GEOGRAPHIC DIFFUSION AND THE TRANSFORMATION OF THE POSTCOMMUNIST WORLD

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I. THE PUZZLE

SINCE the collapse of communism the states of postcommunist Europe and Asia have defined for themselves, and have had defined for them, two primary tasks: the construction of viable market economies and the establishment of working institutions of representative democracy. A decade later specialists on Eastern Europe have one salient fact to report: some countries have it easier than others. A handful of countries (Poland, Hungary, the Czech Republic, Slovenia, and perhaps the Baltic States and Slovakia) have made significant progress in marketization and democratization. A much longer list (Albania, Croatia, Bulgaria, Macedonia, Romania, Yugoslavia, and the former non-Baltic Soviet republics) has made far less progress. Indeed, by 1995 it was already possible to see the contours of at least two very different (and stable) postcommunist outcomes, one increasingly "Western" and the other decidedly not. The variation in outcomes in the postcommunist space makes it, without question, the most diverse region in the world.

Such diversity in outcomes cries out for explanation. How did countries that began the postcommunist journey from similar starting points end up so far from each other? This article offers an explanation, develops and adduces evidence for it, and tests it against competing accounts. One obvious explanation that comes to mind is proximity to the West. All of the big winners of postcommunism share the trait of being geographically close to the former border of the noncommunist world. This suggests the spatially dependent nature of the diffusion of

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norms, resources, and institutions that are necessary to the construction of political democracies and market economies in the postcommunist era. In what follows we use the entire universe of postcommunist cases to test this geographic or spatial-dependence explanation against competing hypotheses. We then explore the spatial-dependence hypothesis and its implications more deeply and make a preliminary attempt to identify the causal channels through which the approach works. We maintain that most alternative explanations have ignored, to their detriment, the role of geographic position on the Eurasian landmass and the spatial diffusion of influence, institutions, norms, and expectations across borders in accounting for variations in political and economic outcomes. While we do not argue that ours is the only possible explanation, we do insist that such a perspective provides a powerful lens through which to view postcommunist developments.

Before proceeding to the analysis, it should be noted that there is a long tradition to the enterprise of explaining variation in economic and political outcomes in the region—ranging from such classics in the field of East European studies as R.W. Seton-Watson’s *Racial Problems in Hungary*, to Hugh Seton-Watson’s *Eastern Europe between the Wars*, to the modern-day work of Gerschenkron and Janos. Furthermore, study of the spatial diffusion of norms and “culture” on the European continent is also not unknown in the field. As keen students of their own borderlands, German East Europeanists coined the term *Kulturgefälle*, or cultural gradient, to describe and explain the changes that were visible across the European continent as one traveled to the economically and politically backward regions east of the Elbe and in the Danubian Basin.

Whereas students of the nineteenth century and the communist era often find themselves either in the statistical dark ages or (especially in the communist era) in a statistical house of mirrors, students of postcommunism enjoy the advantages of the era in which they live. Postcommunist states seeking to gain favor with international financial institutions, the United Nations, and powerful Western governments now regularly issue financial, economic, and political data and permit

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verification of the data by outside observers. We are able to use the data to draw comparisons for the entire universe of postcommunist cases and make inferences about the same kinds of questions that have occupied the minds of East Europeanists for almost a century. What we do not do in this article is to question the data more deeply in order to see whether they measure the kinds of things that should be measured. The advantage of such a study, however, is that it may provide us with clues as to which cases are really worth delving into in more detail, which ones are the outliers that need to be explained, and which of them may provide useful lessons to social scientists. We turn briefly to these cases below.

The dependent variables in this article are the variety of postcommunist political and economic outcomes, defined as more or less democratic and more or less reformed, respectively. To establish a range of measurable values for political and economic success, we utilize a range of scores in the Polity IV data set, the World Development Report, and the CIA factbook, and we use the Economic Freedom measures from Dow Jones and the Heritage Foundation.

COMPETING EXPLANATIONS

The literature on the diverging trajectories of postcommunist states and economies is dominated by variations on a single theme: temporal path dependence.\(^3\) One finds, however, various kinds of path-dependent explanations. Institutional path dependence stresses the consequences of initial institutional choices. In particular, Linz and Stepan maintain that while parliamentary systems tend to produce stable and consensus-driven democracies, presidential systems produce unstable, conflict-driven, and semiauthoritarian democracies.\(^4\) And a number of scholars have advanced a related proposition about the creation of market economies. The logic runs as follows: countries that quickly adopted secure property rights and independent central banks, liberalized their prices and tariffs, privatized their state-owned property, and balanced their budgets succeeded in laying the path to rapid market-oriented growth.\(^5\) By contrast,

\(^3\) In the literature on the subject path dependence implies two elements: multiple possible equilibria and critical junctures forestalling certain paths of development due to increasing returns and sunk costs.


countries that delayed this process, for whatever reason, allowed rent seekers and oligarchs to entrench themselves in power and resist further reform. The result was a stable, if bad, equilibrium of a semireformed, semicommmunist economy.

The utility of the path-dependency literature lies in its account of why countries that are successful democratic reformers and those that are successful marketizers seem to be one and the same. Genuine democracy permits the distributional beneficiaries of the old system (the rent seekers) to be removed from power. By contrast, semiauthoritarian democracy, as in Russia, benefited the rent seekers, who could use existing institutions to ensure the continuity of their power.

The problem with this literature is that, on the whole, it does not include within its theoretical ambit an explanation for why some countries could choose the right policies and institutions and why others could not. As useful as it is, therefore, it calls out for a deeper causal analysis. Two scholars in particular, Steven Fish and Herbert Kitschelt, have put forward well thought out temporal path-dependent explanations for variation in political and economic outcomes. In a multivariate statistical study of economic reforms using the universe of postcommunist cases, Fish has convincingly argued that the crucial variable in explaining good versus bad equilibria is the outcome of the first postcommunist elections. This critical-juncture theory maintains that the quick displacement of communists or their successor parties permitted rapid reform and staved off a return to power of rent-seeking coalitions. When pitted against competing explanations such as religious traditions, institutional choice, and preexisting levels of economic development in a multivariate equation, the inaugural elections come up as the only statistically significant explanation. Again, the logic here is one of temporal path dependence, leaving one inevitably to ask why the noncommunists won more decisively in some countries than in others.

Kitschelt asks a different but related question: why have some countries managed to lock in high levels of political and civic freedoms while others lag behind? In accounting for the variation in postcommunist political regimes, Kitschelt begins by criticizing, on various statistical and methodological grounds, what he calls the "tournament of

7 Kitschelt, "Accounting for Outcomes of Post-Communist Regime Change: Causal Depth or Shalowness in Rival Explanations?" (Paper presented at the annual meeting of the American Political Science Association, Atlanta, 1999).
variables” of the sort engaged in by Fish. Kitschelt’s most important point is that the different variables at work in Fish’s argument reside at different conceptual distances from what they are trying to explain. Such a research design accords the variables most “proximate” to the outcome the better chance of being the winner in the “tournament” and therefore biased the test from the outset. Kitschelt argues that this objection suggests the need for “deeper” explanations and that there is no justification for privileging more proximate or “shallow” explanations in a statistical tournament. His alternative is a series of causal chains (backed up with a series of bivariate correlations) that link one set of more general or deeper explanations to more proximate ones. Ultimately, however, Kitschelt’s explanation too is temporally path dependent (he argues specifically against spatial dependence)—the key variable being the precommunist and communist legacies of bureaucratic rectitude. States with a precommunist tradition of the rule of law (Czechoslovakia and the GDR) carried this tradition into the communist period, and thus in the postcommunist era they had a better chance of setting up liberal states that could respect and defend all kinds of rights. The critical juncture in Kitschelt’s scheme is therefore much more distant from the outcomes he is trying to explain. Although he never provides us with a causal mechanism by which these continuities are sustained through a century of turmoil, and two, three, or even four different political regimes, he has taken the causal chain one step backward (at least) in time. In his case the critical juncture is the timing of precommunist bureaucratic and civic development.

As in the case of Fish’s work, in general we find Kitschelt’s paper convincing. It may be worth considering, however, whether paths of continuity may be established not only over time but also over space. That is, in searching for the ligatures of continuity, we argue that it is also worthwhile to explore the connections not only between generations within the same state but also in the contact among people and institutional actors in different states. It is here that the explanations that stress the spatial diffusion of norms, lines of communication, resources, and institutions have something to offer in a causal explana-

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8 Not all path-dependent explanations are the same, nor do they all go back as far in the past. Whereas Kitschelt’s legacies reflect state traditions of bureaucratic rectitude that go back into the nineteenth century, a discussion by Grzegorz Ekiert considers more recent developments, especially the development of civil society and reform communism in the 1970s and 1980s. The problem with this latter legacies explanation, as Ekiert repeatedly acknowledges, is that a major “winner” of postcommunism, the Czech Republic, had little civic development in the 1980s and no experience with reform communism. See Ekiert, “Do Legacies Matter? Patterns of Postcommunist Transitions in Eastern Europe” (Paper presented at the conference on Eastern Europe Ten Years after Communism, Harvard University, Cambridge, 1999).
tion of postcommunist outcomes. Whereas Kitschelt is quick to discount the merits of spatial explanations, we believe that cross-border interactions, the flow of ideas and resources, and the openness of states are important factors for explaining postcommunist reform. We also contend that there is empirical evidence for evaluating these effects.

