideas. Hegemony in the Gramscian sense refers to the control of social life by a group or a class through cultural means (Femia 1983). Without exerting physical power or materially altering costs or benefits, dominant actors can have their influence felt through ideational channels. The thrust is that dominant ideas become rationalized, often with elegant theoretical justifications, and influence how policy makers conceptualize their problems and order potential solutions. Hirschman (1989, p. 406), for example, argued that global Keynesianism owed much to the hegemonic position of the United States (Haas 1980).

The core concepts from this group come quite close to those of the sociological constructivists. How do ideas form and gain political ascendancy? The fact that they are endorsed by a powerful actor is seldom enough; most policies must be theorized and promoted by epistemic communities or policy entrepreneurs (Haas 1992, Mintrom 1997, Mintrom & Vergari 1998). Powerful countries with the research infrastructure, the critical intellectual mass, and well-developed connections between the policy world and various research nodes are unduly influential in the framing of policy discussions (Hira 1998, Krugman 1995).

Edwards (1997, p. 47), for example, has argued that in fact the World Bank "has been able to accumulate an impressive body of

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evidence that points toward the benefits of liberalization policies" and he reckons that the contribution the Bank has made to the intellectual debate over economic policy far outstrips the effect that conditionality alone has played. The set of policy prescriptions that flow from the neo-liberal economic model has been summarized as the Washington consensus because of its presumed acceptance by senior members of the U.S. administration, Congress, the Federal Reserve, the World Bank, the IMF, and Washington-based think tanks (de Vries 1997, Polak 1997). As articulated by Williamson (1993, 1997, 2000), that consensus called for fiscal discipline, public expenditure redirection, trade and capital account liberalization, privatization, deregulation, and secure property rights. The moniker has gained global notoriety because for some it captures a crucial aspect of the policy diffusion process: the export of simple yet powerful principles of economic management from capitalism's core to its periphery. As its proponents hoped and its critics decried, the policy package exported from powerful institutions centered in Washington, DC, represented "a shift in the ways in which development policies were framed and in the types of explanation through which policies were justified" (Gore 2000, p. 789).

Conditionality and policy leadership theories tie policy diffusion to a shift in incentives, whereas the theory of hegemonic ideas ties diffusion to a shift in ideas. What unites these studies is their focus on the influence of an external source of pressure or ideas. Often, the mechanisms go hand in hand, as when the United States promotes tariff reduction in its bilateral treaties, encourages it in NAFTA negotiations, lowers tariffs itself in expectation that others will follow suit, and supports academic research on tariff barriers (Ikenberry 1990). Governments may, of course, adopt not only owing to this pressure, but also owing to complementarity of interests, or even complicity.

Like researchers from the other camps, coercion theorists often fail to model the precise mechanism of diffusion or to consider alternative mechanisms. In empirical investigations of conditionality, it is necessary to identify the coercive actors, to show that they promote the policy in question, and to show evidence that their promotion increases the likelihood of policy adoption. Studies should be designed to demonstrate that countries subject to leverage (trade, aid, or security dependence) are more likely, ceteris paribus, to adopt reforms promoted by powerful actors. A complementary approach is to show that policy changes are timed to coincide with a multilateral or bilateral round of trade negotiations, candidacy for admission to the EU or the WTO, or disbursement of a loan tranche from the IMF. All too often, evidence of the spread of policies that the United States or the World Bank supports is taken as proof of coercion, when other mechanisms may be at work.

ECONOMIC COMPETITION

Competition theorists offer another theory of diffusion that also points to changes in incentives. In this case, the changes are wrought not by powerful actors, but by direct competitors. Some kinds of policies diffuse when countries compete for capital and export markets. Governments have little choice but to choose market-friendly policies to attract global investment and keep exports competitive, the thinking goes, when their direct competitors have done so. Competition of this sort is nothing new. The gold standard, vetted by classical economics, gained adherents after 1870 among countries that traded intensively with one another. An important predictor of adoption is the share of trade a country had with other adherents (Meissner 2002).

