

# Economic Transformation in Central Europe: The View from History

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**Author's note:** For those who read Hungarian, a slightly revised and translated version of this paper was published as "Gazdasági átalakulás Közép- és Kelet-Európában. Történelmi kitekintés," *AETAS* 1994/3, pp. 80-92. An expanded and significantly revised version of this paper entitled "The Economic Transformation of Central and Eastern Europe in Historical Perspective: Main Themes and Issues" was published as the introductory chapter to a volume I edited, *Economic Transformations in East and Central Europe: Legacies from the Past and Policies for the Future*, (London and New York: Routledge, 1994). The estimates of GDP per capita underlying Table 2 in the working paper have gone through two major revisions. For discussions of the estimates and underlying methodology see "The Economic Lag of Central and Eastern Europe: Income Estimates for the Habsburg Successor States, 1870-1910," *Journal of Economic History*, 54 (June 1994); "Proxy Data and Income Estimates: Reply to Pammer." *Journal of Economic History*. 57 (June 1997) 456-463; and with Tongshu Ma, "New Estimates of Income Levels in Central and Eastern Europe, 1870-1910," In: Franz Baltzarek, Felix Butschek, and Gunther Tichy, *Von der Theorie zur Wirtschaftspolitik - ein österreichischer Weg. Festschrift zum 65. Geburtstag von Erich Streissler*, (Stuttgart: Lucius/Lucius, 1998).

## Introduction

The dramatic events of 1989 within the former East bloc put the countries of "the lands between" on a fundamentally new path. The debate on the likely shape of the future has pitted those who favor rapid "westernization" of the region against those who see value in resurrecting some form of Central European cooperation. Here I focus on the economic side of the debate. That the former East bloc economies will benefit from a more "western" orientation is self-evident. However, in its crudest forms this view reflects some profound misconceptions about the region and ignores a basic point--that no revolution leaves behind a blank slate upon which to write the future. Revolutionary events typically contain two sets of conflicting forces. By sweeping away the old they bring opportunities for building a new order. By carrying along persisting patterns from the past they constrain the ultimate shape of the new order. Effective transition policy in Central Europe must account for both the discontinuities and continuities embedded in the crumbling of the East bloc.

The key is to see the current transition in Central Europe in light of its long-term, on-going transformation from a collection of agrarian societies under dynastic rule to modern industrialized societies within the European states system. Over the past two centuries, Western European countries achieved modern economic growth with mixed capitalist economic systems and high levels of integration into the world economy. In contrast, nineteenth-century Russia and its twentieth-century successor, the Soviet Union, experienced delayed economic development with fragile or non-existent capitalist institutions and only weak international economic links. The countries of Central Europe form "the lands between" both in their geography and in their patterns of long-term economic development. Austria (and pre-1939 Czechoslovakia) followed more closely the Western European path, Bulgaria and Romania adhered more closely to the Russian and Soviet pattern, while Hungary, Yugoslavia, and Poland fell somewhere in the middle. My paper draws on the economic history of "the lands between" to identify some legacies from the past that shape the present and hold the key to a more balanced and realistic vision of the future.

### **The Dimensions and Timing of Economic Backwardness**

Scholars know the dangers in comparing international income levels, especially when the comparisons involve countries with sharply different economic systems and at different levels of development. However, even if the available data have a substantial margin of error, they demonstrate the huge lag of the former East bloc economies within Europe. Table 1 shows that the former East bloc countries fall in the lower half of 23 European countries. Czechoslovakia with the highest income ranks only 13 and Romania with the lowest income ranks 20.

Table 1  
Gross Domestic Product Per Capita in Europe: 1989  
(in US \$)

Switzerland	\$26,923
Finland	23,200
Sweden	22,892
Norway	22,143
Denmark	20,392
Germany*	18,174
France	16,886
<b>Austria</b>	<b>16,800</b>
Belgium	15,253
Italy	15,113
Holland	15,068
Britain	14,543
<b>Czechoslovakia</b>	<b>9,809</b>
Spain	9,593
Soviet Union	8,802
<b>Hungary</b>	<b>8,679</b>
<b>Bulgaria</b>	<b>7,556</b>
<b>Poland</b>	<b>7,188</b>
<b>Yugoslavia</b>	<b>6,471</b>
<b>Romania</b>	<b>5,408</b>
Greece	5,346
Portugal	4,369
Turkey	1,475

\*Includes the former GDR

Source: The Economist, July 7, 1990, p. 15. Based on UN, OECD, IMF, and CIA data.

