

Dipl.- Kfm. Martin Mendelski (Master of European Studies)  
ESCP-EAP European School of Management  
Chair of Economics  
Heubnerweg 6  
14059 Berlin (Germany)  
Tel.: +49 (0)30 32 007-154  
E-mail: martin.mendelski@escp-eap.de

## **Can Ottoman bureaucratic and institutional legacy explain the divergent institutional performance of post-communist transition countries?**

**Martin Mendelski**

**Abstract:** Worldwide Governance indicators (1996-2005, World Bank) show a clear divide between the institutional performance of transition economies. Central European states performed much better than the Balkans. Does administrative and institutional legacy of the Ottoman Empire account for the poor institutional quality in the Balkans during the transition period? This paper tries to answer this question at first from a long-term perspective and analyses the historical legacy of the Ottoman Empire by means of governance effectiveness, control of corruption and rule of law. Contrary to the path-dependence explanation, that historical legacies influence the quality of governance and formal institutions, the author identifies the importance of present factors and argues that wars, ethnic conflicts and the lower level of economic development had a crucial impact on institutional performance in the Balkans. Furthermore, the impact of EU conditionality on institutional quality in Central and Eastern Europe is examined. The author argues that considering Ottoman legacy as a "catch-all" explanation of institutional failure in the Balkans is too simplistic and that external short-term factors have to be included as well. Institutional development is therefore not predetermined and can be changed in a relatively short period of time.

**Keywords.** Ottoman legacy, transition economies, institutional performance, governance, EU conditionality

April 2007

## Contents

1. Introduction .....	1
2. Theoretical framework of institutional change and institutional persistence .....	1
3. Ottoman administrative and institutional legacy in the Balkans .....	3
3. 1 Government effectiveness .....	4
3. 2 Control of corruption .....	5
3. 3 Rule of law .....	6
4. Communist administrative and institutional legacy .....	7
5. Non-path dependent factors: External shocks and EU conditionality .....	10
6. Conclusion .....	13
Appendix .....	19

## 1. Introduction

A look at the institutional indicators (1996-2005, World Bank) of post-communist transition countries reveals a clear divergence between Ottoman<sup>1</sup> and Habsburg<sup>2</sup> successor states (See Appendix, Figures 1-6). What accounts for the difference in institutional development between Central European (Habsburg successors) and the Balkan states (Ottoman successors) during transition? Can Ottoman administrative and institutional legacy explain the weak institutional performance in the Balkans? Some scholars claim that detrimental pre-communist legacy accounts for a low institutional quality during transition (Panther 1997; Winiecki 2004; Pejovich 1998). They explain weaker institutional performance in the Balkans by a lower compatibility between established and newly imported institutions. These claims are easy to make but it is harder to substantiate them since it is difficult to determine the effects of pre-communist legacies. Why? Because it is difficult to tell whether Ottoman institutions persisted or were rather replaced by institutions from the communist period. Furthermore, the same institutions can have different effects in different contexts. One and the same institution can be more difficult to adopt in different countries or even in the same country at different times. Because institutional performance is a complex and interrelated process, monocausal explanations are not sufficient to provide the answer.

Besides the monocausal historical legacy explanation of institutional performance, current factors will be analyzed in the paper. The author's argument is that the quality of formal institutions during transition was increased mainly by non-historical factors, which were of internal and external origin. On the one hand, beneficial domestic or regional economic conditions and the adoption of EU legislation improved institutional performance. On the other hand, less beneficial factors like wars, ethnic conflicts, financial crisis and a missing EU membership perspective hindered the development of a good institutional framework and effective governance.

In order to answer the paper's research question, we have to explain how legacies and institutions change and persist during time. This is dealt with in the second chapter, which provides the main definitions and the theoretical framework for institutional change and institutional persistence. Ottoman administrative and institutional legacy in the Balkans is analyzed in the third chapter. The fourth chapter demonstrates how this legacy was replaced during communist rule. The final chapter argues for the need to include non-historical factors in explaining institutional performance during transition.

## 2. Theoretical framework of institutional change and institutional persistence

The question of institutional performance relates to two factors: the capacity of a state to adapt to new circumstances by fostering beneficial institutional change and to the persistence of inefficient institutions. Both issues will be discussed in the following theoretical framework. Before explaining the factors which account for institutional change and persistence let us agree upon institutions as "*the humanly devised constraints that shape human interaction*" (North 1990, p. 3). North distinguishes between two kinds of institutions, formal (constitutions, laws, property rights) and informal ones (values, traditions, norms of behavior). Formal institutions have to be implemented and enforced effectively in order to bring about institutional change. Enforcement can be done by a third party, i.e. the state, or by the national culture/informal institutions (Casson 1993, p. 448). Enforcement and implementation of new

---

<sup>1</sup> Serbia, Montenegro, Albania, Macedonia, Bosnia-Herzegovina, Bulgaria, Romania, Moldova.

<sup>2</sup> Czech Republic, Slovak Republic, Hungary, Slovenia, Croatia.

institutions depend on their legitimacy in society and on positive feedbacks resulting from the change. Institutional change is a consequence of the change in informal and formal institutions, as well as of an effective enforcement (North 1994, p. 8). Thus, the influencing factors of institutional change can be divided into long-term, slow-changing institutions and short-term, fast-changing ones (Roland 2004). Due to their slow-changing character, informal institutions are often the basis for formal institutions. Also ideologies, the “*subjective perceptions (models, theories) all people possess to explain the world around them*” (North 1990, p. 23), serve as the theoretical basis for institutions. However, institutional change is not determined exclusively by cultural and historical factors (structure) but can be triggered or blocked by actors (agency) and internally and externally generated shocks (wars, revolutions, economic crisis). Therefore, the interaction between short-term and long-term factors determines the extent of institutional change.

If the transition of post-communist states to market economy is understood as a form of rapid institutional change, the question arises, why certain transition countries, i.e. mainly CEEC, achieved faster institutional change (i.e. a better institutional performance) than, for instance, the Balkan ones. Several authors try to answer this question by emphasizing the difference in historical and cultural legacies. They point to the incompatibility of Western-type institutions with pre-communist institutions (see Panther 1997; Winiecki 2004; Goehrke 2000; Dimitrova-Grajzl 2006; Pejovich 1998; North 1997). Their argument, basically, is that the legacy of Western Christendom is more favorable for institutional and economic performance than the legacies of Ottoman or Eastern Christendom. The resulting lack of compatibility with inherited Ottoman informal institutions increases transaction costs and makes the enforcement of the new laws more difficult, resulting in a slower institutional change.

If a historical legacy (e.g. Ottoman legacy) as the explanatory variable should account for the low institutional quality during the transition we have to look for persistence mechanisms which ensure the continuity of inefficient institutions and practices. Literature concerning persistence mechanisms focuses on historical and cultural explanations, such as mental models or path-dependence (North/Denzau 1993, p. 1). The concept of institutional path dependence implies the existence of a specific institutional development path which has been shaped by historical events and experiences (legacies). Such a path-dependent institutional trajectory can be reinforced by positive feedbacks (economies of scale, complementarities, and network externalities) and if these feedbacks are strong enough, crystallize in an irreversible structure of a society (North 1993, p. 1). These lock-in effects are not limited only to “good” institutions. Inefficient institutions can persist when powerful egoistic organizations and interests groups promote their interests and disregard the well-being of society (North 1997, p. 15). Acemoglu/Robinson argue that power structures can persist for many years and hinder the emergence of efficient institutions. Only a change in the distribution of political power will lead to new institutional and social choices (Acemoglu/Robinson 2006).

Explaining persistence of inefficient institutions by path-dependence or the political power of strong elites seems not to be appropriate for cases without continuity of history and powerful elites. Such a discontinuity actually occurred in CEEC following their break with the Ottoman or Habsburg Empire, when former officials and elites had to give up their positions and lost their power. Without such a continuity of power structures, persistence of inefficient institutions was rather the result of structural features, such as continued inequality between communist privileged elites and the normal citizens or the consequence of enduring socio-economic problems. Low economic development, often termed as “backwardness”, characterized many Balkan countries under Ottoman rule, less under communist rule and again during transition (Table 3 and 4 in Appendix). However, this does not exclude national and temporal

exceptions, such as Bulgaria, which in 1975 achieved a GDP level close to that of Hungary or Poland. Therefore, generalizations regarding the economic and institutional development of Ottoman successor states would provide an incomplete and superficial analysis.

### 3. Ottoman administrative and institutional legacy in the Balkans

The important task of the following chapters is to find out how much change and how much persistence occurred in the Balkan countries after the dissolution of the Ottoman Empire. Before trying to answer the question, the term historical legacy should be defined and specified. Historical legacy consists of accumulated common experiences during time that shape the minds of social actors and produce common structural patterns (Sztompka 1999, p. 152). A legacy is based on institutions (formal and informal) or ideology. It is reflected in mentalities, knowledge, orientations or political and economic culture. A historical legacy always entails a continuity or persistence of institutions from the past. The main problem of a historical legacy is that it can be ascribed to different historical periods, as many structural patterns are reproduced time and again. More complexity is added as legacy can be a combination of new and old structures. Newly introduced institutions and ideologies can both reinforce or weaken the old legacy (positive and negative feedbacks). Thus legacy is a dynamic concept whose connotation can change during time. In the paper I differentiate between pre-communist legacies (Ottoman legacy, Habsburg legacy) and communist legacy. As I want to concentrate only on the aspects of Ottoman administrative and institutional legacy, I will choose a narrow definition. The main reason for such a “*separate spheres approach*” (Todorova 1996, p. 47) is that in the supranational and culturally diverse Ottoman Empire “*bureaucracy seems to have been the only common institution, linking, but not unifying*” its population (Todorova 1996, p. 48).

