

In From the Cold: Institutions and Causal Inference in Postcommunist Studies

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Annu. Rev. Polit. Sci. 2012. 15:245–63

First published online as a Review in Advance on
January 3, 2012

The *Annual Review of Political Science* is online at
polisci.annualreviews.org

This article's doi:
10.1146/annurev-polisci-043010-095817

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1094-2939/12/0615-0245\$20.00

Keywords

political economy, postcommunism, democracy, economic reform

Abstract

Wrestling with basic problems of causal inference between institutions and outcomes has been a central focus of political science over the last decade, and as elsewhere in the discipline, scholars of postcommunism have begun to make some headway on these problems. Their efforts have not only advanced important debates about postcommunism, but also in many cases addressed long-standing concerns in political science. This is in itself a sign that after years on the periphery of political science prior to 1989, the study of politics and economics in postcommunist Eurasia has come in from the cold.

INTRODUCTION

Social scientists witnessed the postcommunist transformation with (to borrow a phrase) the audacity to hope that the introduction of sweeping economic and political reforms across more than 25 countries would enlighten scholars and policymakers about relations between institutions and many outcomes of interest. Does democracy promote economic and institutional reform? Do electoral rules shape the formation of political parties? Under what conditions do private property rights emerge? Do democratic institutions strengthen individual tolerance of other groups? Under what conditions do institutional legacies influence national identity? These central questions of social science were high on the list of research topics in the early 1990s, and scholars of postcommunism aimed not only to answer them but also to integrate the study of postcommunism with disciplinary concerns. During the late-Soviet era, much of the most interesting research on communism had found little resonance in political science.

In answering these questions, scholars of postcommunism faced challenges common to institutional analysis in political science more generally. For example, students of postcommunism struggled to make causal inferences about the impact of institutions on outcomes due to endogeneity problems. Ideally, discerning the nature of causation between institutions and outcomes requires that one variable be held exogenously constant while the other takes random values across the units under observation. Unfortunately for scholars, institutions were not randomly assigned to countries at the start of the transformation, so it was likely that institutions and outcomes were driven by the same factors. Exogenously creating a democratic Estonia and an autocratic Latvia and examining each country's choice of economic reform would have been of great benefit for scholars, if not such a great deal for Latvians. Endogeneity and related problems of causal inference are rife in the social sciences, but these challenges have been particularly great in a postcommunist setting because of the multiple transitions under way in the region. With political, economic, and social institutions often being transformed at the same time, identifying the impact of any particular institution on any particular outcome presented special challenges.

Yet, in many cases, scholars have found innovative ways to study the relationship between institutions and outcomes by taking advantage of broader insights from the growing literature on causal inference in the social sciences and by using deep knowledge of the cases to identify especially promising research designs. In trying to make causal inferences about the impacts of institutions on outcomes more precise, the arc of postcommunist studies in the past 20 years follows that of political science and economics more generally. This is in itself a sign that after years on the periphery of political science prior to 1989, the study of politics and economics in postcommunist Eurasia has come in from the cold.

Indeed, the growing sophistication of institutional analysis and other natural advantages have made the postcommunist region a rich area for research during these two decades, and the region is likely to continue to produce important insights in the future. Ironically, just as scholars and especially policymakers have shifted their gaze from Eurasia to the Middle East, studies of the causes and consequences of institutions after communism have begun to flourish.

This article begins by identifying problems of causal inference that have been a concern of postcommunist studies and political science more generally. It then examines how scholars of postcommunism have tried to deal with these problems in several different bodies of research: political attitudes and behavior, economic reform, and political liberalization. It concludes by identifying other vibrant areas of scholarship concerning the postcommunist region.

INSTITUTIONS, CAUSAL INFERENCE, AND OUTCOMES

The transformation of postcommunist states provoked great optimism among scholars because the region seemed to offer great advantages for research. Countries began their economic and political

transformation with relatively similar political and economic institutions. To be sure, Tajikistan in 1989 was not Slovenia in 1989, but single-party governments with centralized political systems and economies based on state ownership were the rule across the region. Moreover, levels of economic inequality were remarkably similar (and remarkably low) across countries (Milanovic 1998). This offered the potential for greater control of confounding variables than is often the case. This claim of relative homogeneity soon became contentious as scholars traced differences in outcomes to the institutional legacies of communist rule, but by the standards of comparative politics, the relative similarity of institutions and background conditions offered an excellent opportunity for theory building and testing (cf. Stark & Bruszt 1998, De Melo et al. 2001).

Second, the sheer scope of the postcommunist transformation intrigued researchers. Scholars spoke of a “triple transition” of state-building, market-building, and democracy-building, but other issues also loomed large (Offe 1991). Who should qualify as a citizen with all attendant rights and obligations? How could the rights of ethnic minorities be balanced against the rights of ethnic majorities? One common analogy of the time was that studying the postcommunist region was like reading the *Federalist Papers* but with a little effort you could interview Madison, Hamilton, and Jay.

Favorable conditions for research coincided with renewed interest in the social sciences in the causes and consequences of institutions. North’s (1990) *Institutions, Institutional Change, and Economic Performance* helped spark a revival in institutional analysis in economics. The study of institutions had never really gone away in comparative politics, but it was the site of new energy, particularly from scholars of democratization (e.g., Di Palma 1990). Scholars began to consider not only the impacts of institutions on outcomes of interest, but also the sources of variation in institutions themselves. This confluence of historic events and renewed academic attention on institutions sparked great interest in postcommunism.