These days, when a country's competitors simplify regulatory requirements, ameliorate investment risks, and reduce tax burdens, that country comes under pressure to follow suit. Evidence of competition among jurisdictions is abundant, in domains from welfare to lotteries (Brueckner 2000, Peterson & Rom 1990). U.S. states have long competed for investment

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with incentives to industry (Cai & Treisman 2004, Gray 1994).

Developed countries are thought to compete by adopting policies that facilitate market harmonization and market-conforming policies (Sinn & Ochel 2003). For developing countries, the key metaphor, sensational though it may be, is of a jurisdictional "race to the bottom" (Korten 1995). In both worlds, competition theorists posit well-informed governments vying for a fixed quantity of trade or investment. Governments know who their competitors are and can connect policy choices to competitive advantages. Policies that might make one's own jurisdiction attractive only in the long term (better infrastructure, a more educated work force) are not likely to influence investors' or traders' decisions in the short term; thus, competition theorists focus on policies with short-term effects, such as capital account liberalization and tax breaks (Rodrik 1997, Simmons & Elkins 2003). Case studies have shown that policy makers do indeed take changes in the competitive environment into account when devising economic policies (Castles et al. 1996, Encarnation & Mason 1990, Goodman et al. 1993).

Corporate tax rate competition has been studied in the developed world, but also in developing countries where foreign investment is thought to be particularly sensitive (Gastanaga et al. 1998). The convergence literature predicted a shift in taxation from the more to the less internationally mobile factors of production (Oates 2001). Rodrik (1997) presents evidence connecting capital mobility with lower taxation of capital in developed and developing countries. Subsequent studies questioned the finding and the extent of tax rate convergence (Garrett & Mitchell 2001; Heichel et al. 2005; Holzinger & Knill 2005; Swank 1992, 1998). Swank & Steinmo (2002) reconciled the mixed results by showing that while OECD countries have reduced marginal capital tax rates since the mid-1980s, they also reduced loopholes so that the bottom line has been little affected. Swank (2006) does show diffusion of nominally lower corporate tax rates among OECD countries after the United States reduced corporate rates in the early 1980s and shows that local political resistance was influenced when countries jumped on the bandwagon (see also Genschel 2002). Baldwin & Krugman (2004) argue against the proposition that competition leads to tax convergence by pointing to the rents governments are able to collect under conditions of industrial agglomeration within their jurisdictions.

Another axis of competition for investment is capital account liberalization (Bartolini & Drazen 1997). Governments in developing countries have deregulated capital flows after their competitors have done so, this being one of the few clear signals they can send to investors (Simmons & Elkins 2004). Latin American countries followed Chile's liberalization en masse, for fear that Chile would become a magnet for capital flowing to the region. Governments apparently compete for capital, as well, by moving their legal systems toward the American model (Twining 2004). Pressure for openness and transparency, which American legal norms are thought to exemplify, underlie this in Kelemen & Sibbitt's (2004) analysis.

Governments competing for portfolio capital may also do so by curtailing government spending (Simmons & Elkins 2003, 2004). Governments competing through tax cuts and fiscal austerity may find their choices of wage and social policies limited owing to limited resources (Knill 2005). The result can be unplanned convergence in social spending, and the decline of the "Keynesian welfare state" (Helleiner 1995, Hicks & Swank 1992, Kurzer 1993, Pfaller et al. 1991, Pierson 1991). Yet results from studies of social spending convergence are mixed. Garrett & Mitchell (2001) have found a global tendency for countries experiencing rapid trade integration to reduce government spending growth, though curiously capital mobility had no such effects. In the first systematic study of the correlates of capital mobility,

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Quinn (1997) found government spending to be higher in OECD countries that were more open to cross-border capital movements. Global market integration has shown clearer effects on welfare state growth in developing countries. Mosley (2003) suggests that this is because international investors carefully scrutinize the spending patterns of developing countries, but not of developed countries.

The competition argument is a mainstay of studies of globalization's effect on environmental regulation. The expense of complying with environmental regulations has fueled a debate over whether firms cause governments to reduce regulation by threatening to relocate and dump dirty production activities in developing countries and emerging markets with lax regulations (Porter 1999, Tanguay 2001, Wheeler 2001). Some studies of environmental protection show that the regulatory race to the bottom intensifies as competitors for capital increase (Kunce & Shogren 2002, Massey 1999).