I define **Ottoman legacy** as the “*administrative and institutional patterns prevailing in the last century of the Ottoman Empire*”. History illustrates that the Ottoman Empire experienced both good and bad periods. That is why we can distinguish between a positive Ottoman legacy (strong Ottoman state with an efficient administration) and a negative Ottoman legacy (a weak Ottoman state with an inefficient bureaucracy). However, it was the detrimental Ottoman legacy from the last centuries of its existence and especially from the 19<sup>th</sup> century, which was inherited to the successor states. This kind of Ottoman administrative and institutional legacy was characterized by:

- A low Government Effectiveness, i.e. a low quality of the bureaucracy and the competence of civil servants.
- High Corruption, i.e. high administrative corruption and state capture
- A weak Rule of Law, i.e. little respect of the rules of society (low legislative effectiveness and weak enforcement).

Critics could also say that using a single Ottoman legacy would be a generalization of the different Ottoman approaches towards autonomy (e.g. different status of vassal provinces Wallachia, Moldavia, Dubrovnik) in the Balkans. However, as I defined Ottoman legacy within a narrow field, I will differentiate between different country and regional-specific “Ottoman legacies” only in cases of strong discrepancy with the main administrative and legislative system. The restriction of the analysis to the institutional-administrative area allows me therefore to use the term “legacy” in its singular form. Another caveat relates to the historical changes of some regions (e.g. Bosnia Herzegovina, Transylvania, Banat, Bukovina) which were for certain periods both under the influence of the Ottoman and the Habsburg Empire. A present-day example for a state with different historical legacies is Romania, which inherited regions that were once part of both the Habsburg (Banat, Transylvania, Bukovina), and the Ottoman Empire (Wallachia, Moldavia). Such countries are therefore difficult to categorize as Ottoman or Habsburg successor states. However, due to additional Ottoman influence in

Transylvania and Dobrudzha I consider Romania in this paper as an Ottoman successor state. One could discuss other controversial regions and countries in a similar way, however this would hardly bring any advancement, and that is why I continue to answer the paper's research question. A necessary step is to provide a short historical overview of Ottoman administrative and institutional practices.

### 3. 1 Government effectiveness

The classical Ottoman state was a strong centralized and highly regulated bureaucracy. The political system is described by Inalcik as the "almost ideal type of centralist monarchy" (Inalcik 1996, p. 20). Indeed, novelty was almost non-existent and the entire system was focused on the sultan and his loyal civil servants.<sup>3</sup> Functionalism was the main principle in the hierarchical state, i.e. members of the whole society performed tasks for the benefit and support of the state (Sugar 1977, p. 273). The Ottoman Empire had a divided society, with high inequality between its classes. A first division was made according to the function and social position in the state. The socially most important and most favored class consisted of "professional Ottomans", the *askeri* ("military") and the *ulema* (religious, educational and legal authority).<sup>4</sup> The main duty of this governing class was the administration of the state. The lower tax paying classes, the *Reaya* (craftsman, merchants and, above all, peasants) represented the majority of the population. Its members were additionally divided along confessional lines, i.e. among Muslims and non-Muslims. Non-Muslims had to pay extra taxes, their rights were limited and "they were treated as definitively inferior in status" (Jelavich 1983, p. 40). In the *millet* system, non-Muslim community leaders were responsible for the local administration and had local government tasks. Christian clergy and notables in the Balkans therefore formed an intermediary elite between Christian peasants and the Ottoman government. Although Ottomans also partly incorporated non-Muslims in the state service as scribes, tax farmers or even into the military class (Inalcik 1996, p. 24), cultural and political elites were not tolerated by the Ottomans, and with the exception of the vassal states (boyars, Phanariots), first and foremost the Patriarchate composed the small Christian elite (Todorova 1996, p. 58).<sup>5</sup>

At the end of the 16<sup>th</sup> century, the traditional strong Ottoman State began to deteriorate due to different internal and external factors.<sup>6</sup> Stronger local notables (*ayan*) at the periphery weakened government effectiveness and the powers of the Ottoman sultans. The hitherto efficient state administration deteriorated and became more corrupt. A major source for a declining quality of bureaucracy and "attitude of practically everybody" were deteriorating living standards (Sugar 1977, p. 210).<sup>7</sup> During the reign of Selim III (1789-1806) the first centralization and bureaucratization reforms took place in order to strengthen the state and to gain control over the declining Empire. Centralization reforms were accelerated during the Tanizmat period (1839-1876). New administrative blueprints were borrowed from the West (Heper 1976, p. 511). Ottoman reformers introduced Western-based institutions which were mainly

---

<sup>3</sup> However, the situation in the vassal States Moldavia and Wallachia was different, as the Ottoman socio-economic system had not been introduced and nobility and princes retained their social status and political power, as well as a cultural autonomy (Sugar 1977, p. 281).

<sup>4</sup> The composition of the Ottoman professionals can be also made in four major groups: the *mülkiye*, the *kalemiye*, the *sefiye* and the *ilmiye*. See for details Sugar 1977, p. 34.

<sup>5</sup> The wealthy, privileged and influencing Phanariots obtained however high administration offices in Istanbul and governed for many decades the Danubian Principalities (1711-1821). On Phanariot rule see Jelavich 1983, p. 53 ff; Sugar 1977, p. 132ff.

<sup>6</sup> Among those were the increasing economic and military power of Europe, economic crisis caused by inflation, higher cost of warfare and bureaucratization, wars and Ottoman conservatism. See Sugar 1977, p. 194f.

<sup>7</sup> The decline of the previous thorough Ottoman bureaucracy is reflected even in the records which are detailed and up-to-date in the 16<sup>th</sup> century and became irregular and imprecise in the 17<sup>th</sup> and 18<sup>th</sup> centuries. Only the Köprülü period (1656-1702) is a positive exception to the overall declining standards and bureaucratic quality (Lewis 1958, p. 113).

oriented towards the continental-style system of France or Prussia and not to the decentralized Anglo-liberal system. Consequently, new European style institutions did not produce a liberal state based on the rule of law, but an “Ottoman Prussia”, where law served the interests of the State (Findley 1996, p. 159). In the 19<sup>th</sup> century an established civil officialdom took over administrative responsibility. The introduction of new regulations and agencies, as well as the establishment of the Interior Ministry in 1837 created a “big government”. A closer look at figures from the state services reveals the increasing importance and power of the Ottoman bureaucracy. The number of civil officials expanded from about 2000 at the end of the 18<sup>th</sup> century to approximately 35,000 in 1908 (Findley 1996, p. 167f).

A new huge bureaucracy also meant many problems. According to Findley (Findley 1989, p. 293ff), there was a problem of an inefficient salary system which worsened the living standards of the officials. The new salary system, which was introduced gradually with the reforms in 1838, was supposed to provide sufficiently high salaries and other non-monetary rewards (ranks, decorations). Nevertheless, the salary reform did not work properly and officials were faced with many difficulties. The situation for Ottoman officials was aggravated by high inflation and high foreign debt which resulted in less tax revenues and finally in delayed payments of salaries or even in lowered salaries. Because of the gradual character of the reform and the bad economic situation, old practices and methods of compensation survived for many years. Bureaucratic discipline declined and non-legal income sources developed. Corruption, gift-giving, and other methods for obtaining overdue salaries were means to cope with the difficult situation. Additional surviving strategies of Ottoman bureaucrats were to hold more than one office or to engage in part-time work in other areas, often being absent or late from their main work place. In summary, due to a worsened economic situation - culminating in the bankruptcy of the Ottoman State in 1875 - administration reforms did not succeed. In the 19<sup>th</sup> century corruption became a general characteristic of the whole administrative system (Findley 1989, p. 332).

### **3. 2 Control of corruption**

Since the reign of Murad III (1574-95) corruption of central and provincial administration had begun and continued for several centuries. Although during the Köprülü period (1656-1702) corruption was reduced by applying drastic measures, the negative trend could not be reversed (Sugar 1977, p. 65 and p. 198). The main reasons for growing corruption and the decline of morality in Ottoman Empire were economic decline and destructive financial consequences of long wars emanating from the end of the 16<sup>th</sup> century. Relative price changes (loss in value of silver in relation to gold) and the shift of world trade from the Mediterranean to the Atlantic prompted high inflation which engendered more costly living conditions. In order to survive under deteriorating living standards, judges and bureaucracy opted for abuses of rules and corruption. This situation was exacerbated by the high costs of long wars which brought about increased and more burdensome taxes for Balkan villagers (Inalcik 1972, p. 350). Inflation, growing costs of warfare and bureaucracy were also a characteristic of other European Empires such as the Habsburg Monarchy. However, in the Ottoman State economic elites did not possess political power and therefore could not influence the State to create more favorable conditions for commerce, banking and credit. According to Lewis, wealth was not of economic, but of political or fiscal origin, obtained through the holding of a public office (Lewis 1958, p. 123). Ottoman corruption differed from Western-style corruption insofar as that for Ottomans political power was a prerequisite to buy economic power, whereas in the West economic power was needed to buy political power (Lewis 2002, p. 63).