One central theme of research on postcommunism was the impact of political institutions on various micro-level and macro-level outcomes. To take one example, scholars at the start of the transformation vigorously debated whether democratization would impede or promote economic reforms. Underlying the claim that democracy advances reform is the assumption that the distribution of democracy across countries is exogenous to reform outcomes. That is, it is assumed that the processes generating the quality of democracy are uncorrelated with the causes of economic reform. To make strong claims of causality, however, one variable should ideally be held exogenously frozen, while the other assumes random values across the units under observation. But there is considerable evidence that institutional choices were made by powerful political and economic actors in ways that were anything but random. Among others, Geddes (1995), Easter (1997), Frye (1997), and Jones-Luong (2002) demonstrated that incumbent politicians used their bargaining power to shape electoral rules, presidential power, and other political institutions in their favor. Because institutional rules were shaped by the bargaining position of powerful actors who used institutional choice to achieve outcomes near their ideal points, it was difficult to estimate the independent impact of political institutions on outcomes.

Scholars of postcommunism were hardly alone in grappling with the problem of how to understand institutional choice and its potential influence on outcomes. Scholars in political science and economics were taking to heart Riker’s (1980) seminal argument about institutions and outcomes. Questioning the causal force of institutions, Riker argued that if institutions themselves were subject to the same choices that actors make about outcomes, then how could institutions be causal in any deep sense? Were institutions just “congealed tastes”?

The consequences of the potential endogeneity of institutions and outcomes were hammered home to scholars of comparative politics by Acemoglu et al. (2001). In their work on the colonial roots of economic development, they not only recognized the problem of running “naïve”

regressions linking political institutions to economic outcomes; they also claimed to identify an instrumental variable—the rate of mortality of settlers from Europe in the colony—that could mitigate the problem of endogeneity between institutions and economic development. Examining variation in per capita income across countries, Acemoglu et al. argued that where settlers from the colonial power could expect to live long in the colony, they established good institutions that persisted for decades and promoted economic development through time, but where settler mortality was high, colonists established “extractive institutions” that lasted unchanged for decades and slowed growth in the long run. The key insights were that settler mortality rates were correlated with the quality of institutions but not with contemporary rates of growth, and that the impact of settler mortality on economic development occurred only via the quality of institutions. Many aspects of the article have been questioned, but there is no denying its impact (cf. Gallup & Sachs 2001, Glaeser et al. 2004, Przeworski 2004, Rodrik et al. 2004). It led scholars in comparative politics to examine more critically existing studies of the impacts of institutions on outcomes and to devote greater attention to the challenge of causal inference posed by institutional analysis. In addition, it sparked a race to find instrumental variables drawn from chance circumstances and events, such as weather, geography, and natural disasters, to identify the impact of institutions on outcomes from economic growth to civil war.

Yet instrumental variables that are correlated with an institution but not with the outcome of interest, and that affect the outcome of interest only via the institution, are not so easily found. Without an “instrument fairy” to magically grant them an instrumental variable suitable to the case at hand, scholars of institutions quickly found themselves at the mercy of quirks in geography, weather, history, and recordkeeping. The shortage of instruments was especially problematic in studies of reform in the postcommunist world, as scholars had pointed to many different potential factors that could influence reform, making it unlikely that many variables could pass the exclusion restriction.

Kitschelt (2003) brought concerns over endogeneity and causal inference to the postcommunist cases most forcefully. Criticizing some scholars of postcommunism for favoring “too shallow” explanations that allowed precious little distance between dependent and independent variables, Kitschelt cited arguments that linked prior institutions to democracy and economic reform as prime examples of the problem of endogeneity. Kitschelt urged scholars to find a middle ground between “too shallow” explanations that flirted with tautology and “too deep” explanations that offered only tenuous links between explanans and explanandum.

INSTITUTIONS AND INDIVIDUAL-LEVEL PREFERENCES AND BEHAVIOR

Yet scholars of postcommunism, like their counterparts in political science more generally, have begun to make headway in identifying the impact of institutions. One area of interest is the influence of institutions on individual attitudes, preferences, and behavior. For example, one important debate early in the transition examined the impact of democracy and economic reform on individual attitudes. Relying on a mass survey from the Soviet Union conducted in 1989, Finifter & Mickiewicz (1992) used simple cross-tabs to argue that attitudes toward political democracy and economic liberalization were unrelated. In separate estimations they then regressed variables for political reform and economic liberalization on basic demographic variables and found that better-educated respondents supported political reform but were skeptical of market norms. In response, Miller et al. (1994) used evidence from mass surveys conducted in Russia, Ukraine, and Lithuania in 1990 and 1992 and reached different conclusions. They regressed attitudes toward market norms on political attitudes, and found a strong positive relationship. Gibson (1996) advanced

the debate by using a panel of respondents in 1990 and 1992 and structural equation modeling and found that democratic attitudes were associated with stronger support for market reforms, but that support for market liberalization was not associated with greater support for democratic norms.

These studies and others on the topic helped to bring debates about attitudinal research to the postcommunist region and to adjudicate between claims about the compatibility of attitudes toward markets and democracy, but also often settled for identifying relations between the two attitudes without making causal claims. For example, Miller et al. (1994, p. 409) argued:

The picture that our data present seems clear. Mass orientations toward economic and political reform are not independent of each other: they do not oppose but rather reinforce one another in the former Soviet Union. Those most accepting of the former Soviet regime's political institutions and norms look least favorably on market norms and institutions, and vice versa.