Competition need not lead to convergence, as Tiebout's (1962) model of local public goods provision suggests. In federal systems, residents may move to jurisdictions where they like the schools or tax rates, thereby reinforcing policy differences (Donahue 1997). Alesina & Spolaore (2003) apply the Tiebout argument internationally to suggest that, with increasing mobility of people and capital, states are becoming more homogenous because people no longer stand for unpopular policies (Bolton & Roland 1997). Rogowski (2003) uses a Tiebout-like model in which capital moves to friendly jurisdictions, while labor does not, to argue that mobility reinforces liberalization in jurisdictions to which capital flows but, crucially, reinforces market intervention and closure in jurisdictions from which capital has fled. Thus, globalization reinforces existing differences in policy regimes among countries.

A weakness of empirical studies in this area is that most rely on proxy measures of the openness of a country's markets rather than measures of the pressure exerted by actual competitors. This may explain inconsistent empirical results. To develop precise tests of competition theory, it is important to specify which policy arenas are salient to a country. Exporters should compete on policies that affect input costs, such as wage and welfare policies. Countries seeking foreign investment should compete on policies that reduce political risks and contractual hazards for investors (Henisz 2000). It is equally important to specify which countries are salient competitors. Where the competition is between foreign and local producers serving the local market, the relevant competitors may be a country's trade partners. In most cases of product competition, however, theory suggests that country A adopts new policies to compete with country B for exports to country C. So as B drops trade barriers in hope of gaining access to C's market, A will follow suit. Structural equivalence in trade networks can measure the degree to which other countries are real competitors (Burt 1987, Finger & Kreinin 1979). For policies that may be used to attract foreign direct investment, one should consider countries with similar human capital, infrastructural, or natural resource profiles. For policies expected to affect nonequity portfolio investment, countries with similar credit ratings might be most salient (Simmons & Elkins 2003, 2004).

As with the other camps, competition theorists seldom control for even the most obvious of alternative explanations of diffusion. In the much-studied case of capital account liberalization, historical research suggests that the French actively campaigned for it (Abdelal 2006), and yet existing quantitative analyses neglect constructivist and coercion theories. A notable exception to the failure to consider alternative theories of diffusion is a recent paper by Elkins and colleagues (2006) that tests competition hypotheses directly alongside other theories, showing that countries are likely to sign bilateral investment treaties, which give particular investor countries extensive rights and capital protections, if their

direct competitors for capital have done so. That paper raises the empirical bar for future studies of competition by modeling competitor influence directly.

LEARNING

Learning occurs when new evidence changes our beliefs. One can learn directly from one's own experiences or vicariously from experiences of others. The lessons learned are not always the right lessons. Just as an individual can learn a theory in physics that is later disproven, nations can draw the wrong conclusions from observations. In the realm of public policy, actors may be learning at both the simple tactical level (how to better achieve a particular goal) and at a deeper level (what goals they should pursue) (Levy 1994, p. 286). Learning does not occur when policy makers simply adapt to the policy shifts of others, but only when their beliefs about cause and effect change (Elkins & Simmons 2005).

Three approaches to social learning have been sketched: the political science perspective on social knowledge, the idea of Bayesian learning from economics, and the work on channeled learning in political science. First, Haas's (1980, pp. 367–68) work has drawn attention to the generation of social knowledge, or "the sum of technical information and of theories about that information which commands sufficient consensus at a given time among interested actors to serve as a guide to public policy designed to achieve some social goal." In this approach, policy innovation spreads in the wake of the diffusion of a shared fund of (often technical) knowledge among elites about what is effective. Of course, organizations themselves do not literally learn; only individuals do. As Levy (1994, pp. 287–89) has noted, policy change is often a process of "encoding individually learned inferences from experience into organizational routines."

