

Policy Learning, Policy Diffusion, and the Making of a New Order

By
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This article surveys the role of learning as mechanism of policy diffusion in the context of the creation of a new political order. The author discusses policy learning against the background of recent research on the diffusion of deregulatory and regulatory policies and attempts to distinguish learning from other mechanisms of diffusion. She then surveys the challenges entailed in testing this mechanism and sets out her particular approach: a rational version of learning. She also reports the results of preliminary efforts to test learning as applied to the diffusion of regulatory policies. The author concludes that learning cannot be rejected as a plausible mechanism of the diffusion of policies, although it shares its explanatory role with less rational mechanisms of diffusion, in particular policy emulation. Further research and analysis is needed to test learning in either its rational or its bounded version and, in doing so, to delve into the politics of learning.

Keywords: rational learning; bounded learning; emulation; policy reform; policy diffusion

1. Introduction

Research on the diffusion of economic and social policies and institutions is undergoing significant expansion. It rests on the assumption that an approach based exclusively on the domestic economic and political factors that have been cited to explain the particular dynamics of change in recent decades is inherently flawed. A primary example of this dynamic is the dramatic trend toward liberalization and deregulation experienced in the developing world during the 1980s and 1990s (Nelson 1990, 1994;

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Przeworski 1991; Haggard and Kaufman 1992; Smith, Acuña, and Gamarra 1994; Williamson 1994; Sturzenegger and Tommasi 1998), when practically all countries engaged in processes of selling their state-owned sectors, lowering barriers to trade, removing capital controls, and granting independence to their central banks. While the intensity with which these processes were carried out varied remarkably, they were seemingly driven by something more than just domestic considerations. Although a coincidence of domestic political and economic factors remains a strong candidate for explaining the reforms that occurred in such a wave-like form, other explanations appear equally plausible.

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Of these other explanations, this article focuses on “learning from the experience of others.” One may hypothesize that the wave of liberalization, deregulation, and later reregulation that swept around the world in recent decades was in fact the consequence of a process of learning from failed experiments with more interventionist policies. These failures, coupled with the successes of other countries seen and portrayed as champions of liberal economic reform, persuaded politicians of the virtues of liberal market policies. Naturally, therefore, the recent convergence toward privatization and deregulation may have emerged and fortified itself through a process of social learning. The trend toward a deregulated state seems now to be undergoing a profound reversal (Levi-Faur 2005 [this volume]). In fact, one could well argue that the current trend to bring the state back in as a regulator and to reregulate previously deregulated sectors has to do with the failures associated with the very process described above.

This article is devoted to the discussion of learning as a mechanism of policy diffusion. First, I place learning in the context of the debate about market and regulatory reforms. Second, I discuss learning against the background of other possible

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mechanisms driving diffusion, with the aim of unpacking that which makes learning different from other oft-cited mechanisms of diffusion, particularly policy emulation. The third section deals with the complexities of testing empirically when learning occurs, the focus being on rational learning—a version of learning amenable to empirical testing. The article goes on to report the results of recent research on this topic based on a rational approach to learning and compares that approach with other efforts to test learning and its rival hypothesis of emulation in the context of regulatory and market reforms. The article concludes with several suggestions about possible directions for research on learning and the diffusion of policies. I argue that although learning is suggested as a fundamental mechanism of diffusion of the previous wave of deregulation and privatization and of the current wave of regulatory reforms, we still lack the empirical tests to evaluate the impact that learning may have had on these two trends.

2. Learning and the Diffusion of (De)Regulatory Reforms

The argument that a learning process generated the spread of liberal economic policies during the 1980s and 1990s is well established among both scholars and practitioners. These reforms, packaged under the so-called Washington Consensus, aimed to open up national economies and reduce the economic role of the state through privatization, deregulation, and support for property rights (Williamson 1990).

This model of development came to replace years of active state intervention and inward-looking development that characterized much of developing countries' economic policies during the 1960s and 1970s. Mariano Tommasi and Andrés Velasco (1995), for instance, argued that the critical situation in which many Latin American countries found themselves in the early 1980s following the debt crisis contributed substantially toward learning about different models of the world. Learning from the resounding failure of this model is taken to be crucial in understanding the wave of reforms that swept the region, whereby a period of intense economic disarray ultimately led to a reassessment of the mapping from policies to outcomes—in particular, to a realization of how costly some earlier policies had been. Tommasi and Velasco surmised, “Every now and then, something happens that does not fit the previous image—something that shakes our Bayesian faith in what we used to think” (p. 18).