Grosjean & Senik (2011) help push this debate forward using a spatial regression discontinuity design that takes advantage of exogeneity created by "frontier zones" to identify the relationship between the quality of democracy and attitudes toward the market at the individual level. They rely on the World Bank/European Bank for Reconstruction and Development (EBRD) Life in Transition Survey (LiTS) of 28,000 respondents in 28 postcommunist countries, which is rich in primary sampling units that are located in frontier zones (within 25 km of a border with another country). To identify the impact of democracy on attitudes toward a market economy, they begin with the following "main identification assumption":

[P]eople who live on either side of an integrated frontier zone experience different political regimes but share the same experience of the market, and often, the same historically inherited cultural attitudes toward the market and democracy on both sides of the frontier. This is particularly plausible for the (often artificial) frontiers of the former Soviet Union and in some formerly integrated regions such as the Ottoman Empire or the Austro-Hungarian Empire. This assumption is tantamount to keeping constant the omitted variables that usually bias estimations of the relationship between market development and democracy. (Grosjean & Senik 2011, p. 368)

That is, citizens living in the same frontier zone share the same experience with the economy as they travel back and forth across borders to work and shop, but they experience different levels of democracy depending on their country of residence.

More specifically, Grosjean & Senik identify 36 frontier zones with between 40 and 460 observations in which respondents can move freely across borders but face different political regimes. Using the sample of respondents within these frontier regions, they regress attitudes toward a market economy on democracy scores, frontier-zones dummies, and a host of controls and find that respondents living on the more democratic side of the frontier report significantly higher levels of support for a market economy. Indeed, living on the more democratic side of the border increases the probability of supporting the market by almost nine percentage points.

One can argue that the survey questions analyzed by Grosjean & Senik (2011) are not ideal for capturing subtle distinctions about democracy and markets and that the results rely heavily on a single survey item. One might also question the assumption of a common economy across borders, but the care with which they infer causality helps advance a debate that had languished owing to difficulties in identifying causality. In addition, by examining the impact of living in a democracy and experiencing a market economy on attitudes, they rely less heavily on using attitudes to predict other attitudes, a common challenge in public opinion research. Grosjean &

EBRD:

European Bank for Reconstruction and Development

Senik's careful attention to causal inference makes a useful contribution not only to postcommunist studies but to the broader field of political economy as well.

Scholars of postcommunism have also investigated the impact of a different institution, political parties, on political attitudes and behavior, especially partisanship. This stream of research draws on insights from the large literature on partisanship in other contexts (cf. Green et al. 2002). One difficult causal inference problem in this literature is the potential endogeneity of partisanship because it is hard to entangle whether partisan attachments are driven by the actions of political parties or reflect some pre-existing connection with a political party. This problem is especially thorny in established democracies given that partisanship and parties are both so deeply rooted that exogenous change in either partisanship or party behavior is rare. Moreover, observational research using surveys is an imperfect instrument to detect these relationships (Kramer 1983). As in other settings, traditional survey approaches in the postcommunist cases revealed that citizens' policy preferences mapped onto the policy positions of their preferred parties, but it was difficult to make strong causal claims about these relationships (cf. Kitschelt et al. 1999, Colton 2000, Tucker 2006).

Borrowing from the literature that uses survey-based experiments to estimate the impact of party cues on opinion, Brader & Tucker (2009) examine public opinion formation in Russia, and in latter essays, in Hungary and Poland. They argue that these cases are informative because party attachments have not yet congealed and they can study the process of attitude formation. More specifically, in one essay they examine the extent to which party cues shape policy opinion using a survey of Moscow residents conducted in the spring of 2006. This is a difficult test given Russia's weak parties and autocratic rule. In the treatment condition, respondents are asked whether they support a policy proposal that has been backed by a party with which they identify. In the control condition, respondents are asked whether they support the policy proposal, but are not given cues about party positions on the policy. They examine three policy proposals—an increased fare on the Moscow metro in exchange for better service, the sale of high-tech weapons to China, and allowing Russia to import spent nuclear fuel for reprocessing—and find that party cues had significant impacts in the fare increase and China cases, but not in the nuclear fuel example. The last result may be due to overwhelming opposition to this policy in both treatment and controls. Brader & Tucker recognize the limitations of their approach, expressing particular concerns about external validity, but by randomly assigning respondents to treatment and control groups, they are able to make stronger claims about the causal relationship between party cues and public opinion than is typically the case in traditional observational research.

In a different vein, others have addressed concerns of endogeneity between institutions and individual political behavior by carefully tracing the impact of past institutions on contemporary behavior. For example, Wittenberg (2006) examines the remarkable persistence of right-wing voting among Catholics in precommunist and postcommunist Hungary. Communist party rule in Hungary was marked by strident anticlerical campaigns, a massive industrialization effort, a failed uprising, and the collectivization of agriculture, yet despite these epic changes, those districts in Hungary in which local Catholic churches managed to retain a foothold during communist rule saw significantly higher voting for right-wing parties after 1989. In two qualitative chapters, Wittenberg documents the tactics and strategies adopted by regime officials and local Catholic churches between 1945 and 1990; he then uses both survey data and electoral results to show that districts with greater church presence in the community did a better job preserving their support for right-wing parties than did other communities.