It would be wrong to regard corruption as a cultural trait or to attribute corruption exclusively to the Muslim population. An example of corruption of non-Muslim officials and notables can

be found in the Danubian Principalities. In Wallachia and Moldavia the situation differed from the integral parts of the Empire, as their vassal status prevented the introduction of Ottoman socio-economic system (Sugar 1977, p. 281). Although these states enjoyed semi-political and cultural autonomy and retained their native aristocracy, the boyars, they were obliged to pay high tributes. Heavy taxes, food supplies, bribes for officials and other contributions such as accession gifts for the appointment of each new prince (which were much higher than the yearly tributes) contributed to the impoverishment of the population. This tribute-based system was exploited especially by the Phanariots (1711-1821), who made large private profits from their offices and later on replaced the taxes by large-scale bribery (Sugar 1977, p.122ff). In this dark period of Romanian history, marked by excessive fiscal and political corruption, Phanariots “*brought neither order nor prosperity, but instead increasing turmoil and internal anarchy*” (Jelavich 1983, p.103). To sum up, corruption in the Ottoman Empire had mainly economic and less cultural roots. A declining economy had to cope with the higher costs of long wars, a bigger and expensive bureaucratic structure and higher inflation. Additionally, the heavily unequal Ottoman social system facilitated exploitation of the weaker classes by the privileged ones and exacerbated living conditions.

### 3. 3 Rule of law

The judiciary and legal system of the Ottoman Empire comprised the fixed religious law of the Islam (*seriat*) and the more flexible secular law (*kanun*). While the seriat law was based on the Koran, the kanuns were decrees and regulations disseminated by the state (Sultan). Kanuns were valid only for the period of the Sultan’s rule, though normally the previous kanuns were reconfirmed by the following Sultans (Sugar 1977, p.43). Both types of law were enforced by local judges (*kadis*), as well as appointed governors. With the beginning of the 17<sup>th</sup> century the Ottoman legal system became less efficient in law enforcement due to decentralization tendencies and a weaker government. A chaotic and corrupt polity triggered evasive behavior (Sugar 1977, p. 288). Additional reasons for the evasion of law were the overall economic hardship and increasing burdensome taxation, which prompted also peasants’ emigration or flight into the mountains (Jelavich 1983, p. 166). Over a period of roughly 200 years (1574-1804), a well-organized and efficient Ottoman state had been transformed into a weak and disordered one, where local rules were observed more and more than state laws (Sugar 1977, p. 208). Consequently, a weak and deteriorating Ottoman state had less influence in the Balkans, where revolutions for independence first broke out. The last attempts to end the overall decline were the reforms in the Tanizmat period (1839-1876). It was mainly during this period that the principle of strict adherence to the seriat law was abandoned. The Islamic concept of justice was reinterpreted and Western secular legislation spread by bureaucratic elites (Heper, 1976, p. 510). New institutions were adopted from European sources. Free trade, property rights and equality of people were pronounced for instance in the Anglo-Ottoman commercial treaty of 1838 and the Gulhane Decree of 1839.

Yet, Ottoman legacy does not imply the persistence of an Ottoman legal system as, due to the break with Ottoman system, there was little legal continuity in the Balkan states. Rather it meant a continuity of weak legal effectiveness (poor enforcement) and a mentality to act evasively (Sugar 1977, p. 208). The persistence of these inefficient informal institutions had several origins: deteriorating political and economic conditions and the unstable situation in the Balkans (17<sup>th</sup> - 19<sup>th</sup> century), which was characterized by a multitude of wars, migrations, changes of rulers and legal systems. How could rule enforcement be assured under such uncertain and poor living conditions? How could certain rules and claims (e.g. tax payments) be observed when people were living from day to day and their thinking and acting was guided by short-term factors?



In contrast to these low living standards, the situation for the population in the Habsburg Empire was relatively better. According to Lampe the income figures p.c./francs in the year 1911 were for Ottoman successors Romania (300), Serbia (250) and Bulgaria (250) much lower than for Hungarian (400) and the Czech lands (700) (Lampe 1989, p. 196).<sup>8</sup> Additionally, some structural features may have contributed to the development of more efficient institutions in the Habsburg Monarchy. Strong local nobility and a comfortable middle class limited the powers of Habsburg monarchs (Jelavich 1983, p. 129f). The lower degree of power concentration may have constrained the discretionary behavior and the abuse of power (Roland 1994, p.122). Although corruption also existed in the Habsburg Empire, the Austrian state bureaucracy was relatively honest and efficient. Law and order were maintained (Jelavich 1983, p. 167). Furthermore, the Habsburg Empire had a more effective and uniform legal system (Code of Civil Law) which was established in late 18<sup>th</sup> century under the rule of Joseph II and was revised only once during the 1920s (Kann 1974, p. 239). These structural conditions and a better overall economic situation may have ensured higher rule enforcement and less administrative-institutional problems in the Habsburg Empire.

To sum up, the institutional and governance quality of the Ottoman state reveals a rift between the quite efficient classic system and the inefficient subsequent one. Unfortunately it was the deteriorated administrative-institutional system of the last centuries which became legacy of the Ottoman Empire, and not the well-organized system prior to the 16<sup>th</sup> century. As a consequence of the socio-economic deterioration, reforms were badly implemented and administrative and legal institutions less enforced. The following period of nationalism, autocratic rule and several wars (Balkan and World Wars) did not improve the economic and institutional situation in the Balkans (Table 3 in Appendix). The next section will reveal whether inefficient institutions persisted during communist rule.

#### **4. Communist administrative and institutional legacy**

Did pre-communist administrative and institutional legacy from the Ottoman or Habsburg Empires survive during the communist period or was it rather absorbed and replaced by communist legacy? The outcome depends upon the degree of break with history and the subsequent penetration of the communist system. As regards the first aspect, all Balkan countries decided on a break with the Ottoman Empire and introduced for after their independence institutional and administrative structures from Western countries (e.g. French administrative model in Romania and Bulgaria). However, the periods of establishing new institutions differed across the states. Whereas Serbia and Bulgaria needed more than a decade, Romania achieved institutional reforms quite quickly. Bosnian and Albanian elites, which were more attached to the Ottoman Empire, preferred a gradual solution (Todorova 1996, p. 52 and 56). In these first years of independence, institutional persistence was weakened gradually by the change of political power and reforms of institutional-administrative structures. Although some institutional and administrative practices from the pre-communist period could persist,

---

<sup>8</sup> However, it would be incorrect to assume that a low economic development prevailed only in the Ottoman regions. Habsburg borderlands (Vojvodina, Slavonia, Southern Hungarian lands and Carpathian lands), which served mainly as a barrier against Ottoman offensives, did not profit from the 19<sup>th</sup> century economic growth in the Monarchy. Instead, these peripheral regions lacked self-government, control over tax-revenues and the ability to attract foreign capital (Lampe 1989, p.192ff). A look at income figures clarifies the diverse situation of economic development in the Habsburg Empire (Tables 1 and 2 in the Appendix). According to the GDP per capita levels in the period 1870-1910 presented by David Good, the Habsburg Empire had both wealthy regions (Austria, Bohemian lands and lower Western Hungary), and poorer ones (Carpathian lands, Transylvania, Eastern Hungary, Slavonia and Dalmatia).

after World War II communist legacy had a decisive impact on the formal and informal institutions.

Communist legacy, also known as “Leninist legacy” (Jowitt 1992, p. 284) or “socialist legacy” (Rona-Tas/Böröcz 2000, p. 209), consists of common norms and patterns of behavior engendered by socialist ideology and planned economy. Communist ideology influenced for decades the institutional framework in CEEC and changed profoundly the habits, attitudes and behavior of their citizens (Elster/Offe/Preuss 1998, p. 158). Indoctrination and totalitarian control led to defensive and reverse effects such as non-obedience of rules, non-respect of laws, distrust and double standards of talk and conduct (Sztompka 2000, p. 6). One explanation why pre-communist structures could hardly persist is the transforming power of communist rule in almost every part of human life. This profound transformation, with an emphasis on industrialization and education, involved not only formal institutions but the whole society structure. Therefore it can be argued that many behavioral patterns of the pre-communist period were replaced by communist ideology.

Communist ideology influenced strongly the formal institutions and administrative practices. Through its central planning mechanisms and strong state control, Communist system uniformized regional pre-communist differences. Romania, for instance, with its inherited Habsburg regions (Transylvania, Banat, Bukovina) and Ottoman Empire ones (Moldova, Wallachia) adopted a common system which engendered uniform structural and behavioral patterns in the administrative and legal system. Of course, regional cultural particularities remained; however, through strong centralized governance which punished dissident practices and thinking, former historical structures merged more or less into a single one. What characterized such a communist public administration, common in all communist countries, was the all-embracing role of the state (communist party), which used the administrative system as “implementation machine” for its decisions or for the suppression of citizens (Verheijen 2003, p. 490). Communist public administrations shared various burdens, such as political influence, high centralization, no precise career patterns, no consequent separation of competencies, no special administration laws, an autocratic style, corruption and an overall low quality of bureaucracy (Vanagunas 1997, p. 10; Coombes 2001, p. 36f; Lippert/Umbach 2005, p. 71ff; Brunner 1998, 161ff). As communist legacy upheld and reinforced similar structural and behavioral patterns (such as a strong bureaucratic state, corruption and the evasion of law) it can be at first glance argued that Ottoman legacy persisted in the Balkans. However, as inefficient institutions appeared not only in the Balkans but as well in Central and Eastern Europe it seems that these negative patterns of behavior are less the consequence of persistent institutions from the pre-communist period, but the effect of a failed communist political system and less beneficial economic conditions, especially in the last decade of communism (Table 3 in Appendix).