The argument that learning from failed and successful experiments was crucial to the adoption of market reforms is also frequently found in politicians' accounts. The president of Panama, Nicolás Ardito-Barletta (1984-85), for example, asserted that “there is a national learning process that permits society to discover through trial-and-error how to arrive at new . . . policies that are beneficial to the majority” (cited in Williamson 1994, 461). He went on, “The national learning process as a vehicle for economic policy change and stability is most useful when there is a

national memory of past economic policy performance. Documented records of the failures or inadequacies of past policies are powerful teaching devices to support policy changes" (ibid., 286). Arriagada and Graham (cited in ibid., 282) also contended that in Chile, short-term populist strategies were discredited by "the chaos in neighbouring countries, [which] made macroeconomic restraint much more politically palatable."

Just as policy failures provide information about what not to do, good performance or policy successes provide information about alternative courses of action. The outstanding performance of Chile and the East Asian tigers seems to have been the most important source of inspiration for leaders in developing countries. Crucial to their appeal was the interpretation of their success. While the crises of the 1980s were seen as the result of too much state intervention, the Chilean and East Asian experiences were taken to be the living examples of the benefits of liberalization and deregulation. Much has been written about the validity of this interpretation, which is dubious.¹ Yet it became the official creed in international financial institutions (IFIs) and international policy-making circles.

Apparently, domestic political elites were also influenced by such examples. Richard Webb, governor of the Peruvian Central Bank between 1980 and 1985, stated that "this change in perception [in favor of market reforms] . . . [had] been reinforced by a broad flow of information on the experience, policies and opinion in other countries. The Chilean experience has been particularly influential in Peru" (cited in Williamson 1994, 373). Finally, the president of the Venezuelan Central Bank, Miguel A. Rodríguez, added that "economists and policymakers in Latin America saw the per-capita income growth of the Asian countries over the past twenty years and became more and more convinced that the opening of the economy was the best way to produce a real transformation in Latin American societies" (cited in ibid., 377).

The same notion that the adoption of particular market reforms had much to do with a process of learning, very likely mediated by geographic proximity, can be found in academic accounts of trade liberalization and privatization. With regard to trade liberalization, Jadish Bhagwati (1985, 41) stated that "many developing countries learned the hard way by following [import substitution] policies too long and seeing the fortunate few pursuing [export orientation] do much better. Perhaps learning by others doing and one's undoing is the most common form of education." Moreover, regarding privatization in Latin America, Luigi Manzetti (1999) argued that learning "based upon the positive results of previous privatization experiences in other countries" provided further incentives for privatization. The author added, "The positive results evidenced by privatization policies in a number of European countries, Mexico, and neighbouring Chile may also have had some impact on [Carlos] Menem's pragmatic considerations." He stated that "although the Argentine and Peruvian presidents were far from being true believers [in privatization], they turned out to be quick learners" (p. 299).

We lack any equivalent overwhelming (narrative) evidence about the role that learning from others may be playing in the current trend toward *regulation* that

this volume seeks to explain. After all, the reregulatory phenomenon is relatively new, and so politicians as well as practitioners may still lack the necessary experience and observable outcomes to learn from. Yet it seems perfectly legitimate to hypothesize that the current rise of the regulatory state may be related to the mixed results of previous deregulatory policies. Think, for instance, of privatization, which on many occasions transformed public monopolies into private ones because of the absence of regulation regarding competitive practices (Pitelis and Clarke 1994; Rowthorn and Chang 1994; Parker 1998a, 1998b; Ramamurti 1999; Hodge 2000). It also seems perfectly legitimate to hypothesize that the rise of the regulatory state may be associated with the perception that this new form of governance is successful in terms of some indicator of performance, whether consumer protection or satisfaction, or performance at the firm level. Overall, given that the rise of the regulatory state does match the trend we associate with a process of diffusion (Levi-Faur 2005; Gilardi 2005 [this volume])—the so called S-shaped curve—and given that learning from others is a mechanism of diffusion, it does make sense to entertain the hypothesis that learning from previous experience with deregulation and with current experience with regulation explains the rise of the regulatory state beyond the United States and Europe.