Second, economists focus on the process of Bayesian updating, in which people add new data to prior knowledge and beliefs to revise their assessment of that knowledge. International policy diffusion can therefore occur when policy makers update their beliefs about what will work in their country on the basis of other countries' experiences. Bayesian learning takes place as new data consistent with a hypothesized relationship accumulate, or fail to. As information accumulates, some hypotheses are discarded and others are reinforced. The more consistent the evidence, the more likely policy makers will converge on a narrow range of interpretations. **Figure 1** illustrates the ideal Bayesian learning process in the face of new information (represented here as D1, D2, etc.).

Bayesian learning implies that an agent's estimate of the probability of the truth of a given relationship improves as the data pile up. Relevant data can come from one's own past experiences (Huth & Russett 1984, Leng 1983, Levite et al. 1994, Reiter 1996) or from interaction and observation (Powell 1988, Wagner 1989). Governments draw conclusions on the basis of the data generated by policy experiments elsewhere.

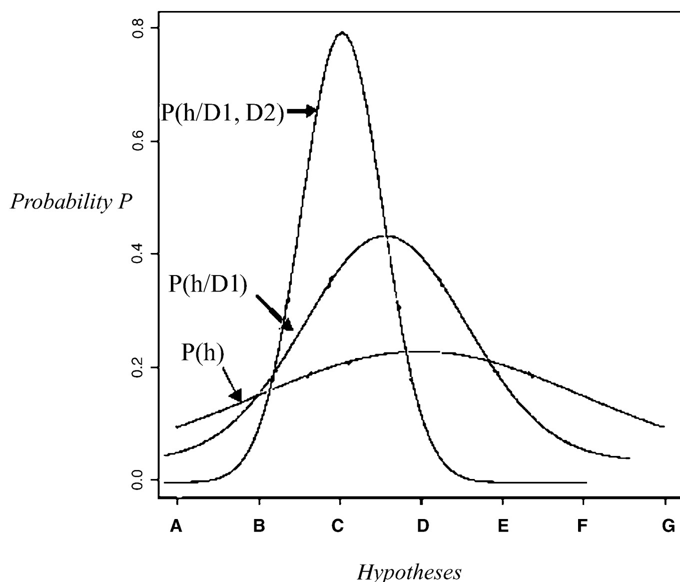

Figure 1

Bayesian updating.

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In this way, the probability of policy innovation in a given country changes as the direct result of natural experiments with similar policies elsewhere. Thatcherism provided a natural experiment to determine the consequences of privatization. The policy worked to the extent that it helped Thatcher to improve the government's bottom line, and newly privatized industries seemed to muddle through. Economists quickly argued that the idea of natural monopoly was a myth and that most public industries could be effectively privatized (Brune et al. 2004). Studies show that governments around the world updated their prior assumptions about the costs and benefits of state ownership, and privatized (Ramamurti 1999).

Some argue that policy choices elsewhere reveal private information that can help agents make better informed decisions. But the aggregation of these individual choices may not be socially optimal, for sequential social learning led to herd behavior in the successive international financial crises in the 1990s. More generally, when actors learn from a small number of leaders and suppress their own private information, the result can be Pareto-inefficient outcomes (Banerjee 1992, Bikchandani et al. 1992).

Political scientists have argued that although policy makers do learn, policy-salient information is socially channeled, with some sources being more important than others. In his influential research on the spread of Keynesian ideas, for example, Hall (1993, p. 280) noted that "[t]he process whereby one policy paradigm comes to replace another is likely to be more sociological than scientific." Policy information may be channeled by the salience of its apparent success. Chile has been cited from Latin America to Asia to Eastern Europe as a relevant success story for liberalization in emerging market economies (Biglaiser 2002, Edwards & Edwards 1992). Policy makers may use cognitive shortcuts in which attention is drawn to highly successful countries or to highly successful outcomes, rather than assessing all available information, as the Bayesian approach demands. Sociological studies suggest that people draw lessons from members of their networks (Axelrod 1997, Coleman et al. 1966a, Rogers 1995). For cognitive psychologists, an availability heuristic leads actors to base decisions on the few cases at their fingertips (Gale & Kariv 2003, p. 22; Kahneman et al. 1982).