There is some merit in the argument that the roots of the current lag of the former East bloc economies lie in the Communist era. Table 2 shows that during the cold war most of them grew more rapidly than Britain, the "first" industrializer, and in relative terms they stood closer to (but still behind) the British level of income in 1989 than they had in 1938. The achievement dims, however, once we consider that after World War II Britain was no longer the leading economic power that it had been in the early twentieth century. In 1938 it still had the highest per capita income among European states, but in the post-1945 economic miracle, most Western European economies not only caught up to, but surpassed the British level of per capita income. As the East bloc was catching up to Britain, it fell further behind more vigorous Western European economies.

Table 2

**CATCHING UP AND FALLING BEHIND IN EUROPE**  
Indices of Gross Domestic Product Per Capita: 1870-1989

(Britain = 100)

Country	1870	1910	1938	1989
Britain	100.0	100.0	100.0	100.0
Belgium	81.6	85.3	72.8	104.9
Germany	64.0	73.6	N.A.	125.0
France	62.4	67.8	62.4	116.1
Norway	48.7	54.2	67.5	152.4
Finland	43.1	43.1	47.1	159.6
Sweden	38.8	58.6	97.1	157.5
Italy	51.7	42.1	33.6	104.3
Spain	43.3	42.0	N.A.	66.0
Greece	34.5	34.9	21.2	36.8
Russia*	27.9	30.6	N.A.	60.6
<b>Habsburg Empire</b>	45.7	55.9	----	----
<b>Austria**</b> 57.2	83.6	47.3	115.6	----
<b>Czechoslovakia**</b>	47.9	58.3	46.6	67.5
<b>Hungary**</b>	39.4	54.8	29.6	60.0

(Austria = 100)

Austria**	100.0	100.0	100.0	100.0
Czechoslovakia**	83.9	69.7	98.3	58.4
Hungary	62.3	65.5	62.5	51.7

\* In 1938 and 1989 the Soviet Union.

\*\* In 1870 and 1910 the data are for comparable regions of the Habsburg Empire. "Austria" refers to the Alpine lands of the Empire; "Czechoslovakia" refers to the Bohemian lands and Upper Western Hungary in the Empire; "Hungary" refers to Lower Western Hungary in the Empire.

Sources:

1870 and 1910: Habsburg Empire and its regions are from Good (1991a; Table 11.2). The remaining data are from Crafts (1983; Table 1).

1938: United Nations, *Economic Survey of Europe in 1948* as cited in Butschek (1991; p. 7).

1989: Computed from data in Table 1.

Austria, the only Central European country outside the East bloc, provides perhaps the best evidence for the notion that the current gap between Western Europe and the former East bloc states lies in the post-World War II era. Austria was among the worst performers in Central Europe in the interwar period, but participated so completely in the post-1945 Western European economic miracle that it, too, overtook Britain in per capita income. <sup>(1)</sup>

Yet the view is only half correct. Even a rudimentary knowledge of European economic history demonstrates that the roots of economic backwardness in Central Europe lie deep in the past, not simply in the post-1945 Cold War era. We can trace the origins in the early modern period as proto-industrial rural areas sprouted in parts of Western Europe and the "second serfdom" took hold in Eastern Europe. <sup>(2)</sup> Straddling east and west and

containing much of today's Central Europe, the Habsburg Empire mirrors the larger European west to east economic gradient.<sup>(3)</sup> By the eighteenth century the Alpine lands and the Bohemian lands in the western portions of the Empire were not far behind the more developed regions of western Europe--Great Britain, France, and the Low Countries--and somewhat more advanced than the agrarian regions of Hungary to the east. In the nineteenth-century the slow, eighteenth-century transformation of the western territories in the Empire became irreversible. As they kept pace with much of western Europe the gap between them and the eastern territories widened.