Therefore, an empirical test of the learning argument should be a priority for any research agenda regarding policy change. Regrettably, efforts at carrying out such a test have been scant given the difficulties in making the concept of learning operational—prompting some authors to claim that policy learning is an overtheorized but also an underapplied concept (Bennett and Howlett 1992; Stone 1999). The literature on learning and public policy leaves us with a long list of notions of learning, including social learning (Hall 1993), political learning (Hecklo 1974), policy-oriented learning (Sabatier and Jenkins-Smith 1993), lesson drawing (Rose 1991), instrumental learning (May 1992), and causal and diagnostic learning, among others (Levy 1994). All notions entail an improved understanding of causal relationships in the light of experience. But definitions frequently overlap and concepts vary among the subjects (who learn) and the objects of learning (the topics/issues learned). The discussion, in short, remains largely at a conceptual level.

In testing the hypothesis that a process of learning caused the shift to economic liberalism, Miles Kahler (1992, 124) set out the complex problems involved and described as “demanding” “the empirical task of demonstrating that a particular behavioral change is the result of a clearly specified cognitive alteration at one level or another.” Yet despite these difficulties, learning continues to be an intriguing phenomenon and an omnipresent explanation in practically any discussion of policy change and the diffusion of policy innovations.

The following section seeks to place policy learning within the context of the recent research on the diffusion of policies and explains the rational approach to learning as opposed to other approaches. Section 4 summarizes the empirical evidence to date regarding regulatory and deregulatory policies. I conclude that we still know little about the impact of learning on the rise and fall of policy regimes.

3. Learning and the Policy Diffusion Debate

Incorporating learning into the context of policy diffusion is the central theme of this third section.² Learning is considered a horizontal mechanism of diffusion primarily because policy is passed or diffused from one nation to another by means of influence. A government may, for instance, establish independent regulatory agencies only because they have been shown to have positive effects elsewhere (however “positive” may be defined). By contrast, with top-down mechanisms of diffusion, a supranational or international entity drives diffusion with the use of coercive mechanisms. The conditionality imposed by the IFIs epitomizes this top-down channel of diffusion.

Learning, therefore, is a *voluntary* act. Governments confronted with the uncertainty of difficult policy decisions may find it relatively simple and inexpensive to gain new information simply by observing the results of particular policies in other countries. “Good” policies are then adopted only because politicians are persuaded that they are the best, not because they are imposed. The distinction between learning as a voluntary act and coercive mechanisms of policy diffusion should be, in principle, clear-cut.

Yet this is not the case when one distinguishes between various forms of learning and between learning and other horizontal mechanisms of policy diffusion—in particular, emulation. It has been argued that there is a notable degree of overlap among the different mechanisms of horizontal diffusion, making any attempt at empirical testing ever more complicated (Meseguer 2004).

Learning is taken to imply a change of beliefs (by some also as a change of choices) in the light of the experience of others. Learning, additionally, can be rational or bounded. It is rational if actors, in our case politicians, are taken to have full analytical capabilities. In such a perfect world, government officials would scan all available information regardless of its origin and interpret all of it in exactly the same manner, drawing the same conclusions about the relative merits of different policies and marginalizing prior beliefs about policies in the light of mounting evidence, positive or negative. Rational learning, in short, would imply convergence in policy choices. This is a model of learning that seems to match the sort of trend this chapter seeks to explain (see the next section for details).

In contrast to rational learning, bounded learning entails recourse to particular cognitive short cuts. Rather than scanning *all* information, governments look at *relevant* information. According to prospect theory, relevant information is information that is available or near to hand (in geographical, cultural, or historical terms) to the learner. Ramamurti (1999, 47), discussing the diffusion of privatization, held that a “miracle” in a nearby country constitutes the most informative source of lessons. Considering why privatization has been slow in Sub-Saharan Africa, the author asserted that “privatization cannot gain momentum until a cross-section of national opinion leaders is convinced that it will work in the local context. That, in turn, has to grow out of a country’s local experience with privatization or with demonstrable successes in neighbouring countries.” He added, “I doubt that offi-

cials in sub-Saharan Africa will be sold on privatization just because it seems to have worked well in Argentina or Malaysia.”

Also according to prospect theory, politicians do not attach the same weight to all information; on the contrary, particular pieces of information become more *representative* than others. For instance, an initial success is frequently given more weight than rational learning would predict (Weyland 2004).