The main theoretical implication of this article is that the spatial location of a country can and should be considered an important contextual dimension that profoundly changes the nature of postcommunist dilemmas across the region and provides powerful constraints that shape the choices available to transforming elites. This is an important alternative position to the temporally based sociopolitical causality that dominates the literature on postcommunism. As we shall see, temporal and spatial patterns interact in complex ways, producing contextual constraints that are unequally distributed across the postcommunist world. Time and space therefore cannot be theoretically truncated and separated or altogether ignored.

**Research Design**

In the following section we first engage briefly in a small “tournament of variables” of the type criticized by Kitschelt, testing statistically the types of variables put forward by Fish and Kitschelt against spatial measures. We do so not to refute alternative, temporally based approaches (indeed, as we shall see, all come up as statistically significant) but rather to demonstrate the validity of the proposition that spatial context has an independent effect on political and economic outcomes and deserves further investigation. We therefore set up a geographical distance variable against an initial elections variable (as in Fish’s study) and a bureaucratic rectitude variable (as a proxy for precommunist and communist legacies of the type of independent variable advanced by Kitschelt) as competing explanations for both economic reform and political democracy. What we find, however, is that even though it “works” statistically, conceiving of spatial context simply in terms of distance from the West does not do justice to the concept of spatial dependence. Distance is not the only way, or even the best way, of getting at geographic effects. All that distance can tell us is that factors moving over space matter. In Section III, therefore, we develop and deploy a much more complex measure of the spatial effects of neighbors. We attempt to show where the most likely channels of spatial diffusion have developed, which states are exercising the greatest impact on their neighbors, and which states are resisting the effects of their external en-
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environment. Section IV illustrates the relationships at work through case studies of Hungary, Slovakia, and Kyrgyzstan.

II. THE CRUDE MODEL: DISTANCE FROM THE WEST

As a starting point for the empirical examination of postcommunist reform, we consider the relative importance of initial elections, bureaucratic rectitude, and spatial factors to economic and political levels. There are two objectives to this first model. First, we intend to demonstrate that geographic factors have a viable influence on political and economic reform above and beyond what is accounted for by path-dependent explanations. The goal, then, is to determine whether spatial issues deserve further investigation as determinants of state behavior. Including all three variables in the model not only reveals the relative importance of each but also indicates the independent effect. So although the result is a tournament of variables, this model is useful for gauging the effect of distance when controlling for path-dependent factors.

A second concern of these initial tests is the temporal realm. We use a pooled cross-sectional time-series model to examine how these factors relate to discrete changes over time. In Fish's and Kitschelt's work on this topic, as well as in an earlier review of Fish's study, single-year results were examined. Although their studies provide a snapshot of postcommunist reforms, they do not consider the process of change. The results of these studies are also unreliable because of the small number of cases analyzed. To capture the ongoing reform process our model analyzes economic data for a five-year period (1995–99) and political data for a six-year period (1993–98).

Political reform is evaluated using the Polity IV data. We chose the democracy measure from this data set for two reasons. First, it is con-

9 Although Fish does not maintain that his initial elections are crucial in determining political (as opposed to economic) outcomes, following Kitschelt, we believe that there is a strong enough logic here to warrant including them in the model. Similarly, although Kitschelt's legacies are meant primarily to explain political outcomes, the logic of their influencing economic reforms is strong enough to warrant their inclusion in the economics model, too. In fact, they remain the primary determinants of outcomes in all of his work on postcommunism. See Herbert Kitschelt et al., Post-Communist Party Systems: Competition, Representation, and Inter-Party Cooperation (Cambridge: Cambridge University Press, 1999), 19–41.


11 For a detailed explanation of the scoring criteria, see Keith Jaggers and Ted R. Gurr, "Tracking Democracy's Third Wave with the Polity III Data," Journal of Peace Research 32, no. 2 (1995). We calculate a "democracy minus autocracy" score from the democracy and autocracy measures. This practice follows earlier research on democratization.
ceptually relevant for our study. The democracy and autocracy scores are aggregated from a variety of authority measures that take account of participation, liberties, and competition. These scores also incorporate institutional constraints and regulations pertinent to the determination of political reform. By contrast, Freedom House's Political Rights and Civil Liberties scores reflect a more narrow conception of political reform. Second, Polity IV discloses more indications of change than do other indicators of democracy. The calculated "Democracy minus Autocracy" score produces a twenty-one-point scale of political level. When Freedom House's scores are combined, a fourteen-point scale results. This is important because the identification of slight changes in the institutions, practices, and policies of postcommunist governments is crucial for understanding the process of reform.

For the measure of economic reform we chose the Index of Economic Freedom. Not only does it provide data from 1995 to the present, but it also scores countries on ten economic factors: trade policy, taxation, government intervention in the economy, monetary policy, capital flows and foreign investment, banking, wage and price controls, property rights, regulation, and black market. Political and economic scores for all postcommunist states are listed in Table 1, sorted by distance from the West.

In terms of independent variables, we chose three basic indicators of the aforementioned causal explanations. To evaluate the "first election" hypothesis we employ Fish's 1990 election scores. This variable scores countries on a 1-5 scale based on the results of their initial elections; scores are aggregated on the basis of who won, whether the results persisted, and whether the elections were competitive and complete. To investigate bureaucratic rectitude, we create a composite score of government corruption based on the Economic Freedom measures of property rights, government intervention, and black market. We chose this in-

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14 The matter of missing data for all variables was addressed using one of two methods. If country data revealed a pattern of consistent change (uniform increases or decreases), the prior year's numbers were used for missing years. If country data revealed no clear, uniform pattern, the mean score of all available country data was used. Missing data pose a particular problem for spatial analysis where geographic factors are investigated using a proximity matrix. In these instances, analysis cannot be performed if any data are missing.

15 Fish (fn. 6).

16 The measure of property rights is based on the following criteria: freedom from government influence over the judicial system, commercial code defining contracts, sanctioning of foreign arbitration
### Table 1: Political and Economic Reform Scores

<table>
<thead>
<tr>
<th>Distance from the West</th>
<th>Political Reform Score, 1998</th>
<th>Economic Freedom Score, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>35–500 miles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>8</td>
<td>3.05</td>
</tr>
<tr>
<td>Hungary</td>
<td>10</td>
<td>2.90</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10</td>
<td>2.05</td>
</tr>
<tr>
<td>Croatia</td>
<td>-1</td>
<td>3.65</td>
</tr>
<tr>
<td>Slovenia</td>
<td>10</td>
<td>3.10</td>
</tr>
<tr>
<td>Bosnia-Herzegovina</td>
<td>1</td>
<td>4.80</td>
</tr>
<tr>
<td>Poland</td>
<td>9</td>
<td>2.95</td>
</tr>
<tr>
<td>Macedonia</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>501–1000 miles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>6</td>
<td>3.85</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>8</td>
<td>3.45</td>
</tr>
<tr>
<td>Lithuania</td>
<td>10</td>
<td>3.00</td>
</tr>
<tr>
<td>Latvia</td>
<td>8</td>
<td>2.85</td>
</tr>
<tr>
<td>Romania</td>
<td>8</td>
<td>3.30</td>
</tr>
<tr>
<td>Moldova</td>
<td>7</td>
<td>3.35</td>
</tr>
<tr>
<td>Belarus</td>
<td>-7</td>
<td>4.15</td>
</tr>
<tr>
<td>Estonia</td>
<td>8</td>
<td>2.15</td>
</tr>
<tr>
<td>Ukraine</td>
<td>7</td>
<td>3.80</td>
</tr>
<tr>
<td>1001–1500 miles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>4</td>
<td>3.45</td>
</tr>
<tr>
<td>Georgia</td>
<td>5</td>
<td>3.65</td>
</tr>
<tr>
<td>Armenia</td>
<td>6</td>
<td>3.45</td>
</tr>
<tr>
<td>1501–4080 miles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>-6</td>
<td>4.30</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>-9</td>
<td>4.45</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>-9</td>
<td>4.40</td>
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<tr>
<td>Tajikistan</td>
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<td>4.40</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2</td>
<td>4.00</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-3</td>
<td>4.05</td>
</tr>
<tr>
<td>Mongolia</td>
<td>9</td>
<td>3.20</td>
</tr>
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</table>

of contract disputes, government expropriation of property, corruption within the judiciary, delays in receiving judicial decisions, and legally granted and protected private property. Regulation and intervention are a function of licensing requirements to operate a business; ease of obtaining a business license; extent of corruption within the bureaucracy labor regulations; environmental and consumer safety and worker health regulations; and regulations that impose a burden on business. The black market score is defined in terms of smuggling; piracy of intellectual property in the black market; and agricultural production, manufacturing, services, transportation, and labor supplied on the black market. Johnson, Holmes, and Kirkpatrick (fn. 13), 64–67.
Table 2