After mid-century, economic integration within the Habsburg lands helped to foster economic development in some of the eastern lands. But economic growth spread throughout the Empire at unequal rates, so through much of the late nineteenth century regional disparities widened. Only Western Hungary kept pace with the Alpine and Bohemian lands. Further east and to the south, income grew, but much more slowly. Up to 1910 the gap between the advancing regions of the west and the lagging regions--especially Transylvania, Croatia-Slavonia, Dalmatia, and the Carpathian lands--continued to widen.

My estimates of regional incomes for the pre-War Habsburg Empire shown in Table 2 confirm these patterns and provide a bench-mark for assessing subsequent long-term trends in the relative backwardness of present-day Central European states.<sup>(4)</sup> The regional boundaries do not conform perfectly to the boundaries of the post-1919 successor states (see Map), but they are close enough to give us an idea of how Habsburg regions in their approximate present-day states would have ranked in the nineteenth century.

In 1870 income per capita was highest in "Austria" (roughly the Alpine lands of the Empire), which place it well below England, but not far below most of Western Europe. Next in line was "Czechoslovakia" (roughly the Bohemian lands and Upper Western Hungary). "Hungary" (roughly Lower Western Hungary) followed at a level somewhat below Norway, Sweden, and Finland. The northern and coastal regions of "Yugoslavia" (approximately the Slovenian territories of the Empire's Northern Karst region plus Dalmatia and Croatia-Slavonia) were at a comparable level. The remaining peripheral regions of the Empire (the Carpathian lands, now part of Poland and Ukraine; Eastern Hungary and Transylvania, now part of Romania) were at the lowest level---above Russia and the independent Balkan states, but on par with Spain and Greece.

By 1910 the rank order of these regions in Habsburg Central Europe had not changed, but the relative rankings among them and between them and England had. With the exception of its peripheral regions, most of the Habsburg lands grew more quickly than England and therefore began to catch up to England. Within the Empire "Austria" grew the fastest and reached the average Western European level. Based on their growth rates, "Czechoslovakia," "Hungary," and the coastal and northern regions of "Yugoslavia" follow in order .

Within the overall pattern of instability and stagnation in the interwar European economy, the Habsburg successor states performed relatively poorly. Table 2 shows that their per capita income grew between 1910 and 1938, but more slowly than in Britain, so they lost ground between the wars. Within Central Europe, however, income disparities narrowed to some extent because Austria, the Habsburg region with the highest per capita income in 1910, essentially stagnated in the interwar period. That permitted other Central European states to begin catching up to Austria. Czechoslovakia grew the fastest and actually reached the Austrian level by 1938.

These historical data put the communist era in better perspective. The period did not cause the relative backwardness of the East bloc states so much as delay catching up from already existing relative backwardness. After almost two centuries of modern economic growth in the region, the economic gap between them and Western Europe is as wide now as it was 100 years ago.

They also suggest that the task at hand for Central Europe excluding Austria is far more daunting than the one that Europe faced in the great depression or after World War II. Compared to most Third World countries, the former East bloc economies have high levels of human capital and modern technology. Yet the developmental task in both is similar--to build the institutional foundations of long-term economic growth.

### **International Economic Relations**

The collapse of the Soviet Union's external empire also put an end to the artificial division of Europe into two distinct, largely independent economic blocs.<sup>(5)</sup> Inflexible bilateral trade agreements, low levels of foreign investment, and severe restrictions on international migration meant weak economic integration in the East bloc. High levels of multilateral trade, large scale foreign investment, and relatively open borders with respect to international migration brought close economic integration in the West. The economies of Central Europe overlapped the two blocs as "the lands between." Most functioned in a division of labor with the Soviet Union based on favorable terms of trade; they imported raw materials and energy at less than world prices and exported manufactured goods at more than world prices. Austria, in contrast, became intimately tied into the economies of Western Europe, especially the Federal Republic of Germany.

It is obvious that the former East bloc must move toward integration into the EC, a point not lost on Czechoslovakia, Poland, and Hungary who have applied for and received associate status. Stronger ties to the west will bring short-term pain, but long-term gain as international competition erodes the entrenched position of energy-inefficient, polluting industry and makes way for economic activity based on the region's comparative advantage. By virtue of its strong and successful integration into Western Europe after 1945, Austria once again provides strong evidence that building economic ties to western Europe should be high on the agenda of its newly emerging neighbors in Central Europe.