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Both rational learning and bounded learning entail a purposive search for information with which to resolve a problem. In its rational version, learning enhances knowledge in that it entails revising the causal links between policies and outcomes in the light of observed experience and improving one's understanding of the consequences of policies. This is possibly the most relevant difference between learning and the other horizontal diffusion mechanism of emulation. Governments may imitate what peer countries do simply because they are peers, or governments may imitate what apparently successful countries do simply because they are high-status countries that are considered to know best. Yet in either case, emulation does not entail any enhanced knowledge of what is at stake; as such, some authors refer to this mechanism as “symbolic imitation” (Weyland 2004) because the drive behind emulation is not so much problem solving as the search for credibility, status, or simple conformity with international trends.

In my opinion, there are two dimensions along which learning (whether rational or bounded) and emulation can be distinguished. First, learning is *purposive*: a problem is set and a solution is sought. Second, a solution is chosen on the basis of observed experience and a *better understanding* of which policies may lead to particular outcomes.³ How experience is weighed and which experience is relevant distinguishes rational from bounded learning, but these two elements are present in both types of learning. But this is not the case when imitating others: emulation is usually driven by motivations other than problem solving and does not entail reflection on causal paths leading from policies to outcomes.⁴

To conclude this section, I must reiterate that while it is possible to distinguish some mechanisms of diffusion from others (e.g., coercion from learning or learning from competition) substantively and empirically, important challenges do remain on two fronts. The first is how to measure learning; the second is how to measure emulation. We must be able to perform these tasks if we are to distinguish the two mechanisms empirically. It is to these challenges that I now turn.

4. The Rational Approach to Learning: Concepts and Results

This section presents, in an intuitive manner, what rational (or Bayesian) learning essentially entails. The emphasis is on conceptual issues; the reader interested in the technicalities may consult Meseguer (2002, 2003). The section also comments on the results of several empirical tests of the adoption of market reforms and policy innovations that rely precisely on a rational approach to learning. Again, I do not delve into the details of model building or data gathering; instead, I concentrate on the interpretation of some preliminary estimations using the rational approach and the challenges posed by the results. This fourth section also surveys other attempts at testing policy learning and closes by dealing with the way in which emulation has been tested. Significantly, testing emulation poses fewer problems for scholars working on policy diffusion than does testing learning.

As noted earlier, rational learning begins with the assumption that actors (in our case politicians) have prior beliefs about which outcomes are expected from a particular policy (see Meseguer 2002, chap. 2). These beliefs may be based on policy ideas or on prior experience of policies. Politicians learn rationally only if they take all information into account about the outcomes of policies elsewhere (regardless of the characteristics of the sources of information) and use that information to revise their prior beliefs. Rational learning is also known as “Bayesian learning” because Bayes’s rule is essentially the rule used to revise prior beliefs. Bayes’s rule entails weighing both prior beliefs and observed experience by both the quantity and the quality of information. By “quality of information,” I specifically refer to how consistent the available information about outcomes actually is.

To provide an example of the latter, when politicians in Peru want to learn about the consequences of privatizing the electricity sector in their country, they observe the results of privatized firms elsewhere. Hypothetically, politicians scrutinize a large number of firms and find that there are very modest variations in the outcomes. For the sake of illustration, Peruvian politicians have access to the accounts of a large number of privatized firms in the region and can see that the performance of those firms in the electricity sector generally improved after privatization. In such a scenario, the weight that politicians give to their prior beliefs will generally vanish in the view of such overwhelming evidence, regardless of the nature of those prior beliefs.

The strength of this approach lies in its ability to predict behavioral outcomes—regardless of prior beliefs, actors will converge on their posterior beliefs, which are dominated by observed experience. In other words, politicians will be drawing the same conclusions and making the same policy choices. If, however, experience is scant, or variation in outcomes is high (both positive and negative performance results are evident) and/or prior beliefs are strong, then observed experiences carry less weight in the formation of posterior beliefs.⁵ In such circumstances, prior beliefs may still dominate the revising process, precluding convergence on posterior beliefs. In sum, the rational learning model, with all of its components and dynamics, overcomes the operational conundrum discussed above.