**Effect of Independent Variables on Political Level**

(1993–98)

| Variable                | Coefficient | Std. Error | z     | P>|z|  |
|-------------------------|-------------|------------|-------|-------|
| 1990 elections          | .965        | .597       | 1.616 | 0.11  |
| Bureaucratic rectitude  | -.799       | .486       | -1.645*| 0.10  |
| Distance from West      | -.002       | .001       | -1.933**| 0.05  |
| Constant                | 11.469      | 6.327      | 1.813*| 0.07  |

N = 145

*p <= .1; ** p <= .05

dicator over Kitschelt’s own score because our corruption indicators vary over time; we believe this measure provides a more robust tally of the issues Kitschelt describes in his account of bureaucratic legacies. The final variable measures the distance in miles between postcommunist country capitals and Vienna or Berlin, whichever is closer. These cities are chosen as important economic and cultural referents for the countries of the former communist world.17

Table 2 lists the results of regressing political level on the three independent variables in a pooled cross-sectional time series running from 1993 to 1998, yielding 145 cases.18 The statistics indicate that the farther away a country is from the West, the less likely it is to be democratic. Although not as significant, the relationship between bureaucratic rectitude and democracy is also empirically validated. Lower levels of corruption within the government are correlated with higher levels of democracy. The relationship between the initial elections and political level is not supported, however.

The substantive effect of this relationship can be described as follows: For a country that made a clean break from communism in the 1990 elections and that has an average bureaucratic rectitude score, we

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17 One alternative to this coding would simply be to substitute “distance from Brussels” as the independent variable. This choice is justifiable on conceptual grounds, since joining the EU and NATO remain important goals for most postcommunist states. Substituting Brussels does not alter the statistical results substantively. Jeffrey Sachs has recently turned to a distance variable in his explanation of postcommunist outcomes. Sachs, “Geography and Economic Transition” (Manuscript, Harvard University, Center for International Development, November 1997); idem, “Eastern Europe Reforms: Why the Outcomes Differed So Sharply,” Boston Globe, September 19, 1999.

18 Analysis producing the results in Tables 2–4 performed on Intercooled Stata ver. 6.0 using the *xtreg* function. This command estimates cross-sectional time-series regression models. We employed a population-averaged model to produce a generalized estimating equation that weights the countries by their available data. Standard errors are semirobust and adjusted for clustering around countries. OLS assumptions are relaxed for pooled data, in other words, so that multiple observations for each country are not assumed to be independent of one another.
Table 3

Effect of Independent Variables on Levels of Economic Freedom (1999)

| Variable            | Coefficient | Std. Error | z    | P>|z| |
|---------------------|-------------|------------|------|------|
| 1990 elections      | -.203       | .047       | -4.302** | 0.000 |
| Corruption          | .056        | .036       | 1.533 | 0.125 |
| Distance from West  | .0002       | .00007     | 2.616** | 0.009 |
| Constant            | 3.674       | .249       | 14.735** | 0.000 |

N = 24

** p ≤ .05

can predict that if it borders the West it should have a political score of 7.1. That score for a country with the same election results and bureaucratic rectitude score but located five hundred miles from the West should decrease to 6.1. The same circumstances for a country one thousand miles from the West should result in a score of 5.1, and so forth. Distance matters, then, especially in a region where capital cities are located anywhere from 35 miles (Slovak Republic) to 3,965 miles (Mongolia) from the nearest Western city.

On the issue of levels of economic reform (Table 3) we find that once again distance from the West is statistically significant, even when controlling for corruption and initial elections. In contrast to the political results, however, distance from the West is not a substantively significant influence on economic reform. This model predicts, in other words, that moving away from the western border of postcommunist states results in a trivial change in the overall economic reform score. Note that our results in Table 3 are based on a small number of cases (N = 24); we have replaced bureaucratic rectitude with Kitschelt's "corruption" variable in order to reduce multicollinearity, as well as to address the issue of economic reform more directly. This adjustment requires that we examine a single year (1999) rather than a pooled time series. In this model the results of the initial election provide an additional significant variable—the more definitive the break from communist rule, the more likely a state is to have an economy free from government control.

19 Because the factors from which the bureaucratic rectitude score is constituted are also components of the overall Economic Freedom score, we could not include the bureaucratic rectitude measure as an explanation for Economic Freedom. Kitschelt's corruption score correlates with our bureaucratic rectitude score at .8669, so it is an adequate substitute.

20 Kitschelt's bureaucratic rectitude scores are measured for a single year, rendering a time-series model irrelevant.
So how do we interpret these findings? Our intent is not to prove that path dependence is irrelevant to political and economic reform. It is obvious from an examination of the raw scores of economic and political reforms in the former Soviet Union (see Table 1) that there are countries that do not conform to the distance explanation. Belarus, Croatia, and Mongolia stand out in particular as outliers in the Western proximity model; from these cases alone we can see that a more elaborate account is required for explaining postcommunist reforms. Nonetheless, our findings appear to support our contention that geography has been underspecified in the research on postcommunist states. Our goal is to demonstrate that cultural models of “Leninist legacies” and bureaucratic rectitude, as well as the broader historical context, are themselves spatially bound. If we think of their effects in terms of how they condition behavior across the landscape of the postcommunist states, we can imagine them generating channels of communication that facilitate diffusion. It may be the case that spatial factors not only affect the reform process but that they also are instrumental in the choices that leaders make historically. In other words, we may find not only that geography influences the process of reform but also that it helps to account for the developmental paths and critical junctures themselves.

Before we take this leap, however, we must first disaggregate the concept of space. Diffusion, after all, is a complex process that involves information flows, networks of communication, hierarchies of influence, and receptivity to change. To attribute all of this to a simple indicator of distance from the West is simply too vague to be useful. In order to begin to disentangle these plausible causes, we need to disaggregate and reformulate the way we understand spatial influence itself.

III. Diffusion: Stocks and Flows

One way of establishing which factors may be moving over space and thus distinguishing specific spatial effects from those of mere distance is to hypothesize, on the one hand, a relationship between a country’s external environment and openness to outside influences and, on the other hand, its political and economic performance. In spatial analysis the objective is to identify the patterns that emerge from interactions and then make sense of them.

21 Even if the coding of Croatia is changed to reflect recent political developments, the relationship between distance and outcomes is significantly diluted by Belarus’s and Mongolia’s outlier status.
The geographic pattern of success and failure in the postcommunist world is surprisingly strong even when controlling for cultural legacies and institutional choice. It suggests a relationship between successful transformation and the spatial diffusion of resources, values, and institutions. At the core of any diffusion explanation of politics and economics, therefore, there is a relationship between stocks and flows, on the one hand, and discrete political and economic outcomes, on the other. Stocks represent the assets, liabilities, or general qualities of a given unit, in this case a given postcommunist country. These qualities may be physical, political, economic, or cultural, and they may be either helpful or harmful to democracy and economic development. Among these qualities are the environmental and structural conditions that shape the alternatives available to decision makers. In a diffusion model the stock of a country can be represented by its external environment, whereas flows represent the movement of information and resources between countries. Even if a country has a certain spatial stock, choice or circumstance may make it more or less open to flows of goods and information from the outside world.

Diffusion is difficult to disaggregate from other processes of change because it encompasses a variety of qualifying factors. As Strang and Soule note: “Diffusion arguments . . . verge on the one hand toward models of individual choice, since diffusion models often treat the adopter as a reflective decision maker. They verge on the other hand toward a broader class of contextual and environmental processes, where conditions outside the actor shape behavior.”22 For the purposes of this study we posit a given country’s spatial stock to be who its neighbors are. This is best indicated by the Polity IV democracy scores and the Economic Reform scores of the countries geographically contiguous with it. Such a definition has its obvious limits, especially when one considers the different sizes and geographical contours of the units under investigation, but it does provide a convenient and comparable way of summing up the stock of a country’s external political and economic environment.

Flows, for their part, are best represented by examining both the actual movement of resources and people between countries and the potential for this flow. These tend to reflect the choices made by the relevant actors—in our case the willingness and capacity of states to interact within their larger environment. The diffusion process, in other

words, is in large part a function of how open and interactive states are. Accordingly, states that interact extensively are likely to exhibit similar political and economic behavior.\textsuperscript{23} Although the units most likely to interact are those closest to one another,\textsuperscript{24} social patterns do not always follow this logic. States may choose to ignore the behavior of their neighbors, erecting barriers to resist surrounding change.\textsuperscript{25} In addition, states may attempt to promote their agendas to specific countries beyond their neighbors. By examining flows of resources and information, we can capture these interactions that occur beyond (the stocks of) neighboring states.