Most important, he demonstrates the institutional mechanism—local Catholic churches—that generated this outcome. This is not a “Rip Van Winkle” story of voters in districts with right-wing preferences in 1945 waking up 45 years later to again vote for right-wing parties. Rather,

Wittenberg demonstrates how local Catholic priests and their parishioners struggled and suffered to maintain their position in Hungarian society under communist rule, with the result that districts with stronger Catholic communities continued to support right-wing parties in greater numbers than did districts with weaker Catholic communities. He contrasts this outcome with Reformed churches in Hungary, which were much less successful in transmitting their values and voting preferences to future generations than were the Catholics. Wittenberg does not present a general theory of preference persistence but instead offers a convincing interpretation of an intriguing puzzle and provides a road map for how to study the impact of institutional legacies on individual behavior.

Others have sought to identify the conditional effects of institutions on preferences by borrowing from the logic of difference in differences estimation. For example, Denisova et al. (2009) examine how democratic institutions shape preferences for revising privatization using the same survey of 28,000 respondents in 28 postcommunist countries employed by Grosjean & Senik (2011). Previous studies typically relied on the assumption that preferences over reform derive from individual-level characteristics, such as skills, wealth, and occupation, and were independent of the institutional environment, but Denisova et al. (2009) argue that institutional quality may shape preferences for economic reform. They express concern that “crucial omitted variables, such as the quality and timing of reforms themselves, are likely correlated with both the quality of the institutional environment and public support for reforms” (Denisova et al. 2009, p. 291). In describing their estimation strategy, they note: “Our main identifying assumption is that the omitted variables and other potential sources of endogeneity of the institutional environment affect responses of individuals with high and low market skills to the same extent irrespective of the institutional environment. Thus we can estimate the difference in differences effect of the interaction between markets and institutions without bias” (p. 291). Regressing attitudes toward revising privatization on democracy and a host of controls, they find that market skills and democracy are best seen as complements because respondents with high market skills strongly support privatization, but only when democracy is robust. In sum, the difference in support for privatization between the responses of those with high and low skills depends on the quality of democracy. These differences are large under democracy and small under autocracy. By estimating the conditional impact of democracy on the difference between the responses of high- and low-skilled respondents, Denisova et al. (2009) demonstrate that institutions can shape preferences over economic policy.

This result is important as most formal theories of the political economy of reform either explicitly or implicitly assume that preferences are constant across institutional contexts. That is, preferences of groups in democracies and autocracies are assumed to be similar (cf. Fernandez & Rodrik 1991, Przeworski 1991). In addition, empirical studies of attitudes toward economic policies typically rely only on individual-level determinants in a single country without exploring the institutional context. By integrating institutions into the study of preferences over policy, this approach offers a more nuanced take on a debate of general importance in political science.

Finally, studies of the impact of the media on political behavior also face endogeneity problems, given the likelihood that individual preferences are endogenous to the choice of media outlet one favors in the first place. If conservative voters choose to listen to conservative radio talk shows and then vote for conservative candidates, it is difficult to identify the relative impact of exposure to radio and underlying preferences on voting patterns. This problem is well known in the literature, but it is difficult to overcome, especially as the media may then alter its programming to fit the ideological priors of its customers (cf. Durante & Knight 2009).

To capture the impact of media exposure on voting, Enikolopov et al. (2011) take advantage of exogeneity introduced by the partial coverage of the opposition television channel, NTV, in three

electoral cycles in Russia. NTV inherited the transmitters of a Soviet-era educational channel and was available to about three-quarters of Russian voters in 1999. Enikolopov et al. argue that NTV's signal availability was idiosyncratic once demographic and geographic differences are introduced. As an identification strategy, the authors rely "on the premise that voters in the locations with and without access to NTV are similar in all unobserved characteristics that may drive their voting behavior once we control for observable differences between these locations" (Enikolopov et al. 2011, p. 4).

The authors compare electoral outcomes of the 1999 parliamentary elections in regions with differential access to these opposition television broadcasts and find that NTV decreased the aggregate vote for the government party by 8.9 percentage points, increased the combined vote for major opposition parties by 6.3 percentage points, and decreased turnout by 3.8 percentage points. Instrumenting for exposure to NTV using the strength of the NTV signal, they also use survey data to predict individual-level voting in the 1999 election and find similar results.

Key to the argument is that the distribution of NTV transmitters is not correlated with variables that might predict voting patterns once observable characteristics are controlled for. It is not possible to test this argument directly, but the authors conduct a number of indirect tests, including a placebo test that estimates the effect of NTV availability in 1999 on the voting results in the 1995 parliamentary elections. In 1995, NTV had only a negligible audience so it could not have affected voting patterns on any scale. Enikolopov et al. find that voting patterns in the 1995 election in regions with and without exposure to NTV in 1999 do not differ once other controls are introduced. As a result, they note: "The results of this placebo experiment suggest that unobservable characteristics of subregions, which could potentially be correlated with political preferences of the electorate, on the one hand, and with the availability of NTV, on the other hand, cannot explain our main findings" (Enikolopov et al. 2011, p. 4). Endogeneity has frustrated many efforts to establish the impact of media exposure on political behavior, but by seizing on the exogeneity introduced by the decisions of Soviet planners to place transmitters in some regions rather than others, Enikolopov et al. make an important contribution to the study of institutions' influence on outcomes.