While this approach is conceptually appealing, applying the concept of rational learning in practice is quite demanding and rather complex. For one, choices have to be made about how to operationalize prior beliefs, a problem that would not exist if abundant experience of policies were readily available and if prior beliefs were vague. The second important problem in applying the concept of learning to economic policy making is that one has to model the kind of results politicians look at in their attempt to learn from others' policy experience. The question therefore becomes, Do politicians care about economic results and, if so, which ones? Or do they care about the political results of policies? Do they care about both? And if politicians actually do care about the political results of policies, how can we include this variable in our models?⁶

In previous research, I applied a rational learning approach to explaining the adoption of several market reforms (see Meseguer 2003 for full details): privatization, trade liberalization, agreements with the International Monetary Fund (IMF), and the granting of independence to central banks. The models were based on a number of developed and developing countries and for temporal periods ranging from the 1960s to the 1990s.⁷ In the research, I assumed that politicians learned about the economic outcomes of policies and, in particular, about the impact of policies on economic growth. While this is a restrictive modeling choice, it may nonetheless be altered to include other economic results of economic policies.⁸

Only when it came to explaining privatization did rational learning have predictive capacity. In other words, in a considerable number of Latin American and industrial countries, rational learning from the growth results of other countries (both privatizing and nonprivatizing) could explain the decision to streamline the public sector. All in all, rational learning as described above exhibited a mixed performance. However, in my view, other attempts at measuring learning are necessary to enable us to determine the comparative and competitive advantage of adopting a rational approach.

Lee and Strang (2003), for example, also tested rational learning and rejected the hypothesis. In their study of public sector spending in Organisation for Economic Co-Operation and Development (OECD) countries during the 1980s and 1990s, the authors concluded that whereas the positive results (in terms of economic growth) of countries that downsized their public sectors induced politicians to learn, the positive results of those countries that expanded their public sectors

did not. For the authors, this is a sign that rational learning does not occur. Had rational learning functioned properly, then policy makers should have been equally attentive and receptive to the positive results of each set of countries. But according to the authors, the policy outcomes of countries that downsized their public sectors were interpreted differently from the outcomes of those that expanded their public sectors. This indicated that the prevalence in the managerial discourse during the 1980s and 1990s biased the interpretation of observed outcomes. In short, liberal discourse at the time overshadowed experience in politicians' interpretation of observed outcomes. Such a result, naturally, is difficult to reconcile with a rational perspective of the type that Bayesian learning implies.

Because governments emulate following certain trends, emulation becomes a symbolic act whereby politicians seek to enhance their status, credibility, or "modernity."

In the conclusion to his edited volume on learning and social policy reform in Latin America, Kurt Weyland (2004) defended the argument that bounded learning overrides rational learning when it comes to explaining the adoption of market reforms. Weyland's research, qualitative in method, demonstrates that while politicians do actively seek solutions to their problems by purposive search, their search is biased by the use of particular cognitive short cuts. In other words, not all available information is perceived as equally useful. Basically, governments look at what is close (availability heuristics), they favor initial successes (representativeness heuristics), and they limit the number of changes in the implementation of foreign policy models (anchoring heuristics). This form of bias was, for example, applied to the adoption of pension reform à la Chile in several Latin American countries. Thus, according to this study, learning is bounded and may lead to suboptimal outcomes due to the lack of adaptation of the foreign policy model to the specific features of the adopting country.

Two conclusions can be drawn from the scarce evidence of the role of learning with regard to the spread of economic policy reforms: first, learning is hardly tested; and second, the few attempts that exist do suggest that there is little support for the hypothesis that learning proceeds in a rational fashion. The bounded learning hypothesis receives stronger backup. The problem lies in how to reconcile a bounded version of learning with policy diffusion, the phenomenon this chapter seeks to explain. If politicians, in their policy analysis, are indeed subject to the cog-

nitive biases mentioned above, then they should rarely draw the same conclusions and make the same decisions. Bounded learning, therefore, may be a model better suited to explain policy divergence rather than policy convergence. Alternatively, bounded learning may also provide a likely model in explaining different methods of carrying out the same policies (divergence within convergent policy choices).

The empirical testing of symbolic emulation or herding behavior seems to be much less controversial. In fact, while the test of the learning hypothesis is conspicuously absent from current empirical analyses of the rise of the regulatory state, emulation has been widely tested and widely supported by the data (Jordana and Levi-Faur 2005 [this volume]; Gilardi 2005; Way 2005 [this volume]; Elkins and Simmons 2005 [this volume]).

To test this mechanism of diffusion, authors add to the right-hand side of their equations some policy indicator for the countries with which a particular country shares specific traits—be they geographical proximity, colonial history, religion, language, institutional affiliations, or legal traditions. For instance, did the decision of Brazilian politicians to set up regulatory agencies in the telecommunications sector during time t have to do with the fact that countries similar to Brazil in terms of the traits mentioned above set up those agencies at time $t - 1$?