Nonetheless, communism was not a uniform experience and differed widely across communist Europe (Clark/Soulsby 1995, p. 223). This diversity of “communist legacies” is best expressed in the words of Ekiert/Hanson: “...it becomes clear that the types of communist takeovers; the degrees of enforcement and institutionalization of Marxist ideology, Leninist party rule, and Stalinist economics; modalities of transition to a post-totalitarian regime; and modes of deconstruction in the final years of state socialism varied widely across the region” (Ekiert/Hanson 2003, p. 29). Different communist legacies are also reflected in the different administrative systems, which despite a common communist approach, began to distinguish themselves as some countries started reforms in the 1980s. Poland and Hungary abolished in 1971/1972 subordination of national soviets and of the special organs and divided local administration competencies (Brunner 1998, p. 174; Lippert/Umbach 2005, p.74). Other states

(Bulgaria, Romania, Baltic States) in which communist leaders remained strongly committed to central planning and authoritarian rule (Elster/Offe/Preuss 1998, p. 47) experienced fewer reforms and fewer possibilities to acquire skills for the transition to market economy and for the establishment of effective governance. The public administration in the Baltic States, distinguished itself from other communist bureaucracies with a sovereign state as it was strongly integrated in the centralized system of the Soviet Union. After their independence from the Soviet Union they had to build up their administrative structures and institutions almost from scratch.

Different types of implementation of communism may account for different institutional performance during transition. For instance, the less strict version of Hungarian communism was reflected in enterprise autonomy and market economy elements after 1968 (Rona-Tas 1997, p. 130). The existence of a small scale private sector (“second economy”) parallel to the large scale planned economy stimulated market-related and entrepreneurial skills and modernized the country’s services and infrastructure (Szalai 2005, p. 9). In the 90s Hungary reformed its banking market and introduced tax laws, which were similar to the laws of Western market economies (Rona-Tas 1997, p. 130). Hungary, Poland and Yugoslavia (Slovenia) had a beneficial system in terms of a low degree of centralization which allowed for self-management within enterprises (Fischer/Gelb 1991, p. 92f). Czechoslovakia, Bulgaria and Romania had relatively centralized economies. As a consequence of more favorable or less favorable communist legacies, post-communist countries entered reforms with diverse starting conditions. These different initial conditions in terms of structure and economic conditions played especially at the beginning of transition a major role (Havrylyshyn/van Rooden 2001).

A look at the EBRD initial conditions index<sup>9</sup> (see Table 5 in Appendix) shows mixed results for Balkan countries. Quite good starting conditions prevailed in Macedonia (2.5), Albania (2.1) and Bulgaria (2.1). Moldova, however, had the worst starting conditions of all with an index value of -1.1. The values for Central European states are on the whole more favorable and range between 2.5 and 3.5.<sup>10</sup> Only the Baltic States have very low values: Estonia (-0.4), Latvia (-0.2) and Lithuania (0). However, despite of less favorable initial conditions, they improved their institutional performance quite quickly and demonstrated that less beneficial initial conditions (resulting from communist legacy) did not hinder transition success later on.<sup>11</sup> In contrast, the former Ottoman successor state Macedonia (2.5), despite a beneficial communist legacy, did not achieve high institutional quality during transition.

Additional supporting data against the importance of communist legacy in the later transition period comes from the composite institutional index for 1984-1994, constructed by Ahrens.<sup>12</sup> Let me illustrate this on some country examples. First, Ottoman successor Bulgaria, regardless of a less favorable pre-communist legacy, had between 1984 and 1988 a similar level of institutional quality as Habsburg successors Hungary and the Czech Republic (all three coun-

---

<sup>9</sup> The initial conditions index is a weighted average of different indicators (GDP per capita in 1989, pre-transition growth rate, urbanization rate, rate of over industrialization, endowment with natural resources, years spent under central planning, distance to the EU, trade dependence on the CMEA, macroeconomic disequilibria). See EBRD Transition Report 1999, p. 29.

<sup>10</sup> Poland’s relatively low value (1.9) can be explained by a macroeconomic crisis in 1989 which was characterized by hyperinflation and high external debts.

<sup>11</sup> On the role of initial conditions see Fischer/Gelb 1991; De Melo et al. 1998; Berg et al. 1999; Havrylyshyn/van Rooden 2001; Berta/Murrell 1999; Falcetti et al. 2000.

<sup>12</sup> Ahrens uses data set from the *International Country Risk Guide (ICRG)* and the *Center for Institutional Reform and the Informal Sector (IRIS)*. The data set for the institutional indicator consists of the following dimensions: Government repudiation of contracts, risk of expropriation, corruption, rule of law and bureaucratic quality (see Ahrens 2002, Figure 6.8, p. 202).

tries around 35%). Despite a beneficial communist legacy for all three countries, Bulgaria fared less well in the following years. A further example comes from Poland, a laggard in institutional quality in the mid 80s. Poland's level of institutional quality was in 1984 only at 23% and close to that of Romania's (20%). Although having faced lower levels of institutional quality, both countries achieved fast institutional change until 1994. Poland, however, outperformed Romania's institutional performance and became one of the institutional leaders in 1994. What becomes evident from the presented figures is that similar historical legacies do not have to engender a similar institutional development in the future.

To sum up, the analysis has shown the relevance of communist ideology for administrative and institutional structures during the communist period. Communist legacy (initial conditions) has also the potential to explain the institutional performance in the first transition years. Nevertheless, communist legacy cannot explain why some Ottoman successor states (Serbia, Macedonia, Bosnia Montenegro), despite a more favorable communist legacy, performed worse during transition than other Ottoman successor states (Bulgaria, Romania). External influence by the European Union and in form of external shocks should provide the answer.

### **5. Non-path dependent factors: External shocks and EU conditionality**

Besides historical legacies, non-path dependent factors (external shocks, international organizations, EU) could explain the different institutional trajectories of Central European and Balkan countries. The influence of international financial organizations (IMF, World Bank) on governance and institutional change has been acknowledged (see Ahrens 2002, p. 351; Jacoby 2001; Linden 2002; Stone 2002; Schönefeld 1996; Wedel 1998). While the World Bank projects had exerted influence in particular sectors and the IMF on macroeconomic policies (Cernat 2006, p. 127), the EU was the most influential external force of institutional change for 10 transition countries, which obtained a perspective to join the EU. That is why, at least from 1997 onwards, the impact of EU-legislation on institutional performance should be taken into consideration. This is mainly done in the Europeanization literature (Featherstone/Radaelli 2003; Radaelli 2003; Cowles/Caporaso/Risse 2001; Börzel 1999), which focuses more and more CEEC (Grabbe 2001; Lippert, et al. 2001; Schimmelfennig/Sedelmeier 2005).

Europeanization, i.e. the EU impact on domestic change in candidate countries, is perceived as a one-way or top-down process of "asymmetrical bargaining" in which the EU is the dominant influencing power (Radaelli 2004, p. 4; Papadimitriou/Phinnemore 2004, p. 623) and candidate states do not have any formal mechanism to influence the EU prior to their accession.<sup>13</sup> That is why bargaining is in fact a misleading term as the governments of candidate countries can only bargain about transitional periods and some exceptions, but on the whole have the obligation to fulfill the fixed "Copenhagen criteria"<sup>14</sup> prior to their entry. Conditionality is mentioned as the main Europeanization mechanism to transfer EU institutions into candidate countries (see e.g. Schimmelfennig/Sedelmeier 2005). Conditionality basically means that EU offers membership and pre-accession support to candidate countries and, at the same time, maintains a strong pressure on the fulfillment of the accession requirements.

---

<sup>13</sup> One-way influence does not mean that there can be resistance and interaction with already established formal rules or at least with the informal ones. It just draws attention to the fact that the candidate countries were not able to influence and change the hitherto established EU legislation.

<sup>14</sup> The Copenhagen criteria consist of: stable democratic institutions (rule of law, human rights), the existence of a functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the EU, the ability to take the obligations from the membership, i.e. to adopt the *acquis communautaire*. At the Madrid Council in 1995 a fourth criterion with a similar importance was pronounced, namely the creation of administrative capacity which requires the enforcement of EU legislation in practice (Dimitrova 2002, p. 178).

Hence, the EU acts as a third party, which enforces EU legislation and its values via the governments of the applicant countries and triggers institutional and governance reforms (Mendelski 2006, p. 88). In fact, conditionality consists of multiple conditionalities which are related to democratic, economic and administrative requirements which have to be fulfilled in order to achieve accession. However, these partial conditionalities are interrelated. Administrative conditionality is for instance linked to the democracy requirement (rule of law, reform of judiciary) and the capacity to implement the (internal market) *acquis* (Dimitrova 2005, p. 80).<sup>15</sup>

The facilitating and impeding factors for effective conditionality (rule transfer) are identified in the external incentives model (Schimmelfennig/Sedelmeier 2005, p. 10f). According to this rationalist bargaining model of externally triggered institutional change, the EU establishes rules and conditions which the CEEC have to fulfill in order to receive rewards. As the governments of applicant countries use cost-benefit calculations, they will only adopt EU rules if the economic and political benefits from EU membership exceed the costs of domestic adoption (costly domestic reforms). Besides the costs of adoption, conditionality depends on the preferences of the government and on opposing groups (veto players). Such political and economic elites, which have higher benefits from the status quo and strive to preserve their power, often oppose EU rule transfer and delay institutional change. After all, rule adoption and implementation is done by the national government, which has to balance EU and domestic pressures in order to maximize its own benefit. Given the immense benefits of EU membership,<sup>16</sup> national governments of applicant countries had the will and could finally push through policy and institutional reforms against the resistance of domestic anti-reformist groups.

While the theoretical concepts are quite well elaborated, quantitative studies in Europeanization research are still scarce and are conducted as qualitative small-N analysis. This is why I will try to do make a more general comparison and use empirical data from the World Bank Governance indicators, which allow to me to display where and when the EU generated governance and institutional change in candidate countries and why institutional performance was lower in the Balkans. When comparing the World Bank governance indicators (1996-2005) of the Habsburg and Ottoman successor states, a more stable institutional development becomes evident in the former as compared to the latter (Figures 1-6 in the Appendix). On the whole, the development of governance and institutional quality is more volatile in the Balkan states, a sign for later initiated or stop and go reforms. The only exception in the Habsburg group is Croatia which was a late reformer.