INSTITUTIONS AND ECONOMIC REFORM

A second large body of work in postcommunist politics that faced endogeneity and causal inference challenges sought to identify the impact of political institutions on economic reform. For example, early in the transition, most observers suggested that democracy and economic reform would work at cross-purposes. Offe (1991, p. 881) argued that "a market economy is set in motion only under predemocratic conditions. In order to promote it, democratic rights must be held back to allow for a healthy dose of capital accumulation." Jowitt (1992, pp. 302–3) noted: "In Eastern Europe the immediate political imperative is economic. Any successful response to this imperative is likely to take an authoritarian cast. Take a 'good case' for democratic capitalism, Czechoslovakia . . . it will take the type of liberal authoritarianism that existed in nineteenth century Europe" for reforms to succeed. Elster (1993) titled a chapter with tongue in cheek: "The Necessity and Impossibility of Simultaneous Political and Economic Reform." Most prominently, Przeworski (1991) argued that rapid economic reform introduced under democratic conditions was likely to undermine both democracy and economic reform, as technocratic politicians would push economic reforms only to spark a powerful populist backlash against economic liberalization. This pendulum of technocratic and populist rule might advance reforms somewhat, but would do little to build democracy. Much of this debate was informed by a version of the Latin American experience that emphasized the importance of insulated executives and the need to overcome opposition from groups hurt by economic reform in the short run.

However, a rather strong consensus emerged in the 1990s that democracy was associated with stronger economic and institutional reform in the postcommunist world. Aslund et al. (1996, pp. 252–55) were among the first to make this connection. The most nuanced theoretical argument on the relationship between democracy and economic reform in this period came from Hellman (1998), who argued that the main impediment to economic reform was not groups losing from economic and institutional reform but groups gaining from the arbitrage opportunities between different types of reform during the transformation. His insight that the winners from partial reform were obstacles to full reform echoed earlier ideas by McKinnon (1991) and Murphy et al. (1992), but it also reframed the debate on the politics of economic reform in the region and remains one of the most important contributions of postcommunist studies to comparative political economy. Hellman went on to argue that democratic governments with multiple veto points were critical to preventing these short-term winners from capturing the state. To make the case, he used simple correlations between EBRD scores from 1994 through 1998 and democracy scores and indices of veto points. Indeed, the argument that multiple veto points are associated with more economic reform was supported in multivariate analyses using longer time-series (Frye & Mansfield 2003, Gehlbach & Malesky 2010).

Yet behind the normatively pleasing argument that democracy helped promote reform in the postcommunist world lurked a problem, and by the turn of the century scholars had begun to shy away from strong claims about the relationship between the two. Indeed, over the past decade, scholars of postcommunism have become more cautious about assessing the direct impact of political institutions on outcomes due to concerns about various kinds of endogeneity. Some argue that both political institutions and economic reform outcomes are themselves driven by deeper factors, suggesting the strong possibility of omitted-variable bias (Kopstein & Reilly 2000, Darden & Grzymala-Busse 2006). Others point to the possibility of reverse causality as a simple form of endogeneity: perhaps economic reform promoted democracy rather than vice versa (Heybey & Murrell 1999, Fish 2005).

One approach to this quandary is to examine the conditional impact of democracy on reform. For example, Frye (2010) argues that the impact of democracy on economic and institutional reform in the postcommunist world is conditional on the level of political polarization.¹ When levels of political polarization between the executive branch and the largest opposition party in the parliament are low, economic agents can take advantage of reforms by investing, confident that swings in policy are unlikely regardless of the outcome of elections. By taxing this investment, politicians can reward supporters and independents who depend on transfers for reelection and thereby push forward economic reform. But where political polarization is high in a democracy, economic agents are reluctant to invest because they fear a large swing in policy should the opposition come to power. Incumbent politicians reap less tax revenue to buy political support, and instead distort economic and institutional reforms to try to stay in office. To estimate the conditional impact of democracy on polarization, Frye (2010) relied on the assumption that the sources of endogeneity between democracy and reform (possibly leader attributes, the quality of policy, the freedom of the media, etc.) are equally present in both low- and high-polarization settings, which would allow an unbiased estimation of the difference between the impact of democracy on reform when polarization is high and when it is low.

¹Here polarization is conceived of as the policy distance between the executive and the largest opposition and is measured in terms of the seat share of the largest opposition party, taking into account its policy distance from the executive. In the long run there may be endogeneity between democracy and political polarization, but there are a number of reasons why the effects of these two factors may be separable in the short run (see Frye 2010).

Examining the conditional effects of institutions tells us little about their direct effects on outcomes. In addition, the assumption that the omitted variables are at work in both types of institutional environment needs to be defended on its terms. Moreover, if both the institutional variable and its cross-term are endogenous to each other, estimates will likely be biased. For example, estimating the impact of high-inequality democracies and low-inequality democracies on long-run growth may be problematic if inequality itself shapes democracy and vice versa. Yet, if done with care, estimating the conditional effects of political institutions on outcomes may help mitigate some aspects of the endogeneity problem in institutional analysis.

Other scholars have addressed this issue by examining variation in the impact of institutions within democracies. For example, Grzymala-Buse (2007) adopts this strategy in her analysis of the impact of political competition on civil service reform in Eastern Europe. She rates the 11 parliamentary democracies of Eastern Europe based on the extent of “robust” political competition between ruling and opposition parties and examines the speed with which democracies with various forms of political competition conduct reform of the state apparatus. She finds that democracies with more robust political competition pursue more extensive civil service reforms than democracies with less robust political competition. By examining differences in outcomes among consolidated democracies with varying types of political competition, Grzymala-Buse controls for factors that might drive reform in both conditions.