To evaluate these flows, one can employ an openness criterion such as Brams uses in his research. But whereas his operationalization of "relative acceptance" is based exclusively on elite transactions,\textsuperscript{26} the objective here is to devise a measure that reflects receptivity of both the public and the elite. This is because the process of change in the post-communist states was a hybrid of elite reform and mass mobilization. The measure is also intended to reflect the choices made by state actors. Whereas stocks are representative of the structural conditions within which states operate, flows indicate the willingness and capacity of states and their citizens to behave in particular ways.\textsuperscript{27}

Our measure of openness is a composite score based on indicators that are conceptually linked to the exchange of ideas and associated in prior research studies to processes of diffusion.\textsuperscript{28} The set of six indica-
tors gathered from the *World Development Indicators, 1998*, includes the number of televisions per thousand households; newspaper circulation per thousand people; outgoing international telecommunications, measured in minutes per subscriber; international inbound tourists; total foreign direct investment as a percentage of GDP; and international trade (sum of exports and imports) as a share of GDP, using purchasing power parity conversion factors. Each individual indicator is assigned a score ranging from 1 to 5, based on its raw number. These scores are then aggregated into an overall openness measure, which ranges from a low of 6 to a high of 27, and is intended to reflect the awareness of external ideas within the population and the willingness and capacity of elites to permit their exchange. The period of coverage (1991–96) begins with the early years of democratization efforts and includes a sufficient period of time for postcommunist countries to develop exchanges and establish patterns of interaction.

The results of regressing the openness measure on political and economic reforms are displayed in Table 4. These results reveal a significant and substantive effect of openness on both political and economic reforms. And they show that a country with the highest level of openness would be likely to have an economic reform score of 2.35 (a medium-high level of reform), while a country with the lowest should have a score of 4.36 (a very low level of reform). For political level, the lowest level of openness corresponds with a democracy score of 1.3 (an
TABLE 4

EFFECT OF OPENNESS ON POLITICAL AND ECONOMIC REFORMS

| Variable          | Coefficient | Std. Error | z     | P>|z| |
|-------------------|-------------|------------|-------|------|
| Political level   |             |            |       |      |
| Openness          | .268        | .111       | 2.410** | 0.016|
| Constant          | -.324       | 1.950      | -0.166| 0.868|
| N = 162           |             |            |       |      |
| Economic freedom  |             |            |       |      |
| Openness          | -.096       | .015       | -6.365** | 0.000|
| Constant          | 4.940       | .208       | 23.764** | 0.000|
| N = 98            |             |            |       |      |

** p ≤ .05

and the highest with a democracy score of 6.9 (full-fledged democracy). In short, it appears that the effect of a state’s receptivity and openness to external ideas and resources is an important factor in both political change and economic reform.

NEIGHBOR EFFECTS: SPATIAL DEPENDENCE

We have established a relationship between a country’s openness to outside influences and its political and economic performance. To what extent does a country’s locational stock determine its performance? Do neighboring states affect a country’s democratic and economic freedoms? Do domestic conditions of openness and awareness affect the process of diffusion? What is the independent influence of these two factors? Are there particularly influential states or blocs of states that encourage or discourage liberalization and marketization? In attempting to answer these questions in this section, we seek to integrate domestic factors and international influences.

We draw upon methods from research in political geography, where the central expectation of research is that the conventional explanations of domestic political change are often inadequate. Geographers argue that place-specific factors must be included in these models in order to uncover the dynamics of political and economic change.31 And in our case, this would suggest that where a state is located can influence the extent to which that state is dependent upon its path of prior circumstances.

The concept of spatial dependence is central to geographic research. It is often termed the "friends and neighbors effect" on the assumption that "behavior in a place is related, in part, to conditions in neighboring places."\textsuperscript{32} Because of this association, patterns of diffusion can be identified where there is spatial dependence, or clustering.

A first step in disaggregating the concept of space is to create a more sophisticated measure—one that would operationalize spatial context differently. To this end we have created new variables that measure the economic and political levels of a state's physically contiguous neighbors. The logic behind the relevance of a neighbor's performance to a given state's economic and political performance is straightforward. If we believe that geographical proximity to the West may help a country or that geographical isolation in the East (or proximity to other, non-democratic, weakly marketized or authoritarian states) may hurt a country, then it makes sense to say that a state will be influenced by its neighbors wherever it is located. These measures are intended to establish similarities and differences between economic and political choices and developments of states. We expect that the extent of similarity between states partially represents the contextual factors that are associated with geography.

In order to analyze the postcommunist states in the context of their surroundings, we look at the scores for these states and for their neighbors. Because we want to identify which neighbors influence each other, our population of cases includes the postcommunist states as well as the countries immediately bordering them. It is certainly the case that countries outside of the formerly communist world are promoting democracy and open markets, but whether these countries are actually affecting the reform processes is an empirical question. Accordingly, the following tests relate to forty-one countries, twenty-seven of which are postcommunist states.

The results shown in Tables 5 and 6 reveal the extent to which neighbors influence democratization and marketization. In the same manner that a temporal lag measures the extent to which a state's characteristics are a function of its past, we use a spatial lag to determine how dependent states are upon their neighbors. We regress democracy and political levels on a state's neighbor scores in order to evaluate the proposition that ideas are most likely to be shared among states in close contact. Given that geographical proximity is one determinant of interaction, the extent to which states are influenced by their neighbors can

\textsuperscript{32} O'Loughlin, Flint, and Anselin (fn. 31), 359.
TABLE 5
NEIGHBOR EFFECTS AND POLITICAL LEVEL

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>S.D.</th>
<th>t-value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy, 1998</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.680</td>
<td>.205</td>
<td>3.313**</td>
<td>0.002</td>
</tr>
<tr>
<td>Openness</td>
<td>.469</td>
<td>.208</td>
<td>2.258**</td>
<td>0.030</td>
</tr>
<tr>
<td>Constant</td>
<td>-5.149</td>
<td>2.817</td>
<td>-1.828*</td>
<td>0.075</td>
</tr>
<tr>
<td>r² = .501</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democracy, 1996</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.546</td>
<td>.216</td>
<td>2.531**</td>
<td>0.016</td>
</tr>
<tr>
<td>Openness</td>
<td>.754</td>
<td>.256</td>
<td>2.945**</td>
<td>0.005</td>
</tr>
<tr>
<td>Constant</td>
<td>-8.555</td>
<td>3.239</td>
<td>-2.641**</td>
<td>0.012</td>
</tr>
<tr>
<td>r² = .555</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democracy, 1994</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.794</td>
<td>.194</td>
<td>4.091**</td>
<td>0.000</td>
</tr>
<tr>
<td>Openness</td>
<td>.486</td>
<td>.214</td>
<td>2.273**</td>
<td>0.029</td>
</tr>
<tr>
<td>Constant</td>
<td>-4.839</td>
<td>2.467</td>
<td>-1.961*</td>
<td>0.057</td>
</tr>
<tr>
<td>r² = .595</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N = 41

* p ≤ .1; ** p ≤ .05; analysis performed using spacestat

be addressed through the use of spatial lags. In addition, we include the openness score for each state to assess its importance, independent of neighbor effects.

The results suggest that both neighbors and openness are strong determinants of political and economic behavior. These variables are consistently and robustly related to political levels in 1994, 1996, and 1998, as well as to economic freedom scores in 1995, 1997, and 1999. Equally important to our argument is the fact that both variables—openness and neighbors—are statistically significant when controlling for the other. This suggests that internal conditions as well as the external environment have played an important role in the reform process of the postcommunist states. It also suggests that spatial proximity permits a more extensive level of diffusion, which, in turn, exercises a strong and independent effect on political and economic outcomes. Alternatively, we can think of this result as revealing the importance of both stocks (neighbors) and flows (openness) for the process of diffusion in the postcommunist world.