As far as government effectiveness is concerned high levels (over 60%) were achieved by almost all Habsburg successors in 1998, whereas the best performing Ottoman successor states, Bulgaria and Romania only recently attained the 60% barrier (see Figures 1 and 2 in the Appendix). Basically, the different levels of government effectiveness can be attributed to different starting points (the will) and the implementation (the capacity) of administrative reforms. Some Habsburg successors were early reformers (Slovenia in 1990, Hungary in 1992) others late ones (Slovakia in 1999; Croatia in 2000; Czech Republic in 2002). On the

---

<sup>15</sup> With regard to administrative conditionality/*acquis* conditionality, Grabbe distinguishes between five different conditionality mechanisms through which the EU stimulates institutional and governance changes: gate-keeping (opening of negotiations), benchmarking and monitoring, prescription of blueprints, aid and technical assistance, twinning (see Grabbe 2001, p.1020ff).

<sup>16</sup> Benefits from trade and cooperation, financial assistance, import of know-how, full access to EU markets, modernization of economies and administrations, more predictable political security and business structures (Ahrens 2002, p. 314).

contrary, Ottoman successors can be characterized as partial or late reformers, starting their reforms in the second half of the 90s. What is striking in the Ottoman group, are the volatile changes of government effectiveness in the Romania and Bulgaria after 1998 (figure 2). In Bulgaria, the significant decline of government effectiveness in 1996/1997 can be attributed to the effects of a financial crisis in Spring 1996 (Verheijen 1997, p. 2). After the economic recuperation, state administration reforms were conducted in 1998 and 2001 and the indicator improved rapidly. Similarly, Romania's progress of public administration was noteworthy only after economic recovery in 1999/2000. Besides, from 1999 onwards these two countries as well as Slovakia and Croatia benefited from EU conditionality and accelerated therefore administrative reforms in order to fulfill the membership criteria. However, EU conditionality was not as effective in Hungary and Slovenia. These early reformers achieved a substantial level of government effectiveness on their own and without the pressure of the EU.

In contrast the majority of Ottoman successors launched reforms later or failed to implement administration legislation, most probably due to strong detrimental economic and social crisis and missing beneficial EU pressure. In Albania, the break down of the pyramid finance schemes triggered violent riots with many deaths in 1997 and impoverished millions of Albanians. External shocks in form of the Kosovo war (1999/2000) an armed conflict in Macedonia in 2001 or the negative impact of the Russian financial crisis on Moldova in 1998, decreased government effectiveness. The priority in these countries was on economic, financial and political stabilization and not on administrative reforms.

The ability to control corruption seems not to have changed in Habsburg successor countries, except for Croatia, which doubled its 1996 level within 6 years (Figure 3). Such an overall stable development would confirm that informal institutions (inclination towards corruption) are slow-changing behavioral patterns. This may be true for economically and politically stable transition countries. However, this does not account for countries from the Ottoman group, which experienced a highly volatile development of control of corruption within only few years. In some Ottoman successor states, control of corruption worsened (Moldova, Albania), in others, it improved (Serbia and Montenegro, Bulgaria), however from relatively low levels (Figure 4). In these cases Ottoman legacy cannot account for the rapid up and downs in corruption levels within only a few years. Such changes must be caused by non-historical factors and can be explained by less unfavorable economic conditions in the Balkans, such as the above mentioned negative external shocks, which prevented economic growth, delayed institutional reforms. Control of corruption figures improved only after the Kosovo war in Serbia and after economic recovery in Bulgaria and Romania (Figure 4).

Rule of law in the Habsburg group (except of Croatia) as well in Romania, Bulgaria and Macedonia remained at a similar level or changed only gradually (Figure 5 and 6). Such an almost stable development of the rule of law indicates no impact of EU conditionality in this area. While it is easier to adopt EU required laws and regulations, their effective implementation and enforcement is more difficult to achieve. Thus, these results seem to confirm the slow-changing character of legal systems in contrast to fast-changing political institutions (Roland 2004, p.116) as well as the World Bank conclusion about judicial systems in transition economies: *"Indeed, it is probably fair to say that less overall progress has been made in judicial reform and strengthening than in almost any other area of policy or institutional reform in transition countries since 1990"* (World Bank 2005, p. 57). While, except of Croatia, there is almost a stable development of the rule of law indicator in all transition countries, we can find three negative examples: Bosnia-Herzegovina and Albania which experienced a sharp drop of 30% in 1996-1998 and Moldova's harsh decrease (-20%) between 1998 and 2000 (Figure 6). Such quick changes in the rule of law can be again ascribed to external

shocks and less beneficial economic conditions (1997 revolt in Albania, Moldova's financial crisis in 1998 and ethnic conflicts and war in Bosnia in 1995).

## 6. Conclusion

Ottoman legacy is not sufficient to explain the slow and unsuccessful institutional change in Ottoman successor states during transition. A similar administrative and institutional legacy does not necessarily bring about a similar institutional performance later on. It is always easy to argue that "culture and history matter" when explaining the institutional and economic development of countries. However, culture and history do not explain why some countries succeed to change their ineffective institutional framework, abolish corruption and establish good governance within a short period of time. The most obvious example is the improved institutional performance of Ottoman successor states Bulgaria and Romania. If not Ottoman legacy, what then accounts for the worse institutional performance of Balkan countries since 1996? Mainly two factors: The absence of a European Union membership perspective, which did not stipulate the adoption of EU's administrative and institutional framework (*acquis communautaire*), and the negative influence of external shocks (wars, ethnic conflicts and economic crisis). These detrimental external shocks reduced the capacity to launch and implement reforms and prevented or delayed institutional development in many Balkan countries.

The analysis has shown that EU conditionality was beneficial for domestic reforms and improved the institutional framework in Romania, Bulgaria, Slovakia and Croatia since 2000. Although the most advanced Habsburg successors (Slovenia and Hungary) were also EU candidates it seems that they were less affected by EU conditionality as they reformed their institutional framework earlier, i.e. before 1996, and thus had to make relatively small institutional adaptations to fulfill membership criteria. Especially striking is the minimal change of rule of law in most transition countries, which can be attributed to the general inertia of legal systems and a less effective implementation and application of the new rules. This is why the development of domestic capacity to implement and enforce the new rules from abroad remains a challenge for the future.

Nowadays, external impact on internal norms and rules occurs in the form of globalization (Americanization) and regionalization (Europeanization). The adoption of these new rules, however, depends both on the dominance and attraction of the imposing actor and on the will of the domestic actors (national states) to adopt and enforce them. Ten years after the end of Communism the EU prompted an "adaptive institutional change" of candidate countries, from which especially the second-wave countries<sup>17</sup> benefited much. The perspective to join the EU can be a strong incentive for administrative and institutional reforms, especially if it is credible and offers positive feedbacks which do materialize in advantages for the people. These benefits do not have to be exclusively monetary, but also non-monetary, such as freedom and peace. The EU offers all three advantages. This does not necessarily mean that adopting EU institutions is the "ultima ratio". Other countries (e.g. Balkan or Maghreb countries) could try to develop their own formal institutions that are more compatible with their culture. But such a development needs time. A quicker way to reform the institutional framework and to provide a secure and stable institutional environment for foreign investments and economic performance would be to offer a credible membership perspective to the countries currently left out.

---

<sup>17</sup> Second-wave countries are Bulgaria, Romania, Latvia, Lithuania, and Slovakia. For the EU impact of EU on institutional (administrative) change in first and second-wave EU candidates see Mendelski 2007.

## References

- Acemoglu, D./Robinson, J. A. (2006): Persistence of Power, Elites and Institutions, NBER Working Paper, No. 12108
- Ahrens, J. (2002): Governance and Economic Development. A Comparative Institutional Approach, Cheltenham 2002
- Berg, A./Borensztein, E./Sahay, R./Zettelmeyer, J. (1999): The Evolution of Output in Transition Economies: Explaining the Differences”, IMF Working Paper, no.WP/99/73
- Berta, H./Murrell, P. (1999):The Relationship between Economic Growth and the Speed of Liberalization during Transition, *Journal of Policy Reform*, vol. 3, no. 2, p. 121–137
- Brown, L.C. (1996): Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East, New York 1996
- Brunner, G. (1998): Verwaltungsstrukturen in den kommunistischen Einparteidiktaturen Osteuropas, in Heyen, E. V. (eds.): Die öffentliche Verwaltung im totalitären system, Baden-Baden 1998, p. 153-182
- Casson, M. (1993): Cultural Determinants of Economic Performance, *Journal of Comparative Economics*, vol. 17, no. 2, p. 418-442
- Cernat, L. (2006): Europeanization, Varieties of Capitalism, and Economic Performance in CEECs, New York 2006
- Clark, E./Soulsby, A. (1995): Transforming Former State Enterprises in the Czech Republic, *Organization Studies*, vol. 16, no. 2, p. 215-242
- Coombes, D. (2001): Politics and Bureaucracy in the Modern Administrative State: Comparing Western and Eastern Europe, in Verheijen, T. (eds.): Politico-Administrative Relations: Who rules?, Bratislava 2001, p. 26-44
- Cowles, M. G./Caporaso, J./Risse, T. (2001): Transforming Europe. Europeanisation and Domestic Change, Ithaca 2001
- De Melo, M./Denizer, C./Gelb, A./Tenev, S. (1998): Circumstances and Choice: The Role of Initial Conditions and Policies in Transition Economies, World Bank Policy Research Working Paper no. 1866
- Denzau, A./North, D. S.(1994): Shared Mental Models: Ideologies and Institutions, *Kyklos*, vol.47, no.1, p. 3-31
- Dimitrova, A. L. (2002): Enlargement, Institution Building and the EU’s Administrative Capacity Requirement, *West European Politics*, vol. 25, no.4, p. 171-190
- Dimitrova, A. L. (2004): Enlargement-Driven Change and Post-Communist Transformations: A New Perspective, in: Dimitrova, A. L. (eds.): Driven to Change. The European Union’s Enlargement viewed from the East, Manchester 2004, p. 1-16