In addition, scholars of postcommunism in recent years have made progress on the difficult project of estimating the impact of another institution—property rights—on firm behavior. In the first decade of transition, numerous studies collected data from samples of enterprises and compared the probability of restructuring among state-owned, privatized, and in some cases newly created firms. For example, Frydman et al. (1999) used survey data from ~200 privatized Czech, Hungarian, and Polish firms from 1990 to 1993. But these studies commonly suffered from relatively small samples and the difficulty of making causal claims based on cross-sectional data (Kramer 1983).

Moreover, many worried that firms selected for privatization may have differed from state-owned firms in ways that affected postprivatization firm behavior. Djankov & Murrell (2002) provide an extensive overview of >100 studies of the impact of privatization on enterprise restructuring in the postcommunist region and note (p. 743) that “these problems [of selection bias] have been thoroughly recognized in the literature, but solutions are not always easy to obtain.” Of the 100 studies in their statistical analysis, “only 53% of the estimates of restructuring employ methods that might serve to counter selection bias.”

Yet, through a herculean data-collection effort and the use of program evaluation techniques originally developed for the study of labor markets, Brown et al. (2006) go a long way toward alleviating concerns about selection bias prior to privatization. They collected “near census” data on almost all manufacturing firms in Russia, Ukraine, Hungary, and Romania from 1985 to 2002. For Russia alone this meant tracking >15,000 firms per year for 18 years as they underwent changes in property type or not. By having a sufficiently long panel of firm performance pre- and postprivatization, Brown et al. are able to compare the performance of firms in similar sectors but with different types of ownership and to take into account firm-specific trends in performance. To identify the privatization effect, they borrow from the Heckman-Holtz program evaluation model, which “measures selection bias under an estimator as the difference in the dependent variable prior to treatment between the treated and comparison groups” with privatization as the treatment. Brown et al. (2006, pp. 73–74) note that “the identifying assumption is that the data-generating process for ownership is independent of productivity once all the other variables, including the fixed effects and firm-specific time trends, are taken into account.” They find that despite the often chaotic nature of privatization in the postcommunist world, governments chose

to privatize better-performing firms first in each country in the sample, suggesting the presence of a strong selection bias in cross-sectional studies of privatization effects. Taking into account selection biases, privatization effects are large and vary dramatically across countries. Multifactor productivity increased in firms privatized to domestic owners by >15% in Romania, >5% in Hungary, and ~2% in Ukraine; they declined by ~4% in Russia. Moreover, in each country, firms privatized to foreign owners saw greater productivity increases than firms privatized to domestic owners or firms kept in state hands.

Brown et al.'s (2009) study of privatization effectiveness across Russia's 80-plus regions brought this approach directly into political science. They estimate a region-specific privatization effect on firm productivity using a two-step procedure. In the first stage, they regressed output on firm-specific and industry-specific variables to obtain an estimate of the effect of privatization to a domestic owner on firm productivity. In the second stage, they estimated the regional effect of privatization on productivity and regional characteristics. Brown et al. argue that the size of the regional bureaucracy in Russia is exogenous from privatization effects, as the reasons Soviet-era planners chose to staff their bureaucracies likely had little to do with privatization effectiveness after 1989. They demonstrate that the number of bureaucrats per capita in each region in Russia has changed little since the Soviet period and find that privatization effectiveness is higher in regions with larger bureaucracies. Indeed, a one-standard-deviation increase in the size of the regional bureaucracy is associated with about a nine-percentage-point increase in the effect of privatization on firm productivity. This finding is surprising given the common view that state bureaucrats are a primary obstacle to economic reform in Russia (Frye & Shleifer 1997, Shleifer & Treisman 2000). The means by which larger bureaucracies produce this effect is not clear from the Brown et al. analysis, but they offer a promising approach to mitigate problems of causal inference that plagued previous studies.

Finally, many scholars have argued that the European Union has been central to economic and institutional reform in the region, but here the endogeneity issues are difficult to entangle (Mattli & Plomper 2002). Clearly the "pull" of possible membership in the EU accelerated reform in some potential member states, but the "push" of economic and institutional reforms for reasons that had little to do with EU accession also made these same countries more attractive to existing EU members. Identifying the relative impact of these push and pull factors is complicated given their mutually reinforcing nature. As a result, it is not surprising that scholars give varying weights to the role of the EU in promoting economic and institutional reform. Roland (2000) offers strong theoretical grounds for the importance of the EU in promoting economic reform in Eastern Europe. Schimmelfennig (2001) argues that the shared norms and values of advanced accession states and pro-accession EU members promoted reform by "rhetorically trapping" opponents of expansion with the EU. Vachudova (2005) breaks the EU accession process into two stages and argues that the EU exercised only passive leverage in the preapplication phase of accession, but was decisive in the accession phase when it exercised active leverage through conditionality. Darden & Grzymala-Busse (2006, p. 88, fn. 25) are more skeptical. They note that the possibility of EU membership did not arise until after 1995, when many future members of the EU had already conducted extensive economic and institutional reforms. Grzymala-Busse (2007, pp. 23–24) finds that despite similar pressure from the EU, the accession states from the former Eastern Bloc chose very different strategies to reform their states.