Another way to test herding behavior is to include as an explanatory variable the sheer number of other countries carrying out a particular policy, for instance, testing whether the probability of setting up regulatory agencies in the Brazilian telecom sector increases with the number of countries setting up such agencies (regardless of shared traits). Alternatively, one may want to know whether Brazilian politicians' decision to set up regulatory agencies in the telecom sector at time t has to do with the fact that regulatory agencies were set up in other economic or social sectors in Brazil at time $t - 1$ (see Jordana and Levi-Faur 2005 for a distinction between national and sector approaches to diffusion). While sheer numbers are often interpreted as proxies for the climate of opinion about a particular policy, it has been argued that the greater the number of countries that adopt a particular policy, the more favorable the climate of opinion in favor of that particular policy will be (Broz 1999). Thus, it may well be the case that Brazilian politicians set up regulatory agencies simply out of conformity, regardless of whether shared traits existed or of whether the logic that justified delegation to regulatory agencies was well understood.⁹

Such indicators of emulation noted above perform extremely well in empirical tests. The probability of adopting a wide range of economic policies, whether of the regulatory or deregulatory type (trade liberalization, privatization, the establishment of regulatory agencies, and the liberalization of capital movements, among others¹⁰) is positively related to both the quantitative adoption of the policy by other nations and to the policy stance of peer countries defined along the lines set out above. In Latin America, for instance, the privatization of the state-owned sector is better predicted by the number of other countries privatizing in the region than by rational learning from experience either in the region or in more advanced countries (Meseguer forthcoming).

As mixed as the scant evidence is of the impact of learning on policy choices, the evidence of the impact of herding or emulation on policy choices and policy diffusion is quite overwhelming. All in all, there is little empirical support for the claim that the recent convergence in economic policy toward liberalization, deregulation, and privatization has to do with a Bayesian process of learning (this evidence should be considered as preliminary, as more work must be devoted to testing learning in general). We would like to have some results concerning learning and the more recent ascendance of regulation, yet we lack any empirical test of this relationship. For instance, Jordana and Levi-Faur (2005) identified a process of social learning going on in relation to the adoption of regulatory policies in Latin America, but the authors considered that the most prominent component of this process of learning was emulation and not rational learning of the type depicted in this article.¹¹

The alternative view of learning proceeding in a bounded manner seems to more closely match real-world policy making, leaving one asking how policy choices can converge if politicians interpret reality through the biases mentioned above. One (unlikely) possibility is that politicians systematically share the same cognitive biases; alternatively, politicians may share views, beliefs, or ideas that prevail over observed experience causing policies to converge—not because they learn from uncontroversial experiences but because they interpret the available information through the same lenses. Note that in this case learning would not be rational, and yet convergence in policy decisions might still occur.

Finally, a rather generally accepted finding is that herding and nonpurposive emulation has a lot to do with the wave of market reforms and with the novel phenomenon of regulatory capitalism.¹² Such results will convince the reader insofar as he or she is convinced that the indicators and proxies mentioned above capture what I consider to be the two distinctive features of learning as opposed to emulation, namely, that learning is purposive and that it entails an enhanced understanding of causal relationships. In my view, further research should be devoted to refining the operationalization of both learning and emulation and to incorporating learning from political variables as a logical, obvious, and necessary extension.

5. Conclusions

This article discussed the current state of the art regarding learning and the diffusion of policies. Learning is a concept central to several debates in both comparative public policy and international relations. In discussions of policy diffusion, particularly through the adoption of market reforms in the developing world, learning from the experience of others emerges as a plausible hypothesis, but it is clearly yet to be supported by empirical research.

This article discussed both the theoretical and the empirical approaches to policy learning and policy emulation. Two views of policy learning compete: rational learning and bounded learning. Although both cases involve an active search for

policy solutions and reflection on the relationship between policies and outcomes in the views of others, rational and bounded learning differ in the analytical capabilities they ascribe to politicians. With rational learning, these analytical capabilities are maximal and equally shared by all actors, leading to convergence in policy decision making; while with bounded learning, analytical skills are limited and subject to all sorts of cognitive biases. This chapter has argued that while this viewpoint may be appealing from the angle of describing actual policy making, it may be difficult to reconcile with the phenomenon we seek to explain, namely, convergence in policies.