Spatial dependence involves more than neighbor effects, however. As stated above, the types of patterns that we expect to see include the ex-
Table 6
NEIGHBOR EFFECTS AND ECONOMIC FREEDOM

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>S.D.</th>
<th>t-value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic reform, 1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.707</td>
<td>.190</td>
<td>3.714**</td>
<td>0.000</td>
</tr>
<tr>
<td>Openness</td>
<td>-0.100</td>
<td>.025</td>
<td>-3.954**</td>
<td>0.000</td>
</tr>
<tr>
<td>Constant</td>
<td>2.278</td>
<td>.899</td>
<td>2.533**</td>
<td>0.016</td>
</tr>
<tr>
<td>$r^2 = .685$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic reform, 1997</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.180</td>
<td>.226</td>
<td>.797</td>
<td>0.430</td>
</tr>
<tr>
<td>Openness</td>
<td>-0.155</td>
<td>.030</td>
<td>-5.171**</td>
<td>0.000</td>
</tr>
<tr>
<td>Constant</td>
<td>4.901</td>
<td>1.111</td>
<td>4.409**</td>
<td>0.000</td>
</tr>
<tr>
<td>$r^2 = .580$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic reform, 1995</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spatial lag</td>
<td>.835</td>
<td>.205</td>
<td>4.066**</td>
<td>0.000</td>
</tr>
<tr>
<td>Openness</td>
<td>-.078</td>
<td>.022</td>
<td>-3.462**</td>
<td>0.001</td>
</tr>
<tr>
<td>Constant</td>
<td>1.650</td>
<td>.922</td>
<td>1.791*</td>
<td>0.081</td>
</tr>
<tr>
<td>$r^2 = .649$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N = 41

* p≤.1; ** p≤.05 analysis performed using spacestat

tent to which openness, receptivity, and influence matter for processes of reform. To assess the extent of this spatial dependence, we rely on two additional spatial statistics. The first is the Moran's I, a measure of the spatial pattern for the entire population of cases under investigation. This statistic will indicate the clustering of similar values of political and economic reform, as well as their significance level. It reveals whether the reforms of postcommunist states are randomly distributed across space or subject to identifiable patterns. Second, we employ a localized measure of spatial association. The G* statistic, like the Moran's I, gives an indication of clustering. The difference between the two is that the G* measure addresses the extent of clustering around each particular state, rather than the overall level of clustering within the system. It is useful for assessing both the extent to which each state influences those around it and the extent to which states resist external influences.

The Moran's I scores indicate whether bordering states are the most similar in terms of the variables tested; they are reported in Table 7.

34 G* statistics and other local indicators of spatial association are explained in Anselin (fn. 33).
The strength and uniformity of positive spatial autocorrelation reveals that in fact there is significant clustering for all three years tested and for all three measures of political level, economic freedom score, and openness. This indicates that there is a substantial spatial component to these variables that warrants investigation.

Finally, we address the importance of receptivity and influence to reform. Using the $G^*_i$ statistic, we seek to identify which states promote change and which resist it. In Figure 1 and Table 8 we see that thirteen of the forty-one countries are significantly associated with their neighbors. Nine are negatively associated, or grouped at the low end of the spectrum of political scores, and four are positively correlated around high levels of democracy. Clustering among high similar scores is apparent along the border between Western and Eastern Europe, where Austria, Germany, Slovakia, and the Czech Republic display the highest scores. Low-score groupings can be seen to the east of the Caspian Sea, with Uzbekistan, Turkmenistan, and Afghanistan displaying particularly significant scores. One can think of these scores as suggesting the substantial influence of these states on their neighbors. This can be conceptualized in the West in terms of democratic promotion and in Central Asia in terms of a regional trend toward autocratization.
The middle category, denoted by medium gray, represents those states that resist the influences of their neighbors. We see subregions of resistance within the Caucasus—the territory between the Black, Azov, and Caspian Seas, bordering on Turkey and Iran in the south—as well as in the former Yugoslavia. Interestingly, these are two areas of violent conflict. It stands to reason that states in the midst of such turmoil are less likely to be receptive to the diffusion of ideas and more concerned with the outcome of their disputes. Accordingly, these states reject the influences of surrounding countries and focus on their domestic issues.

A second set of middle-level countries—Russia, Turkey, and Mongolia—are not clustered. These states appear instead as the remnant cores of formerly imperial powers that are especially impervious to outside influences. They are now insignificant statistically speaking, but given the right circumstances they have the potential to be key power centers once again.\(^35\) A second way of thinking about these states is via the shatterbelt literature, which describes these as countries caught be-

\[
\begin{array}{llllll}
\hline
\text{Afghanistan} & -4.051^{**} & 0.000 & -2.877^{**} & 0.004 \\
\text{Albania} & 0.250 & 0.803 & -0.390 & 0.697 \\
\text{Armenia} & -0.870 & 0.385 & -1.381 & 0.167 \\
\text{Austria} & 2.425^{**} & 0.015 & 2.800^{**} & 0.005 \\
\text{Azerbaijan} & -0.801 & 0.423 & -1.137 & 0.255 \\
\text{Belarus} & 0.474 & 0.635 & -0.143 & 0.886 \\
\text{Bosnia} & -1.538 & 0.124 & -1.784^{*} & 0.075 \\
\text{Bulgaria} & 0.856 & 0.391 & 0.453 & 0.650 \\
\text{China} & -2.525^{**} & 0.012 & -2.313^{**} & 0.021 \\
\text{Croatia} & -0.388 & 0.698 & -1.113 & 0.266 \\
\text{Czech Republic} & 1.884^{*} & 0.060 & 2.377^{**} & 0.018 \\
\text{Estonia} & 0.711 & 0.477 & 1.252 & 0.211 \\
\text{Finland} & 1.057 & 0.291 & 1.657^{*} & 0.010 \\
\text{Georgia} & -0.181 & 0.856 & -0.308 & 0.758 \\
\text{Germany} & 1.768^{*} & 0.077 & 2.452^{**} & 0.014 \\
\text{Greece} & 1.471 & 0.141 & 0.068 & 0.946 \\
\text{Hungary} & 0.829 & 0.407 & 0.347 & 0.729 \\
\text{Iran} & -2.394^{**} & 0.017 & -1.883^{*} & 0.060 \\
\text{Italy} & 1.576 & 0.115 & 1.927^{*} & 0.054 \\
\text{Japan} & 0.643 & 0.520 & 1.281 & 0.200 \\
\text{Kazakhstan} & -2.904^{**} & 0.008 & -1.634 & 0.102 \\
\text{Korea, North} & -2.057^{**} & 0.040 & -1.446 & 0.148 \\
\text{Kyrgyzstan} & -2.660^{**} & 0.008 & -1.918^{*} & 0.055 \\
\text{Latvia} & 0.232 & 0.817 & 0.766 & 0.444 \\
\text{Lithuania} & 0.301 & 0.764 & 0.229 & 0.819 \\
\text{Macedonia} & 0.507 & 0.612 & -0.200 & 0.841 \\
\text{Moldova} & 0.884 & 0.377 & -0.091 & 0.923 \\
\text{Mongolia} & -0.500 & 0.617 & -0.097 & 0.923 \\
\text{Norway} & 1.057 & 0.291 & 1.657^{*} & 0.098 \\
\text{Poland} & 1.113 & 0.266 & 1.012 & 0.312 \\
\text{Romania} & 0.665 & 0.506 & 0.106 & 0.916 \\
\text{Russia} & 0.057 & 0.955 & 0.518 & 0.605 \\
\text{Serbia} & 0.204 & 0.839 & -1.116 & 0.265 \\
\text{Slovakia} & 1.940^{*} & 0.052 & 1.348 & 0.178 \\
\text{Slovenia} & 1.333 & 0.182 & 1.303 & 0.193 \\
\text{Tajikistan} & -2.935^{**} & 0.003 & -2.187^{**} & 0.029 \\
\text{Turkey} & -0.149 & 0.882 & -0.935 & 0.350 \\
\text{Turkmenistan} & -3.692^{**} & 0.000 & -2.724^{**} & 0.007 \\
\text{Ukraine} & 0.829 & 0.407 & 0.125 & 0.900 \\
\text{United States} & 0.643 & 0.520 & 1.281 & 0.200 \\
\text{Uzbekistan} & -3.286^{**} & 0.001 & -2.380^{**} & 0.017 \\
\end{array}
\]

* \( p \leq .1; \) ** \( p \leq .05; \) analysis performed using spacestat
between competing ideologies, histories, and cultures. Finally, the case of Mongolia is, to date, the true outlier in the postcommunist world, not conforming to the expectations of any extant theory.

Figure 2 shows the $G_1^*$ statistics for economic freedoms. In this instance we see a uniform shift from high positive association in the West to high negative association in the southern portion of the map. Note that the fourteen statistically significant scores (six positive, eight negative; see also Table 8) are located in these two areas, with a large buffer zone of states displaying intermediate scores in between. Economic reforms are promoted from the bordering states of Western Europe—Austria, Germany, and Italy—while economic corruption and government control of the economy is the norm in Iran, Afghanistan, Turkmenistan, Uzbekistan, and China. The diffusion of these competing economic orientations is evident in the map where the middling

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scores fall geographically between these polar opposites—evidenced by the medium gray shading of Eastern and Central Europe. Poland, Slovakia, Latvia and Estonia appear inclined toward the West, while Azerbaijan and Armenia lean toward Central Asia.

This map may provide the clearest visual representation of the sort of effect we seek to demonstrate. It is certainly the case that path dependence and the historical evolution of political and economic choices and values are an important explanation for postcommunist reforms. The evidence presented in both figures suggests, however, that this path dependence is in large part a function of the geopolitical landscape. Cultures certainly shift, and ideas spread across space, but the shortest route between two points is the most likely one for information to travel. The path dependence of political and economic reforms may explain the process of change, but as these figures indicate, location determines the path.