Several important studies indicate the importance of learning within networks (Li & Thompson 1975). Gray's (1973) pioneering work on policy innovation among the U.S. states, for example, demonstrated that the intensity of contact among officials was associated with policy diffusion (Lutz 1987). Recent research on how developing countries formulate and implement exchange rate policies similarly points to social learning from neighbors (Khamfula 1998). Brooks (2005) shows that national pension privatization programs spread among groups of regional neighbors, such as those in Eastern Europe and those in Latin America. Levi-Faur's (2003) account of policy liberalization and regulatory reform in Latin America and Europe demonstrates that despite much learning, very different institutional environments produce different outcomes, suggestive of channeled learning along regional lines.

Some studies show regional learning and hierarchical coercion at work simultaneously. Daley & Garand (2005) show that hazardous waste cleanup policies of American states spread both through regional learning and through federal inducements. Gilardi (2005) shows that independent utility regulatory agencies spread across Europe both through learning from neighbors and thanks to EU encouragement. Weyland's (2005) study of Latin America suggests that cognition as well as coercion went into the spread of pension reform.

International institutions themselves are another natural conduit for learning and, especially, for organized pedagogy. Haas (1959) shows that nations learn new lessons from participating jointly in international organizations. Nye (1987) found that international

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institutions reinforced learning with respect to nuclear policy through their use of rules and standard operating procedures. Kahler (1994) notes that international financial institutions influence learning to support their policy preferences. Indeed, the IMF regards its research function as a way to disseminate the lessons of earlier liberalizers (usually developed countries) to the rest of the world (primarily the developing countries) (Quirk 1994). Eising (2002) attributes the spread of liberalization in the electricity sector in Europe to learning facilitated by the EU Council. In these cases, international organizations, either as agents or as sets of rules that enhance transparency, appear to have had important effects on information flows and policy transmission.

At present, analysts who trace policy diffusion to rational learning too rarely endeavor to distinguish actual learning from mindless emulation (Meseguer 2005). To test theories of policy learning, we would need evidence that the results of the exemplar's policy experiment were known to the government doing the learning. Several studies from outside of the policy arena point to empirical strategies. Holden (1986) shows that airline hijackings stimulate new hijackings, but that successful hijackings (when ransom is paid) are more likely to be copied. Conell & Cohn (1995) find that French coal-mining strikes ignite other strikes, but that successful strikes were more likely to ignite others. Both studies show emulation of unsuccessful instances but more frequent emulation of successful instances. Research on learning should demonstrate that credible evidence of a policy's efficacy should increase the likelihood of adoption elsewhere. One weakness of many of the studies in this arena is that they take simple diffusion to be evidence of learning, without looking at whether there was evidence of the efficacy of a policy innovation before second- and third-movers adopted it. Lee & Strang's (2006) exemplary analysis tackles this head on and provides a model for future studies.

CONCLUSION

Sociologists, political scientists, and economists have developed different explanations of regional and global policy diffusion, often attributing identical phenomena to different mechanisms. One consequence of the isolation of different camps is that in empirical studies analysts have rarely spelled out the broad theoretical assumptions underlying their arguments; they have generally addressed only like-minded scholars who share a core set of assumptions. We have spelled out those assumptions. Another consequence of the isolation of different camps is that in empirical studies, analysts have rarely developed specific tests of the mechanisms their theories point to and have rarely tested all appropriate theories side by side. We have sketched how analysts might develop more refined empirical tests that actually capture the mechanisms being theorized, and have pointed to exemplary studies that undertake such tests.

Constructivists see the diffusion of liberal policies as a matter of ideology, broadly understood. A global polity has emerged over the past several hundred years, under which there has been a shifting consensus about the optimal means to achieving economic growth and political stability and participation. Experts and international organizations promote formal theories with policy implications, and the rhetorical power of these theories carries new policies around the world. Moreover, countries that see themselves as members of subglobal groupings based on history, culture, language, level of development, or geography may copy one another's policies because they infer that what works for a peer will work for them.