- Dimitrova, A. L. (2005): Europeanization and Civil Service Reform in Central and Eastern Europe, in: Schimmelfennig, F. / Sedelmeier, U. (eds.): The Europeanization of Central and Eastern Europe, Ithaca 2005, p. 71-90
- Dimitrova-Grajzl, V. P. (2006): Essays on the Historical and Current Institutional Development of South East and Central European States, Dissertation  
<https://drum.umd.edu/dspace/bitstream/1903/3403/1/umi-umd-3216.pdf>
- EBRD (1999): Transition Report 1999. Ten Years of Transition, London 1999
- Ekiert, G./Hanson, S. E. (2003): Time, Space and Institutional Change in Central and Eastern Europe in: Ekiert, G. /Hanson, S. E. (eds.): Capitalism and Democracy in Central and Eastern Europe: Assessing the Legacy of Communist Rule, Cambridge 2003, p. 15-48
- Elster, J./ Offe, C./ Preuss, U. K. (1998): Institutional Design in Post-Communist Societies: Rebuilding the Ship at Sea, Cambridge 1998
- Falcetti, E./Raiser, M./Sanfey, P. (2000): Defying the Odds: Initial Conditions, Reforms and Growth in the First Decade of Transition, EBRD Working Paper no. 55
- Featherstone, K. (2003): Introduction: In the Name of Europe, in Featherstone, K./Radaelli, C. M. (eds): The Politics of Europeanization, Oxford 2003
- Findley, C.V (1989): Ottoman Civil Officialdom: A Social History, Princeton 1989
- Findley, C. V (1996): The Ottoman Administrative Legacy and the Modern Middle East, in: Brown, L.C (eds.): Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East, New York 1996, p. 158-173
- Fischer, S./Gelb,A. (1991): The Process of Socialist Economic Transformation, Journal of Economic Perspectives, vol. 5, no.4, p. 91-105
- Faroqui, S. et al. 1994: An Economic and Social History of the Ottoman Empire: 1600-1914, New York 1994
- Goehrke. C./Gilly, S. (2000): Transformation und historisches Erbe in den Staaten des europäischen Ostens, Bern 2000
- Good, D. F (1994): The Economic Lag of Central and Eastern Europe: Income Estimates for the Habsburg Successor States, 1870-1910, The Journal of Economic History, vol. 54, no. 4, p. 869-891
- Grabbe, H. (2001): How does Europeanization Affect CEE Governance? Conditionality, Diffusion and Diversity, Journal of European Public Policy, vol.8, no.6, p.1013-1031
- Havrylyshyn, O./van Rooden, R. (1999): Institutions Matter in Transition but so do Policies, IMF Working Paper no. WP/00/70
- Heper, M. (1976): Political Modernization as Reflected Bureaucratic Change: The Turkish Bureaucracy and a "Historical Bureaucratic Empire" Tradition, International Journal of Middle East Studies, vol. 7, no. 4, p. 507-521

- Hintea, C. / Sandor, S. D. / Junjan, V. (2004): Administrative reform in Romania and the European Union, in: Dimitrova, A. L. (eds.): *Driven to Change. The European Union's Enlargement viewed from the East*, Manchester 2004, p. 145-162
- Inalcik, H. (1972): The Ottoman Decline and its Effects upon the Reaya, in Birnbaum, H. /Vryonis, S. (eds.): *Aspects of the Balkans. Continuity and Change*, Hague 1972, p. 338-354
- Inalcik, H. (1996): The Meaning of Legacy: The Ottoman Case, in: Brown, L. C. (eds.): *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East*, New York 1996, p. 17-29
- Jacoby, W. (2001): Tutors and Pupils: International Organizations, Central European Elites and Western Models, *Governance*, vol.14, no. 2, p. 169-200
- Jelavich, B. (1983): *A History of the Balkans, Eighteenth and Nineteenth Centuries*, Volume 1, Cambridge 1983
- Jowitt, K. (1992): The Leninist Legacy, in: Jowitt, K. (eds.): *New World Disorder: The Leninist Extinction*, Berkeley 1992, p. 284-305
- Kann, R. (1974): *A History of the Habsburg Empire, 1526-1918*, Berkeley 1974
- Lampe, J. R. (1989): Imperial Borderlands or Capitalist Periphery? Redefining Balkan Backwardness, 1520-1914, in Chirot, D. (eds.): *The Origins of Backwardness in Eastern Europe*, Berkeley 1989
- Lewis, B. (1958): Some Reflections on the Decline of the Ottoman Empire, *Studia Islamica*, no.9, p. 111-127
- Lewis, B. (2002): *What Went Wrong? Western Impact and Middle Eastern Response*, New York 2002
- Lippert, B./Umbach, G./Wessels, W. (2001): Europeanization of CEE executives: EU membership negotiations as a shaping power, *Journal of European Public Policy*, vol. 8, no. 6, p. 980-1012
- Lippert, B./Umbach, G. (2005): *The Pressure of Europeanisation: From Post-Communist State Administrations to Normal Players in the EU System*, Baden-Baden 2005
- Maddison, A. (2007): *The Contours of the World Economy 1-2030 AD*, Oxford, 2007
- Mendelski, M. (2006): The Application of Douglass North's Approach to Institutional Change in Transition Economies, working paper no. 103-4, Donetsk National Technical University, Donetsk 2006, p. 84-91
- Mendelski, M. (2007): Where, when and how does the European Union generate institutional and governance change? A comparative study between first and second-wave candidates, 1st Cyprus Spring School on the European Union, Understanding, Interpreting and Evaluating the European Union, Nicosia, 15-22 April 2007
- North, D. C. (1990): *Institutions, Institutional Change and Economic performance*, Cambridge University Press, Cambridge 1990

- North, D. C. (1993): Five Propositions about Institutional Change, Economic History 9309001, Economics Working Paper Archive EconWPA, 1993
- North, D. C. (1994): Institutional Change: A Framework of Analysis, Economic History 9412001, Economics Working Paper Archive EconWPA, 1994
- North, D. C. (1997): The Contribution of the New Institutional Economics to an Understanding of the transition Problem, WIDER Annual Lectures 1, 1997
- Panther, S. (1997): Cultural Factors in the Transition Process: Latin Center, Orthodox Periphery?, in: Backhaus, J. (eds.): Issues in Transformation Theory, Marburg 1997, p. 95-122
- Papadimitriou, D./Phinnemore, D. (2004): Europeanization, Conditionality and Domestic Change: The Twinning Exercise and Administrative Reform in Romania, Journal of Common Market Studies, vol. 42, no.3, p. 619-639
- Pejovich, S. (1998): Toward a Theory of the Effects of the Interaction of Formal and Informal Institutions on Social Stability and Economic Development, Freiburger Diskussionspapiere zur Ordnungsökonomik, no. 2, Freiburg 1998
- Radaelli, C. M (2003): The Europeanization of Public Policy, in Featherstone, K. /Radaelli, C. M. (eds): The Politics of Europeanization, Oxford: Oxford University Press.
- Radaelli, C. M (2004): Europeanisation: Solution or problem?, European Integration online Papers (EIoP), vol. 8, no. 16, <http://eiop.or.at/eiop/texte/2004-016a.htm>
- Reinholde, I. (2004): Challenges for Latvian public administration in the European Integration process, in Dimitrova, A. L. (eds.): Driven to Change. The European Union's Enlargement viewed from the East, Manchester 2004, p.163-178
- Rona-Tas, A. (1997): Social Engineering and Historical Legacies: Privatization and the Business Elite in Hungary and the Czech Republic, in: Crawford, B./Lijphart, A. (eds.): Liberalization and Leninist Legacies: Comparative Perspectives on Democratic Transitions, Berkeley 1997, p. 126-141
- Rona-Tas, A./ Böröcz, J. (2000): Bulgaria, the Czech Republic, Hungary and Poland: Pre-socialist and Socialist Legacies among Business Elites, in Higley, J./Lengyel, G. (eds.): Elites After State Socialism: theory and state Analysis, Lanham 2000, p. 209-227
- Schimmelfennig, F. (2006): The Process of Enlargement: Problems, Interests, and Norms, in Richardson, J. (eds.): European Union. Power and Policy Making, New York 2006, p. 207-224
- Schimmelfennig, F. / Sedelmeier, U. (2005): The Europeanization of Central and Eastern Europe, Ithaca 2005
- Schönefeld, R. (1996): The Role of International Financial Institutions in Central and Eastern Europe, München 1996
- Sugar, D. (1977): Southeastern Europe under Ottoman Rule, 1354-1804, Seattle, London 1977