In a series of well-designed studies, Mattli & Plomper (2002, 2004) use instrumental-variable and split-sample techniques to examine the impact of the EU on reform. They instrument for EU accession and find that political institutions and EU accession both promote economic reform in the region, with the latter accounting for ~40% of the variance in market reforms. They then split the sample into early appliers and late appliers and find that early appliers experienced faster rates

of reform than late appliers, particularly after the EU announced that only early appliers would enter the EU in the next wave of accession. Taken together, these tests help to isolate the impact of the incentives to join the EU relative to other factors. Plomper et al. (2005) extend the argument by modeling enlargement as a two-stage process of application and then enlargement. Using a selection model, they find that uncontested reforms in countries applying to the EU provide a credible signal to EU member states that anti-EU sentiment has been marginalized and thereby increase the likelihood of a successful application.

INSTITUTIONS AND POLITICAL OUTCOMES

Finally, scholars of postcommunism have examined the impact of institutions on political liberalization. Two bodies of research are especially prominent. The first examines the impact of legacies of communist and precommunist political institutions on liberalization in the wake of the collapse of communism. Bunce (1999) argues that the impact of political liberalization in Soviet-style regimes depends on the nature of federalism. Political liberalization in federal states of the Soviet Union, Czechoslovakia, and Yugoslavia contributed to their collapse, but the same reforms introduced in unitary states did not. In a well-designed study of representation in postcommunist Poland, Hungary, Bulgaria, and the Czech Republic, Kitschelt et al. (1999) argue that institutional legacies of state building in the interwar years map onto the ability of parties to represent societal interests after the fall of communism. Pop-Eleches (2007) finds that the legacies of precommunist and communist-era institutions are associated with different aspects of democracy in the postcommunist era.

In an influential article, Darden & Grzymala-Busse (2006) argue that existing structural explanations for variations in the extent of exit of communist parties in the first free elections after 1989 either lack convincing micro-foundations or lack empirical validity. Instead, they argue that the timing and content of mass education fostered the creation of national identities that proved remarkably resilient over time and generated conditions for anticommunist sentiment in the postcommunist era. More specifically, countries in which national education was introduced prior to communism and was infused with nationalist content saw the former communist parties win far fewer seats in the first free election after 1989. Darden & Grzymala-Busse argue that mass education in these countries created national identities that fostered shared understandings of what constituted legitimate rule and that these understandings rejected communist party rule as promoted by the Soviet Union as alien and unacceptable. Given the opportunity to express their preferences openly in the first elections after 1989, publics in these countries voted for noncommunist parties in far larger shares than did their compatriots in other countries in the region. This argument has the distinct advantage that it identifies a mechanism—national educational systems—by which the institutional legacy was transmitted through time. This work and other legacy-based arguments from the postcommunist region have added to the large literature on the impact of institutional legacies on economic and political outcomes currently undergoing a revival in political science and economics (e.g., Engerman & Sokoloff 2002, Banerjee & Iyer 2005, Grosfeld et al. 2011).

A second family of research explores the impact of elections on political liberalization in autocratic regimes, particularly in light of the “colored revolutions” in Eurasia and Eastern Europe. Some scholars of authoritarianism argue that elections reduce the prospects for political liberalization by dividing oppositions and demonstrating incumbent strength (Lust-Okar 2005, Magaloni 2006, Brownlee 2007), while others argue that elections under autocratic rule promote liberalization by providing incentives for the opposition to unify during the campaign or by sparking mobilization after a seriously flawed election (Lindberg 2006, 2009; Bunce & Wolchik 2006a,b).

In “Elections, Information, and Political Change,” Pop-Eleches & Robertson (2011) make two useful moves that improve causal inference about the relationship between elections and political change. First, they note that because elections may make both liberalization and deliberalization more likely, using simple binary or linear dependent variables that can only capture unidimensional change is problematic. They adopt a common theoretical framework to examine both liberalization and deliberalization and use a multinomial estimation to predict the impact of elections on liberalization, deliberalization, or no change from the status quo.

In addition, they observe that “in thinking about the relationship between different kinds of elections and liberalization, we also need to pay attention to the fact that the existence, timing and type of elections depend on some of the same factors that drive liberalization. In other words, elections are to a certain extent endogenous to factors that might themselves be causes of (de)liberalization, such as structural conditions and the prior level of political rights” (Pop-Eleches & Robertson 2011, p. 5).

To address this problem, Pop-Eleches & Robertson instrument for elections with the scheduled date of elections in electoral laws. The notion is that the scheduled date of elections should be correlated with whether elections are actually held, but should not be correlated with changes in the level of democracy, and the electoral calendar should only influence the probability of political change via the holding of elections. They find support for the argument in a global sample of elections from 1992 through 2007, noting that “while liberalizations and deliberalizations are fairly rare occurrences even in election years, liberalizations are four times more likely and deliberalizations are more than twice as likely in election years” (Pop-Eleches & Robertson 2011, p. 22).

They take the argument further by identifying the extent to which elections produce new information as a key mechanism by which elections lead to political liberalization or retrenchment. They argue that elections that produce no new information about the relative strengths of incumbents and oppositions (e.g., completely fair elections or completely sham elections) are unlikely to produce any political change, whereas seriously flawed or somewhat flawed elections are especially likely to produce liberalization or deliberalization. This prediction contrasts with the more common claim that the quality of elections is related to the prospects for liberalization in a linear fashion (Hadenius & Teorrell 2009). To make their case, Pop-Eleches & Robertson instrument for the quality of current elections using lagged values of the quality of past elections (sham, seriously flawed, somewhat flawed, or clean). They find strong support for this argument as well. Finally, to support their case at the micro level, they rely on survey analysis from a recent case of political change in Moldova.