Coercion theorists depict a world in which a few powerful players exercise disproportionate influence over others—through carrots and sticks, using go-it-alone power, by serving as focal points, or through hegemonic ideas. The United States, the IMF, and the World Bank promote particular policies

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either because they further American interests or simply because Americans believe them to be efficient or just. The clear implication is that countries adopt policies that they would not otherwise choose and that may or may not be effective for them.

Competition theorists describe a very different mechanism, whereby a policy that gives one country a competitive edge leads others to follow suit, even if those countries would have preferred, ex ante, not to adopt the policy. Brazilian policy makers may favor high import tariffs that shield domestic industries, but they follow tariff reductions in Argentina and Chile to compete for export markets and foreign capital. Thus the preferences of global business for free trade and low tax rates trump the preferences of domestic groups for protection and redistribution. Power plays a role in these models, but it is the power of the market as a decentralized economic force, rather than the power of nations as conventionally understood. Competition theorists, like most coercion theorists, trace policy changes to shifts in external incentives.

Like constructivists, learning theorists trace changes in policy to changes in ideas. But rational learning theory implies a kind of cost-benefit analysis. The roots of the theory are psychological, and the driving question is how policy makers draw lessons from the experiences of other countries. People may draw lessons by observing the effects of policies other countries adopt, and they may engage in Bayesian updating, in which they constantly add new bits of evidence to the existing knowledge base. Policy makers can draw the wrong lessons from observation, but the overarching theme here is that countries learn to pursue effective policies.

Despite their differences, certain insights and predictions from these theories overlap. Constructivists and hegemonic ideas theorists focus on the role of experts and global organizations in promoting new models of how to achieve growth or how to institutionalize women's rights. International relations scholars have brought the two camps together. The predictions of focal point theory for coordination models are much like the predictions of the follow-the-leader thesis of constructivists, although in the former countries are watching a leader to ensure market coordination and in the latter they are watching for signs of what makes the leader great.

More often, these theorists suggest different mechanisms to explain diffusion processes but fail to prove, in the quantitative studies that are emblematic of diffusion research, that their favored mechanism is at work. Too often, they test only their own theory or simply show evidence of diffusion and impute that their favored mechanism is at work. Perhaps the most frustrating empirical tendency across these studies is that champions of each theory often take simple evidence of diffusion to be adequate to prove their particular theory. The promise of diffusion research that takes the plausible alternative mechanisms into account is that it can begin to sort out which of the various mechanisms operates for what kinds of policies and what kinds of countries. We have sketched how the theories might be tested against one another. Each of the strategies we outline raises the bar for empirical researchers, but we have pointed to researchers who have successfully carried out each strategy. Constructivists describe policy waves as fads that sweep around the world, with experts collectively defining best practices. Their studies often predict policy adoption with measures of experts and of connections to global organizations, but they seldom control for coercion, competition, and learning as causes. Coercion theorists suggest that the preferences of core countries and international financial institutions drive diffusion. Their studies often measure a country's position in the world system, but they rarely use concrete measures to show that the focal policy is more likely to appear only after the World Bank has imposed conditions, for instance, and in countries on which the World Bank has imposed conditions. Competition theory suggests that struggle for some economic benefit rather than

new information, vertical pressure, or a sense of appropriateness is driving the process. Researchers typically measure competitive intensity with trade openness. A better measure is whether a country's actual competitors for a specific good (e.g., foreign investment) have adopted the policy in question, potentially increasing competitive pressure. The learning approach implies that countries learn in Kuhnian fashion, using natural experiments from other countries to identify the best policies and to tailor them to their own specific circumstances. Empirical tests typically show evidence of diffusion of the latest policy fad, without providing evidence that policy makers had hard evidence that the policy in question provided the purported benefit for previous adopters.

Scholars who have devised strategies for testing the concrete mechanisms that the four different diffusion schools point to have not only produced more rigorous and compelling analyses, but they have also developed new insights that feed back into theory development (Elkins et al. 2006, Lee & Strang 2006). The Bayesian model is apt here, for the more evidence we compile that narrows down the possible explanations of the diffusion of particular policies to certain countries in specific time periods, the closer we will be to understanding which mechanisms are at work, when, and where.

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