Contrary to bounded and rational learning, policy emulation is a “blind” action in that it does not entail enhanced reflection about the mapping from policies to outcomes that any of the aforementioned versions of learning do. Because governments emulate following certain trends, emulation becomes a symbolic act whereby politicians seek to enhance their status, credibility, or “modernity.”

Empirically, there is a strong evidence for the hypothesis that emulation has driven the adoption of a wide range of economic and social policy reforms. There is also strong evidence that emulation is behind the very recent ascendance of the regulatory state. Conversely, there exists little evidence that either bounded or rational learning played a role in that adoption. Yet policy emulation clearly dominates learning as an explanation of the wave of policy reforms that characterized the past three decades of international economic policy making and the new wave that is characterizing the current ascendance of regulatory capitalism. One should not, however, rush to dismiss learning as a plausible explanation. The truth is that the empirical evidence we can rely on is still limited and partial. More effort has to be devoted to testing learning of whichever type. It is a particularly necessary next step to extend our models so that learning takes place not only about the economic consequences of policies but also about their political consequences.

Finally, although I focused here on how we can test learning as a mechanism of policy diffusion, it is obvious that learning can be a topic in itself. In other words, this chapter dealt with the complexities of learning as an independent variable to explain policy reforms rather than focusing on learning as the dependent variable. But learning (when it happens, how it happens, and the politics of learning) should also be made the object of our enquiries. This is, in my view, another open avenue for research.

Notes

1. To give a telling example, Rodrik (1996) showed that of the ten measures endorsed by the Washington Consensus, South Korea followed five and Taiwan about six. Interestingly, “neither country significantly liberalized its import regime until the 1980s. Both countries interfered in the investment decisions of private enterprises. And far from privatizing public enterprises, both countries actually increased their reliance on such enterprises during the crucial decade of the 1960s” (p. 18).

2. See Gilardi (2005 [this volume]) for a full description of the mechanisms of diffusion.

3. Jordana and Levi-Faur (2005 [this volume]) also proposed a distinction between policy learning and policy emulation. According to these authors, policy learning has to do with a redefinition of one’s interest and

behavior after watching the actions *and outcomes* of others, whereas policy emulation has to do with a redefinition of interests and behavior after watching only their actions. They proposed that whereas learning involves a conditional and limited transfer of control, emulation is less restricted and less conditional.

4. Less problematic, both substantively and empirically, is the distinction between learning and economic competition, another mechanism of horizontal policy diffusion. Competition implies a diffusion of policies driven primarily by market forces. For example, if country A does not want to lose market share, it should closely follow the policies of country B. This is especially true if both countries A and B compete for the same market C. Learning and competition are, in short, quite distinguishable horizontal mechanisms of diffusion in both theory and practice. This is not the case with coercion and competition. In the case of competition, there is a decentralized mechanism, which is the market, imposing convergence in policy stances. Hence, competition but also coercion are in place when the market “forces” policy diffusion.

5. That prior beliefs are strong implies that politicians are very certain about those beliefs. If uncertainty is low, governments’ motivation to learn from experience is also low.

6. For instance, regarding privatization, Suleiman (1990) argued that the British experience with privatization was much more relevant for other governments not so much because of its economics results, which were mixed, but because of the good political results that privatization brought to Thatcher’s government.

7. The central bank illustration is based on 66 developed and developing countries. The privatization model was based on 37 OECD and Latin American countries. The IMF illustration was based on 135 developed and developing countries. Finally, the trade liberalization illustration was based on 51 developing countries. All the details regarding data and methods can be found in Meseguer (2003).

8. For instance, in the central bank illustration, the rate of inflation was also considered as the relevant economic outcome from which politicians learned.

9. There are several examples of privatization in Europe that illustrate very well the (il)logic of privatization there. For instance, according to Dutch analysts, the question in the Netherlands was, Why not privatize if everybody else is doing it? They add that the privatization program “[could] be interpreted as a curtsy to the times” (Hulsink and Schenk 1998, 255).

10. See Jordana and Levi-Faur (2005); Way (2005 [this volume]); Simmons and Elkins (2004); Gilardi (2005).

11. However, the authors did not test the hypothesis of rational learning or learning from both policies and outcomes.

12. Although competition has not been the focus of this article, empirical tests reveal that it is also a powerful mechanism of policy diffusion.

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