One can always quibble about case coding, model specification, and the appropriateness of using lagged values of endogenous regressors as instruments, but the care with which Pop-Eleches & Robertson address issues of causal inference between institutions and outcomes that previous literature had neglected is to be commended. If previously scholars failed to address directly the endogeneity of elections and political liberalization, Pop-Eleches & Robertson (2011) make this challenge central to their analysis. Their work helps to push forward our understanding of the role of elections in promoting political change under autocratic rule.

OTHER AREAS OF RESEARCH ON INSTITUTIONS IN THE REGION

These works hardly exhaust the possibilities of postcommunism for improving our understanding of the role of institutions in political and economic life. Fortunately, the region is rich in topics of interest to political science. The past two decades have seen a resurgence in studies of federalism, and scholars of Russia’s more than 80 regions have played an integral role in this debate (Treisman

1999, Woodruff 2000, Stoner-Weiss 2006). Treisman's work on federalism is a good example of taking advantage of the transition to contribute to broader debates in the field. In *After the Deluge* (1999), Treisman developed a bargaining model of center–regional relations and examined the political and economic determinants of fiscal transfers in the early years of Russia's transition. Then, in *The Architecture of Government* (2007), he built on his previous work and offered a pointed critique of the assumptions of many formal theories of federalism that have been applied in empirical work in diverse settings.

In addition, corruption, rule of law, and violence have been of increasing concern to political scientists, and scholars of postcommunism have contributed to these debates as well. Studies of private protection rackets (Hendley et al. 2000, Frye 2002, Frye & Zhuravskaya 2000, Volkov 2002, Varese 2002), corporate governance (Goriaev & Sonin 2011), vote fraud (Myagkov et al. 2009), and state building (O'Dwyer 2006, Ganey 2007) remain prominent areas of interest. The region has also produced impressive studies of comparative autocracy (Radnitz 2010, Reuter & Robertson 2011), the impact of natural resource wealth (Fish 2005, Egorov et al. 2009, Jones-Luong & Weinthal 2010), electoral rules (Benoit 2007), informal institutions (Allina-Pisano 2008), and political parties (Grzymala-Busse 2002, Hale 2006).

This review has focused on the impact of institutions on individual attitudes, economic reform, and political outcomes, but other large literatures have also made important contributions to postcommunism research and to political science more generally. For example, studies of nationalism have been especially fertile ground. To cite just a few, Beissinger (2002), Darden (2011) and Laitin (1998) have each contributed beautifully designed works that speak to general audiences in the social sciences. Each work has a nested research design that mixes quantitative and qualitative analyses with clever ways to tease out causal relations. In addition, research on collective action (Ekiert & Kubik 1999, Javeline 2003, Robertson 2011), identity (Herrera 2005), parliamentary politics (Remington 2001), and civil war (Lyal 2010) has also brought insights from postcommunism studies into broader debates.

In general, research over the past 20 years from the postcommunist field has revealed a number of unexpected benefits that make the study of the region especially promising. Although complaints about the quality of data are ever present, scholars of postcommunism are likely better off than scholars of many regions. For example, they have benefited from the data collection of the EBRD. For all their warts, the EBRD Transition Indicators offer a means of comparing progress in institutional and economic reform across a broad range of countries over the past 20 years (but see Campos & Horvath 2007). The Business Environment and Economic Performance Survey (BEEPS), which surveyed >100 firms in >20 postcommunist countries in 1999, 2002, 2005, and 2008, has been a valuable resource for scholars interested in the political economy of reform (e.g., Hellman et al. 2003, Gehlbach 2008). More recently, the Life in Transition Survey (LiTS) has offered a rich source of data on the employment history, attitudes, and material position of citizens in 28 postcommunist countries (European Bank for Reconstruction and Development 2007). In addition, the field has benefited from support from the U.S. government through funding of Title VI programs for language training and area studies. Unfortunately, recent cuts by Congress threaten to gut these programs, which have historically been quite important to the field (Engerman 2009).

The field has benefited tremendously from the contributions of scholars from the postcommunist region, many of whom (but far from all) were trained outside the region. Many important works have involved collaborations between scholars from within and without the region. In addition, academic centers, such as the Center for Social and Economic Research (CASE) in Poland, Central European University in Hungary, the Bank of Finland Institute of Economics in Transition (BOFIT) in Helsinki, and the Center for Economic and Financial Research (CEFIR) and the

Higher School of Economics in Moscow, have become regular stops for political scientists and economists on the broader speaking circuit.

Studies of postcommunism have also richly profited from scholars who brought their prior expertise to the study of the region. Occasionally derided as “parachutists” early in the transition, their work has helped raise the level of theoretical and empirical sophistication in the field. Certainly, the field would be less intellectually lively without them.²

CONCLUSION

Wrestling with basic problems of causal inference between institutions and outcomes has been a central focus of political science in the last decade, and in the study of postcommunism, as elsewhere in the discipline, scholars have begun to make some headway on this issue. These efforts have not only advanced important debates about postcommunism, but, in many cases, also addressed long-standing concerns in political science.

DISCLOSURE STATEMENT

The author is not aware of any affiliations, memberships, funding, or financial holdings that might be perceived as affecting the objectivity of this review.

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²These scholars include, among others, Linz & Stepan (1996), Holmes (1996), Shleifer (Shleifer & Vishny 1998), Laitin (1998), Gibson (1996), Jackson (Jackson et al. 2005), Sachs (1993), Hoff & Stiglitz (2004), and Geddes (1995).

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