IV. HOW DOES GEOGRAPHY MATTER? EXTERNAL PROMOTERS AND THE CONSTITUTION OF INTERESTS

Put most boldly, our statistical treatment suggests that location matters more than domestic policy itself in determining outcomes, or at least it appears to influence which policies are chosen. If our explanation is correct, then, a country that chooses all the right policies but is poorly located should ultimately not perform well. Conversely, bad policies should be mitigated by good location. Why would this be the case?

In this section we deepen the explanation for how geography might matter. The data analysis of spatial dependence above suggests a purely structuralist story, one in which stocks and flows determine outcomes. Such an explanation stands up to statistical scrutiny and constitutes an important part of the diffusion story. But it is only part of the story. A country’s external environment is the product of more than its spatial stock and its openness to outside influence. It is also strongly affected by the decisions of other states or groups of states. The \( G^* \) statistics, for example, indicate that the countries bordering Western Europe are strongly influenced, in a positive direction, by their Western neighbors. Similarly, states in close proximity to Afghanistan and Iran are

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38 In a similar vein Vladimir Popov has recently argued that policy choices cannot account for variation in the recessions in the postcommunist world between 1990 and 1993. Popov, "Explaining the Magnitude of Transformational Recession" (Manuscript, Department of Economics, Queens University, Canada, 1999).
influenced in a direction that hinders democratic and capitalist development.

One explanation for the effects of spatial context is the impact of external actors on the structure of domestic interests and the policies chosen by elites. We expect, for example, the possibility of EU and NATO membership for the countries of Central Europe bordering on the eastern and northern frontier of “Western Europe” to alter the expected utilities of elites and masses in ways that would not be the case in Eastern Europe and Central Asia. And we hypothesize that the potential for integration into just-in-time delivery systems in regional production chains or the stabilizing effects of probable membership in a larger military alliance have altered the relative expectations for future economic success and political stability. Elites and masses in Central Europe have calculated that economic and political institutions similar to those of the EU will improve the chances that such benefits will actually be realized. We expect the real changes to come about in the region as a result not so much of actual EU or NATO membership as of anticipated membership. These divergent, externally induced incentives are part of what accounts for differences in institutional reform, state behavior, and popular discourse in the countries of postcommunist Europe.

Presumably, one could tell a similar tale in reverse, about the baneful effects of poor location on the structure of interests, institutional reform, state behavior, and political discourse. From our Figure 2, for example, it would seem that proximity to the general crisis zone of Islamic fundamentalism that has engulfed Afghanistan and Tajikistan or to war in the Balkans should subvert even the hardiest of domestic political reformers and ardent marketizers.

We turn now to a brief examination of the cases in order to get at this logic and begin to disentangle the causal connections between spatial context, domestic processes, and political and economic outcomes. If we sample on the independent variable of location, while at the same time controlling for the rival independent variable of policy and institutional choice, the universe of postcommunist countries can be illus-
<table>
<thead>
<tr>
<th>Location Good</th>
<th>Location Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Policies</td>
<td>Bad Policies</td>
</tr>
<tr>
<td>Hungary, Poland, Czech Republic, Estonia, Slovenia, Lithuania, Latvia</td>
<td>Kyzgyzstan, Moldova, Georgia (1996), Mongolia, Macedonia</td>
</tr>
<tr>
<td>Slovakia, Croatia</td>
<td>Ukraine, Russia, Belarus, Turkmenistan, Kazakhstan, Tajikistan, Azerbaijan, Bulgaria, Armenia, Albania, Romania</td>
</tr>
</tbody>
</table>

**Figure 3**
*Postcommunist Policies and Spatial Advantage/Disadvantage (1999)*

The first quadrant depicts the countries that both are well located and have chosen "good policies." Hungary provides a good example of the trends in this quadrant. As in the cases of Poland and the Czech Republic, the effects of close institutional ties to the EU based on its good location. Slovakia is well located and was initially considered for rapid EU and NATO accession, but in the years after its independence in 1993 it made a series of exceedingly poor political and economic choices, a combination that yields better than expected outcomes. And Kyrgyzstan, by contrast, is poorly located, in close proximity to the authoritarian and semiauthoritarian states of Central and South Asia. In the first years of independence it adopted most, if not all, of the policies and institutions that Western experts and advisers maintained were important for success in the political and economic transition.

**Hungary**

The first quadrant depicts the countries that both are well located and have chosen "good policies." Of course, some countries in this group have restructured their polities and economies more than others. Hungary and Poland, for example, have arguably restructured more than the Czech Republic and Slovenia. In fact, an alternative construction of this figure as a scatter plot could have shown the gradations of variation in location and policy. We have chosen the two-by-two for clarity of presentation.
public, after 1989 Hungary received a significant amount of foreign investment as a result of the publicity of being among the first to exit from communism and its close proximity to Western markets. Quicklv following on these early public relations coups came the possibility of relatively rapid accession to the EU, a possibility formalized when the European Commission drew up a list of the postcommunist countries that would be considered for admission in a “first round.” Since then, during the second half of the 1990s, the flow of domestic political legislation and the shape of domestic discourse have revolved around the issue of accession to the EU. Even accounting for differences over such contentious domestic issues as privatization and social policy, party competition in Hungary, as in Poland and the Czech Republic, has been heavily influenced by the question of which party is more competent to guide the country to early accession. It is all but impossible to understand politics in these countries without considering the effects of the expectation that they could participate in prospective EU enlargement.

The effects have not only been political, but perhaps more importantly they have also been legislative and institutional. As a “tutor and monitor,” the European Commission has helped to usher in a flood of new institutional legislation and organizational reforms, as Hungarian ministries and successive governments have rushed, in competition with other prospective states, to alter their own legislation and institutions to conform with the eighty-eight-thousand-page acquis communautaire with its more than ten thousand directives. EU monitors regularly evaluate Hungary’s progress in institutional change and issue

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42 Wade Jacoby, “Priest and Penitent: The European Union as a Force in the Domestic Politics of Eastern Europe,” East European Constitutional Review 8, no. 1 (1999), 62-67. In March 1998 the EU formalized what was already widely known, that there would be two tiers of accession candidates. The Czech Republic, Poland, Hungary, Estonia, and Slovenia are in the first group for accession, and Bulgaria, Slovakia, Latvia, Lithuania, and Romania are in the second group. Since then, EU officials have alternated between an admit-each-when-it-is-ready and an admit-them-in-groups approach.


44 Jacoby (fn. 42). In Hungary’s June 1999 parliamentary session, for example, 180 laws were passed, 152 of which were not subject to any debate because they were part of the acquis communautaire, see Magyar Nemzet, June 19, 1999. We thank Andrew Janos for providing us with this information.
reports about lacunae in legislation and offer checklists and blueprints to follow.45

The point is not that domestic politics does not matter. Indeed, privatization of state assets and stabilization of the national budget, the establishment of a free press, legislation on national minorities, and social policy reform were strategies common to all postcommunist states. But what the EU has done, especially since the mid-1990s, is to provide the crucial external push that has altered domestic interests in favor of accomplishing some of the key tasks of postcommunism. Even where legislative changes have not occurred, EU influence has put the question on the agenda. A good example in Hungary is in the area of foreign ownership of land. In Hungary foreign nationals are still forbidden to own land and economists have identified a number of drawbacks to this policy for domestic capital formation and the modernization of the agricultural sector (a key feature of Hungary's economy). In order to gain acceptance into the EU, however, Hungary will have to permit foreign nationals to own land. Although no government since 1989 has attempted to push through the kind of legislation that will be required, there is a general consensus that such legislation will eventually pass, a consensus that would not as easily have come about without the prospect of EU membership on the horizon.46

Taken together, the tutoring and monitoring of the EU during the 1990s helped to embed political and economic reform practices and legislation more deeply than if the countries of Central Europe had been left on their own. The rapid marginalization of populist and nationalist discourse from political life after an initial flirtation with it in

45 Fritz Franzmeyer, "Wirtschaftliche Voraussetzungen, Perspektiven und Folgen einer Osterweitung der Europäische Union," Ost-Europa-Wirtschaft 22, no. 2 (1999), 146. One Brussels-based Bulgarian diplomat involved in negotiations on EU accession recently spoke openly about the process: "These are not classic negotiations, you are not sitting there bargaining in the true sense of the word. You are an applicant, and the rules of the club are as follows, so basically if you are aspiring to become a member of this particular club, you will have to accept the rules that are being laid out for you." And on the acquis: "On the bulk of the rules, or the so-called acquis communautaire, there won't be any bargaining, simply we must find ways to incorporate them in our legislation and to also effectively implement them in our daily work in Bulgaria, and not argue whether we accept them or not." Quoted in Breffni O'Rourke, "EU Enlargement Negotiations: A Difficult Path to Tread," rfe/rl Newsline 4, no. 56, pt. 2, March 20, 2000.