- Szalai, J. (2005): "Poverty and the Traps of Postcommunist Welfare Reforms in Hungary: A Fourth World of Welfare Capitalism on the Rise?" , Paper prepared for the Annual Conference of RC19, ISA on "Rethorizing Welfare States: Restructuring States, Restructuring Analysis", Chicago 2005 <http://www.northwester.edu/rc19/Szalai.pdf>
- Sztompka, P. (1999): *Trust. A Sociological Inquiry*, Cambridge 1999
- Sztompka, P. (2000): *Civilisational Competence: A Prerequisite of Post-Communist Transition*, <http://www.ces.uj.edu.pl/sztompka/competence.rtf>
- Todorova, M. (1996): *The Ottoman Legacy in the Balkans*, in Brown, L.C. (eds): *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East*, New York 1996, p. 45-77
- Vanagunas, S. (1997): *Civil Service Reform in the Baltics*, Paper prepared for presentation at *Civil Service Systems in Comparative Perspective*, School of Public and Environmental Affairs, Indiana University, Bloomington, Indiana, April 5-8, 1997
- Verheijen, T. (1997): *The Civil Service System of Bulgaria: In an ever deeper crisis?*, Paper prepared for presentation at *Civil Service Systems in Comparative Perspective*, School of Public and Environmental Affairs, Indiana University, Bloomington, Indiana, April 5-8, 1997
- Verheijen, T. (2003): *Administrative reform: public administration in post communist states*, in: Peters, G. B./Pierre, J. (eds.): *Handbook of Public Administration*, London 2003, p.489-497
- Wedel, J. (1998): *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*, New York 1998
- Winiecki, J. (2004): *Determinants of Catching Up or falling Behind: Interaction of Formal and informal Institutions*, in: *Post-Communist Economies*, vol.16, no. 2, 2004, p. 137-152