46 Paul Marer, "Economic Transformation, 1990-1998," in Braun and Barany (fn. 43). There is, of course, nothing inevitable about EU enlargement. It follows that outright abandonment of enlargement by the member states of the EU would have a detrimental effect on the transformation of Central Europe, but even this unlikely outcome would not alter the fundamental institutional changes that have already occurred in preparation for EU accession. But even if we assume that the best-prepared postcommunist candidates for accession are admitted "on schedule," by 2003 or 2005, the whole operation will most likely proceed in fits and starts, as in earlier periods of European institutional history, with periods of euphoria followed by bouts of pessimism.
several Central European countries after 1989 is a final example of how the prospect of EU accession influenced domestic politics.\textsuperscript{47} In Hungary the extreme nationalist István Csurka was eventually driven out of the ruling conservative MDF by moderate forces who feared that his followers would adversely affect the prospects for EU admission. The marginalization of the extreme nationalists also influenced Hungarian foreign policy. Given the large minority populations of Hungarians in Romania, Slovakia, and Yugoslavia, one could reasonably have expected Hungary's primary foreign policy aims after 1989 to have concerned the status of these groups. Yet after an initial abortive orientation of this sort under the Antall government, Hungarian foreign policy was consistently guided by the larger policy goal of gaining entry to the EU, going so far as to risk retribution against ethnic Hungarians in Voivodina during Hungary's reluctant support for the Kosovo campaign in 1999. In short, those forces that were favorably inclined toward capitalist democracy and were already strong and present in the postcommunist countries of Central Europe in 1989 received invaluable support for their position by virtue of their location on the European continent.

**SLOVAKIA**

An interesting contrast to Hungary in this respect is Slovakia. Located in close proximity to West European markets, like the other countries of the Visegrad Group (Hungary, Poland, and the Czech Republic), Slovakia was initially considered to be a prime candidate for membership in the EU and NATO. Between 1990 and 1992, as part of the still existing Czechoslovakia, the Slovak Republic began to democratize its politics and made an impressive start in financial reform and privatization. After independence in 1993, however, and especially after Vladimír Mečiar's return to power as prime minister in 1994, Slovakia's course became increasingly undemocratic and corrupt. Similar to Croatia under Franjo Tudjman, Slovakia under Mečiar quickly descended into a seemingly hopeless form of political and economic Peronism, a course that was not altered until the national elections in September 1998. Slovakia thus provides us with the crucial test case of a country that is well located but that, on the whole, pursued "bad" policies: the

combination has yielded much better results than would have been expected on the basis of the policies alone.48

After 1994 Mečiar ruled over an increasingly nondemocratic "thugocracy"; parties competing with his misnamed Movement for a Democratic Slovakia (HZDS) labored under discriminatory procedures, intellectuals and journalists critical of his government were intimidated, laws were simply ignored, opposition figures were detained or kidnapped, and power was distributed to an incompetent group of Mečiar's political clients.49 After coming to power on an antireform program, Mečiar corrupted the privatization process by doling out the choicest parts of the economy to his cronies.50 This delayed the restructuring of the badly decaying, formerly military industries of central Slovakia.51 Shunned by the EU, Mečiar shunned the EU in return.52 Instead of Western integration, Mečiar pursued an anti-Western alliance with Russia and managed to have his country included in Russia's pantheon of partnerships with other international outcasts such as Iraq, Yugoslavia, and Belarus.53 In short, unlike Hungary, Slovakia after 1994 consistently pursued a course of political populism and economic cronyism.

Despite the damage done to its democracy and its economy, by 1999 Slovakia appeared once again to be on track—albeit facing the formidable challenge of regaining the ground lost in the previous half decade. A large part of the reason for Slovakia's remarkable turnaround, we maintain, is its favorable location—its close proximity to the West and its good prospects for joining the EU and NATO. Again, as in Hungary, external influences have been channeled through domestic institutions and interests, and domestic politics remains crucial in any consideration of the Slovak case. Civic groups and political parties that had come into existence during the Velvet Revolution did not disappear

48 Croatia, a country in the same quadrant, followed much the same trajectory as Slovakia in the 1990s, including a rejection of dictatorship at the end of the decade and a renewed attempt to conform to the expectations of European institutions.

49 Sharon Wolchik, "Democratization and Political Participation in Slovakia," in Dawisha and Parrott (fn. 43), 244.


51 Having come to power on a platform that promised a less painful, "Slovak path" to the economic transition, Mečiar's economic policies produced mixed results in the short run and very poor results in the long run. The Slovak economy's main weakness is its industrial core, which came into existence almost entirely during the communist era and was designed to support a much reduced (and now truncated) Czechoslovak military-industrial complex.


during the 1990s but remained in disarray and at odds with one another. The Slovak presidency, supreme court, and central bank retained an important measure of autonomy even at the height Mečiarism and acted as a brake on Mečiar's accumulation of power. The public broadcast media, although increasingly a pawn of the HZDS, was balanced by a vigorous free press and third sector.54

Yet even these rudiments of democracy might have been undermined—the case of Kyrgyzstan, as we shall see, opens up such a possibility—were it not for Slovakia's position on the European continent and the influence of outside actors. Even with less than exemplary economic policies during Mečiar's rule, Slovakia's economic performance was buoyed by surprisingly high—even rising55—levels of foreign direct investment; the economy even enjoyed a mild level of prosperity.56 The country's sustained cultural connections to Western and Czech political parties also ensured that Mečiar's moves were subject to constant scrutiny in the foreign press and on Czech radio and television. Slovak NGOs were sustained by their strong connections to their European counterparts.57

Under these circumstances Mečiar pulled back from outright dictatorship. As one student of the end of Mečiarism has noted, "Its location may have created counterpressures against the would-be dictator that were stronger than those endured by, say, the Belarusian or Kazakh rulers."58 Despite his efforts, Mečiar was not able to neutralize his political opponents. Nor did he manage to completely subvert the formal rules and procedures of Slovakia's constitutional provisions.59 Perhaps most important, his opponents could coalesce around the quite reasonable assertion that Slovakia was squandering its opportunity to join the West. Indeed this is what transpired when Mečiar's HDZS lost to a

55 After an initial drop to $182 million of FDI in 1995 from $203 million the year before, FDI in Slovakia doubled its level over the next three years; see Coolidge (fn. 41), 5.
56 See especially the annual reports of the National Bank of Slovakia, an institution that retained a remarkable degree of autonomy under Mečiar; http://www.nbs.sk/INDEXA.HTM. It is now apparent that part of the secret of Mečiar's economic success was connected with huge, debt-driven infrastructure programs undertaken in 1996 and 1997.
57 "Slovak NGOs had their natural partners abroad, and they exchanged skills, technical advice, and moral encouragement with them"; Butora, Meseznikov, and Butorova (fn. 54), 19.
58 Fish (fn. 53), 50. Fish maintains that "the very birth and persistence of Mečiarism show that geography is not destiny" but concedes that location may well have mattered in the longer run.
59 In an attempt to take advantage of an opposition that was fragmented into a number of competing parties, he did change the electoral rules just before the 1998 elections so that it would have been impossible for the opposition to win had they not coalesced into a single party.
broad coalition of parties in the parliamentary elections of 1998. Although it would inaccurate to attribute Meciar's defeat entirely to "location," there is ample evidence that Slovakia's continued close connections with other Central European states undermined Meciar's populist project. It is also fair to say that the sustained criticism leveled at the country by the EU during the 1990s in regard to its "democratic deficit," combined with the implied prospect of EU membership if Meciar were ousted, helped the opposition solve its own internal collective action problems in a way that would likely not otherwise have occurred.

After 1998 Slovakia quickly resumed accession negotiations with the EU, and the EU in turn attempted to support the diverse coalition of parties that opposed dictatorial rule. Of course, Slovakia's future is not preordained by its position on the European continent. But any return to a new variation of Meciarism or anti-Western populism is likely to meet with the same kinds of capacities and resources that the Slovak opposition brought to bear on the would-be dictator of the 1990s—capacities and resources that are in large part a function of the country's location in the heart of Europe.

KYRGYZSTAN

Our final case, Kyrgyzstan, illustrates the kinds of obstacles facing a geographically remote and disadvantaged country that is trying to integrate itself into Western political and economic structures. In the first few years after the breakup of the Soviet Union in 1991 Kyrgyzstan was the regional darling of Western governments and financial institutions. Under the leadership of a liberal physicist, Askar Akaev, who managed against long odds to win the presidency in 1991, Kyrgyzstan quickly privatized many of its main enterprises; it was the first Central Asian country to leave the ruble zone and introduce its own currency, the som; it even managed to gain entry into the World Trade Organiza-

61 As Butora, Meseznikov, and Butorova (fn. 54) note in their account of the 1998 election: "The West's open emphasis on the need for democratization was of great importance in shaping public opinion. Research data repeatedly showed that a substantial segment of the population considered the criticism from abroad to be justified and saw democratization as a prerequisite for Slovakia's integration into Euro-Atlantic structures. The global democratic community had shown its power."
International financial institutions rewarded Kyrgyzstan with substantial loans (considering its small size), bolstering Akaev's popularity; and Western political organizations lauded its political record. In the first few years of independence civic organizations flourished, there were lively if somewhat irresponsible print media, a private television station began broadcasting from the capital, Bishkek, and opposition parties were formed (though they lacked significant grassroots support).