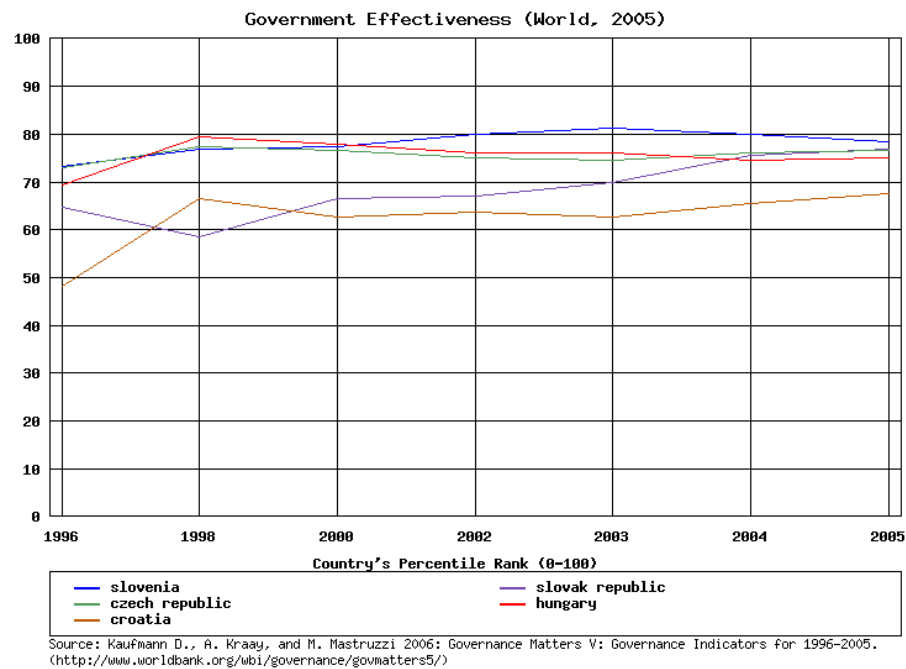


Figure 1: Government effectiveness in Habsburg successor countries

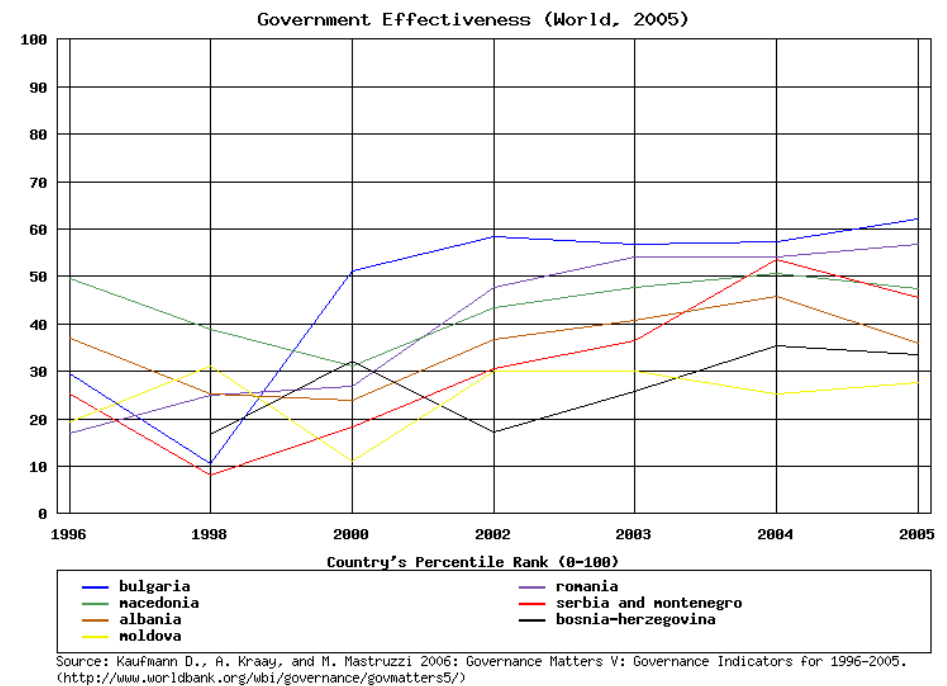


Figure 2: Government effectiveness in Ottoman successor countries

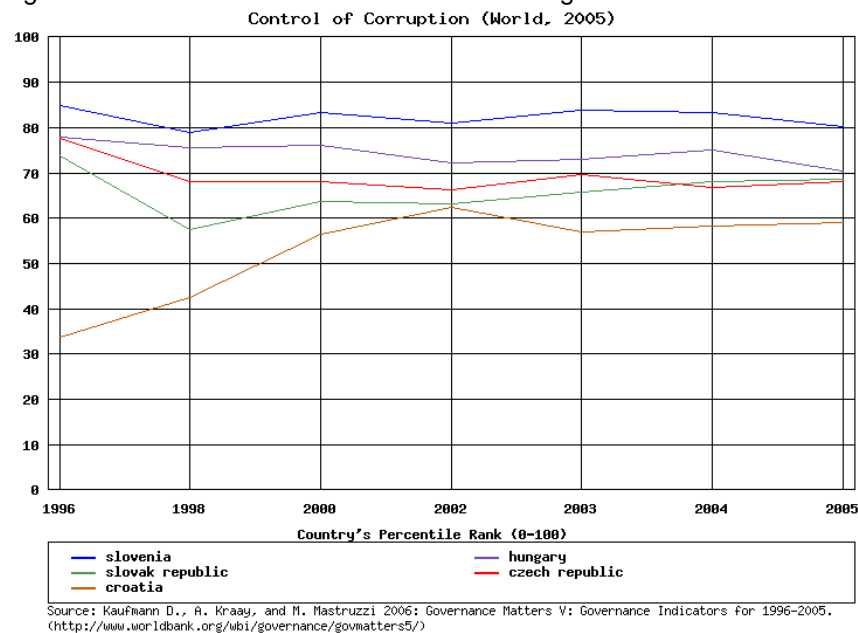


Figure 3: Control of Corruption in Habsburg successor countries

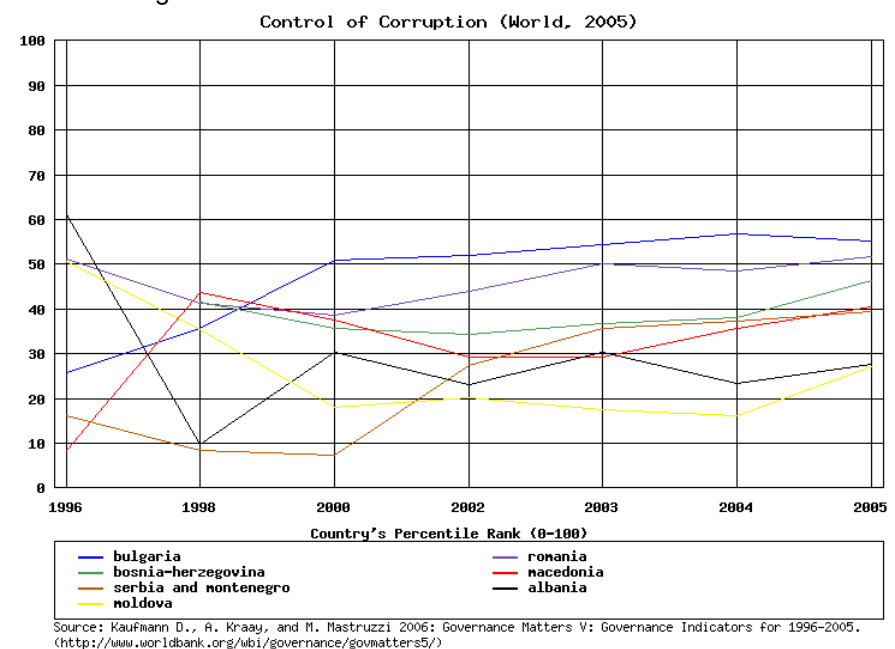


Figure 4: Control of Corruption in Ottoman successor countries

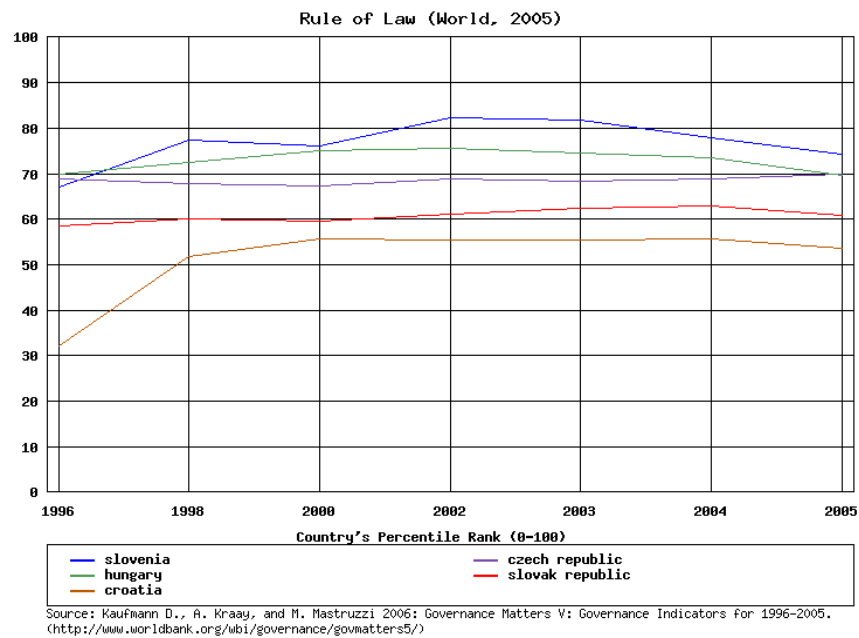


Figure 5: Rule of Law in Habsburg successor countries

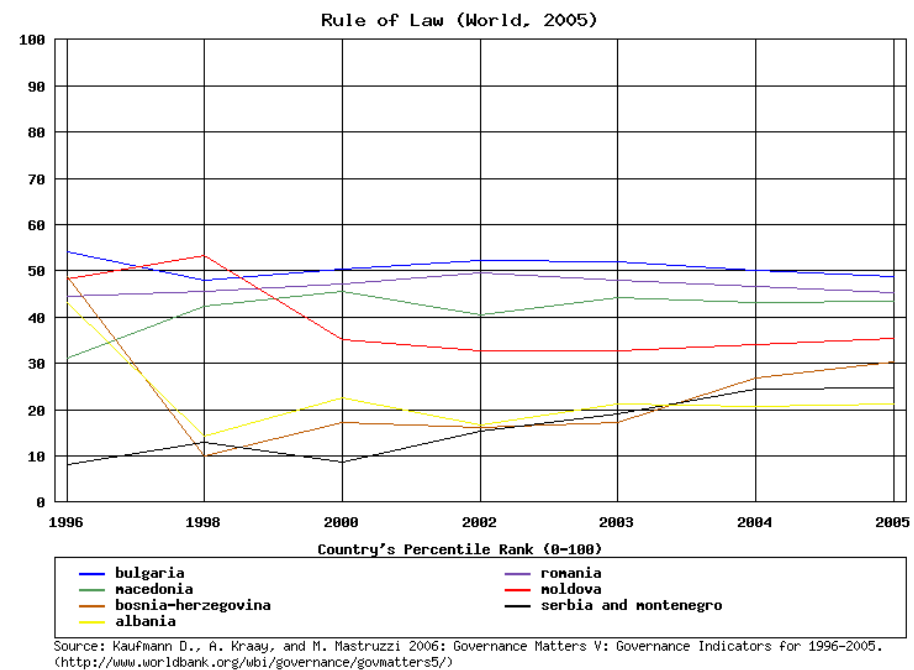


Figure 6: Rule of Law in Ottoman successor countries

Table1: Levels and growth rates of GDP per capita in selected regions of the Habsburg Empire, 1870-1910  
(in 1980 international dollars)

Region	1870	1880	1890	1900	1910	Growth Rate (%)
Bohemian Lands Bohemia	941	1,050	1,226	1,494	1,712	1.55
Moravia	787	927	1,079	1,262	1,429	1.50
Silesia	860	1,064	1,218	1,416	1,646	1.58
Carpathian Lands Galicia	392	440	534	618	707	1.52
Bukowina	413	469	538	678	741	1.54
Lower Western Hungary Danube Right Bank	444	531	670	818	1,008	2.07
Danube-Tisza	640	821	949	1,248	1,506	2.13
Upper Western Hungary Danube Left Bank	505	576	721	848	1,037	1.83
Tisza Right Bank	483	547	695	864	1,034	1.98
Eastern Hungary Tisza Left Bank	404	464	560	687	845	1.87
Tisza-Maros	411	492	590	725	884	1.92
Transylvania	369	448	526	621	816	1.92
Croatia-Slavonia	312	408	448	514	697	1.84
Dalmatia	348	389	443	493	622	1.40
IMPERIAL AUSTRIA	759	854	978	1,183	1,347	1.48
IMPERIAL HUNGARY	450	549	657	806	1,011	2.00
HABSBURG EMPIRE	642	734	858	1,038	1,218	1.63

Source: Good 1994, p. 44.



Table 2: Levels and growth rates of GDP per capita in the successor-state territories of the Habsburg Empire, 1870-1910 (present-day boundaries; 1980 international dollars)

Successor State	1870	1880	1890	1900	1910	Growth Rate
Austria <sup>a</sup>	1,045	1,161	1,334	1,623	1,813	1.44
Czechoslovakia <sup>a</sup>	803	913	1,077	1,296	1,491	1.59
Czech Republic <sup>a</sup>	896	1,018	1,187	1,429	1,634	1.54
Slovakia <sup>a</sup>	503	572	721	866	1,030	1.85
Hungary <sup>a</sup>	532	661	789	1,022	1,253	2.15
Poland <sup>b</sup>	420	477	575	665	763	1.53
Yugoslavia <sup>b</sup>	432	510	587	695	885	1.74
Slovenia <sup>a</sup>	584	683	785	913	1,137	1.62
Croatia <sup>a</sup>	377	446	506	595	786	1.76
Serbia <sup>b</sup>	444	528	626	764	923	1.83
Ukraine <sup>b</sup>	393	442	535	625	722	1.56
Romania <sup>b</sup>	382	480	558	650	827	1.85

<sup>a</sup> The entire territory of the present-day state fell completely within the boundaries of the Habsburg Empire.

<sup>b</sup> Only part of the territory of the present-day state fell within the boundaries of the Habsburg Empire. The GDP per capita levels and the growth rates are for the Habsburg portion only.

Source: Good 1994, p. 879.

Table 3: Levels of GDP per capita in Eastern Europe, 1910-1989 (1980 international dollars)

	1910	1913	1929	1937	1950	1955	1960	1965	1970	1975	1980	1985	1989
<b>Eastern Europe</b>													
Albania	780	811	926		1.001	1.181	1.451	1.675	2.004	2.289	2.347	2.413	2.477
Bulgaria	1.456	1.534	1.180	1.567	1.651	2.148	2.912	3.850	4.773	5.831	6.044	6.226	6.216
Czechoslovakia	1.991	2.096	3.042	2.882	3.501	3.922	5.108	5.533	6.466	7.399	7.982	8.367	8.768
Hungary	2.000	2.098	2.476	2.543	2.480	3.070	3.649	4.410	5.028	5.805	6.306	6.557	6.903
Poland	1.690	1.739	2.117	1.915	2.447	2.794	3.215	3.787	4.428	5.808	5.740	5.660	5.684
Romania	1.660	1.741	1.152	1.130	1.182	1.578	1.844	2.386	2.853	3.761	4.135	4.159	3.941
Yugoslavia	1.057	1.057	1.364	1.273	1.551	1.797	2.437	3.071	3.755	4.836	6.063	6.297	6.193

Source: Maddison 2007

Table 4: Levels of GDP per capita in Ottoman and Habsburg Successor States, 190-2003 (1980 international dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Ottoman Successor States</b>														
Albania	2.499	1.776	1.632	1.775	1.907	2.147	2.333	2.087	2.343	2.567	2.741	2.925	3.009	3.173
Bulgaria	5.597	5.198	4.882	4.932	5.074	5.283	4.842	4.624	4.866	5.028	5.350	5.627	5.962	6.278
Bosnia	3.737	3.284	2.475	1.842	1.977	2.139	3.390	4.633	5.104	5.389	5.572	5.716	5.850	5.927
Macedonia	3.972	3.713	3.429	3.125	3.041	2.978	2.988	3.009	3.094	3.212	3.341	3.176	3.194	3.295
Moldova	6.165	5.052	3.570	3.518	2.429	2.397	2.260	2.301	2.154	2.083	2.127	2.257	2.431	2.581
Romania	3.511	3.063	2.797	2.843	2.957	3.174	3.307	3.114	2.971	2.940	3.006	3.180	3.343	3.510
Serbia/ Montenegro	5.160	4.438	3.127	2.141	2.169	2.264	2.368	2.536	2.605	2.166	2.314	2.439	2.538	2.578
<b>Habsburg Successor States</b>														
Croatia	7.351	5.758	5.137	4.735	4.986	5.342	5.699	6.113	6.301	6.261	6.439	6.679	6.961	7.233
Czech Republic	8.895	7.865	7.818	7.814	7.985	8.464	8.826	8.772	8.679	8.793	9.144	9.393	9.538	9.905
Hungary	6.459	5.694	5.528	5.507	5.678	5.772	5.861	6.146	6.466	6.760	7.136	7.432	7.712	7.947
Slovakia	7.763	6.606	6.158	6.251	6.612	6.977	7.390	7.716	8.031	8.140	8.299	8.606	8.995	9.392
Slovenia	10.860	9.852	9.312	9.569	10.071	10.474	10.826	11.322	11.735	12.399	12.877	13.220	13.654	13.995

Source: Maddison 2007

Table 5: EBRD Initial Conditions Index

Country	Index Value
Czech Republic	3.5
Hungary	3.3
Slovenia	3.2
Slovak Republic	2.9
Croatia	2.5
FYR Macedonia	2.5
Albania	2.1
Bulgaria	2.1
Poland	1.9
Romania	1.7
Lithuania	0.0
Latvia	-0.2
Estonia	-0.4
Moldova	-1.1

Source: EBRD Transition Report 1999, p. 29.