Despite this positive beginning, however, Kyrgyzstan did not have the capacity to attract sufficient Western attention to help it overcome the pressures of its immediate international environment. Since, unlike other former Soviet republics, it did not possess nuclear weapons or border on bodies of water adjacent to Western states, Kyrgyzstan posed no concerns for the West about nuclear or environmental matters. Typical of Central Asia as a whole, foreign direct investment focused primarily on resource extraction (gold mining), as opposed to the long-term investment in manufacturing and services received by Hungary, Poland, the Czech Republic, and even Slovakia. The effect of this pattern of economic engagement with the West, rather than training new middle classes, has been to restrict contact between business classes to the highest political levels, which in turn has fostered political favoritism and corruption.

By 1995, despite Kyrgyzstan's official self-representation as the "Switzerland of Central Asia" (a neutral multiethnic, [relatively] prosperous, democratic mountain republic), the entire Kyrgyz political economy was slowly unraveling. As in our previous two cases, any understanding of this one must derive from an analysis of both international and domestic factors. Confronting a stagnating economy and impatient foreign creditors, on the one hand, and the increasing power and authority of provincial elites, on the other, President Akaev undermined his country's democratic institutions by rigging both parliamen-

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65 Although Slovakia and Kyrgyzstan both have about five million inhabitants, in 1998 Kyrgyzstan received $55 million of FDI while Slovakia received almost seven times that much, even though the two countries' rankings in the various economic freedom indexes were not so far apart. See Coolidge (fn. 41).
66 By 1999, for example, the son-in-law of President Akaev was reported to have gained control of almost all of the energy, transport, communications, and alcohol industries, as well as its airline. See Moskovski Komsomolets, December 9, 1999, 3.
tary and presidential elections in the 1990s. During the parliamentary elections in the early spring of 2000 the irregularities were all but institutionalized, and by the late spring of that year Akaev had imprisoned his main opponent, Felix Kulov, on highly questionable charges of tax evasion. Unlike the Slovak opposition, the fragmented opposition in Kyrgyzstan possessed neither international referents nor material support nor the possibility of inclusion in a wealthy trading bloc that would have helped its leaders solve their collective action problems. Under these conditions President Akaev had little trouble keeping his opponents at bay through corruption and repression.

The evidence is suggestive that Akaev took his cue from the experience of other postcommunist presidents, especially Leonid Kravchuk in Ukraine and Stanislau Shuskevich in Belarus, both of whom lost their positions in elections in 1994. In his December 1995 presidential race, according to one student of the region, Akaev manipulated "registration rules to keep strong opponents out of the race" but "left some small fish in the pond in order to create a plausible veneer of electoral competition." Even more compelling is the evidence that Akaev conformed to the expectations of the other Central Asian presidents who preside over more or less authoritarian dictatorships. Kazakhstan and Uzbekistan, larger and more powerful than Kyrgyzstan, have let it be known that they prefer a noncompetitive political system in a country that has so much contact with their own. Kyrgyzstan's powerful neighbors have also criticized its attempts to integrate more closely with the West. Both the policy of leaving the ruble zone in 1993 and the entry into the WTO in 1999, for example, were met by stoppages in natural gas deliveries and the imposition of tariffs and limitations on goods imported from Kyrgyzstan to Uzbekistan and Russia. By the end of the decade Kyrgyzstan's continued attempts to forge a stable connection to the West that ran through other hostile Central Asian countries had largely run out of steam.

69 Eugene Huskey, "National Identity from Scratch: Defining Kyrgyzstan's Role in World Affairs" (Manuscript, Department of Political Science, Stetson University, July 1999).
70 Ibid. In 1998, for example, Uzbekistan's president Karimov criticized Kyrgyzstan's dreams of Westernizing its economy. "Kyrgyzstan," Karimov admonished the Kyrgyz leadership, "is tied more closely to the IMF, which is your 'Daddy' and supervises everything." "O druzhbe, bez kotoroi ne prozhiv," Slovo Kyrgyzstana, December 2, 1998, 2, cited in Huskey.
72 Adding to Kyrgyzstan's woes (but predictable given its location) were sporadic but heavily armed skirmishes during the second half of the 1990s between government forces and foreign Islamic guerrillas who had crossed the border in search of a secure operating base.
Confronted by a steady increase in reports of human rights abuses, political and electoral corruption, and economic stagnation, Kyrgyzstan could no longer easily distinguish itself from the other authoritarian countries of the region.\textsuperscript{73} Despite its best efforts, therefore, during the 1990s Kyrgyzstan was unable to free itself from the constraints of its new regional politics.

**Conclusions**

In this article we have demonstrated the plausibility of the thesis that geographical proximity to the West has exercised a positive influence on the transformation of communist states and that geographical isolation in the East has hindered this transformation. We have pursued the spatial logic further to examine the facilitating role that openness to outside influences has played in shaping the spatial diffusion of democracy and capitalism. Moreover, we have conceived of geographical effects in a more complex manner than is traditionally done and attempted to operationalize the concept through a statistical test of “neighbor effects” on the development of the postcommunist states. Finally, we have illustrated plausible mechanisms by which geography is influencing outcomes in three theoretically important cases.

We have attempted to unpack the phenomenon of the spread of democracy and capitalism by investigating which factors are at work in the diffusion process. Our research indicates that the political and economic behaviors of postcommunist states are related in part to the behaviors in neighboring states. Accordingly, some process of spatial diffusion is operating. Underlying the idea of spatial diffusion, however, are two determinants of spatiality: spatial dependence and spatial heterogeneity. Spatial dependence represents the extent to which behavior in one state is a function of behavior in adjoining states. Spatial heterogeneity, by contrast, involves regional distinctions and is characterized by differentiation among states on similar characteristics. O'Loughlin and Anselin present the concepts on a continuum of spatiality. “At one extreme, if high spatial heterogeneity exists, then every region is unique and no general statements or models are possible. At the opposite extreme, the same relationships hold for all scales and regions.”\textsuperscript{74}


The postcommunist states fall between these extremes. The results of the Moran's I test reveal that there is strong spatial dependence across the full set of states. Within the space of postcommunist states, however, there are different levels of political and economic reforms. At the high end are Poland, Hungary, and the Czech Republic, and at the low end are Uzbekistan, Turkmenistan, and Tajikistan. The table and figures of the $G_i^*$ statistics indicate statistical significance for states within each of these subregions.

In exploring the dynamics of diffusion, we have distinguished between two sets of factors: stocks and flows. These stocks and flows have been examined simultaneously in our model of neighbor effects. We have simplified the complexity of spatiality, geographic influence, and state choices into two variables that we believe capture the essence of stocks and flows in spatial diffusion: neighbor scores and openness. The neighbor scores reflect the stock of locale—where a state is positioned shapes the interactions that are likely to occur, the examples that influence elites and masses, and the resources that are readily accessible, as well as cultural, religious, and ethnic affiliations that are often a function of place. The openness score is indicative of the flow of ideas and the willingness and capacity of the ruling regime to allow interaction with surrounding states and to accept the influx of communication, transportation, and technology that has the potential to transform attitudes and behavior. The model provides support for the proposition that both of these factors are important. Even when controlling for the other, there is statistical significance to both stocks and flows.

In assuming that political and economic reforms in the postcommunist world involve a process of spatial interaction, we must also consider the dynamics of "origin" and "destination" or "target" states. The case studies included in our discussion illustrate this point. The strategy of EU enlargement based on a geographical contiguity and proximity has altered the context of politics in the states of East-Central Europe in important ways. The states of Central Asia, by contrast, even those that have tried to escape from their Leninist and pre-Leninist legacies, have been constrained by their isolation, their politically and economically unstable and undemocratic neighbors, and the absence of sustained outside sponsorship by economically powerful, democratic states.

The integration of spatial and temporal factors is essential to a deeper understanding of the postcommunist world. It may be possible to separate and isolate these factors for methodological purposes. Indeed this is what much of our article has done. Any consideration of real cases, however, even the short discussions outlined above, suggests
that variation in political and economic reform in the postcommunist states is best understood in the context of spatiotemporal analysis. Temporal or path-dependent arguments must be couched in terms of a geographic context. Likewise, spatial factors cannot stand alone. Such considerations suggest that the task that stands before social science is the integration of history and geography into the analysis of political change.