But here, too, this is only a partial view. Cut loose from the trade and investment patterns imposed by the Soviet Union, Central European states will seek out new relationships.

The details of the future patterns are, of course, difficult to discern, but they are likely to include more intensified economic relations within Central Europe even as the region cultivates economic ties with the EC. Differences in resource endowment and technology within the region will give rise to increased flows of capital, labor, and goods across borders within Central Europe. In addition, pressures for institutional cooperation will come from being exposed to common problems, e.g., pollution of the Danube.

Here, too, the economic history of Europe before World War II confirms that the international economic relations will not see individual Central European states simply leap-frogging over one another into the EC. It suggests instead that they will be part of a more complex continent-wide specialization and division of labor. In the nineteenth century, economic forces (the railroad) and political forces (the free trade movement and the formation of customs unions among the German states, within the Habsburg Empire, and within unified Italy) sharply reduced both natural barriers and legal barriers to the free flow of goods, capital, and people across Europe.<sup>(6)</sup> Resource and trade flowed predictably along the west to east economic gradient that had formed over the previous centuries. Capital flowed eastward from the more developed areas of Northwestern Europe--France, England, the Low Countries, and Rhineland-Westphalia. People migrated westward (and eventually to the New World) from the agrarian regions of Central and Eastern Europe. Manufactured goods produced in the west exchanged for agricultural goods produced in the east. At the same time, resource endowment and the uneven spread of modern technology prevented a complete regional specialization along these lines. Higher-income economies in the west exported some agricultural goods and lower-income economies in the east exported some manufactured goods on the basis of lower wages or specialized technological niches.

Much of today's Central Europe participated in this growing nineteenth-century international division of labor largely within the context of the Habsburg economic union. Just as the Empire's regional economic disparities mirrored the overall pattern of inequality within Europe, so too did its interregional linkages mirror Europe's overall pattern of international economic relations.<sup>(7)</sup> After the revolutions of 1848, railroad expansion reduced transportation costs and the Empire formally became a customs union. Along the west to east gradient within the Empire, Vienna acted as a filter for the flow of capital eastward and the flow of people westward.<sup>(8)</sup> Manufactured goods from the western regions exchanged for agricultural goods from the eastern regions. But here, too, exports of processed foodstuffs, semi-manufactures and manufactures became an increasing portion of total exports from some lands in the east; Hungary, e.g., found its own industrial niche in flour milling.<sup>(9)</sup>

The lands of the Empire were economically quite interdependent as is shown by the low level of its foreign trade compared to its internal trade. This was especially true for the eastern lands of Hungary and Galicia, which relied heavily on imperial markets, compared to the Alpine lands and the Bohemian lands, which were relatively more integrated into western European markets.<sup>(10)</sup> On balance, the flows of goods, financial capital, and people narrowed regional differences in commodity prices, interest rates and wages, which demonstrates that economic union in the Empire was becoming a reality.<sup>(11)</sup>

This pattern of growing economic integration yet widening regional income disparities does not set the Habsburg Empire apart, but rather makes it typical for economies in the early phase of modern economic growth.<sup>(12)</sup>

The dismemberment of the Habsburg Empire into the successor states in 1919 marks a sharp break in the political relations among the peoples of the former Habsburg lands. It did not, however, automatically lead to new economic relations. What were previously domestic (interregional) flows of goods and resources, now became external (international) flows. The persistence of these patterns despite conscious efforts on the part of successor state governments to undo them, show how powerful they were.<sup>(13)</sup> Successor state governments followed protectionist trade policy to build up domestic industry and sought to nationalize firms previously controlled by Vienna (nostrification). The trade data in Table 3 show, however, that protection had the effect of reducing the overall volume of trade, but did not lead to a sudden change in the geographic patterns. Austria and the other successor states still accounted for a large chunk of each other's trade throughout the interwar period. Also, banking data indicate that Vienna's financial control over the former Habsburg lands changed in legal form, but not in reality.<sup>(14)</sup>



Table 3

## Central European Trade After 1919

## Shares in Total Trade of Austria

	1924		1937		1989	
	EXP	IMP	EXP	IMP	EXP	IMP
Germany	.131	.149	.148	.161	.358	.439
Successor States	.478	.509	.326	.395	.071	.052
Other	.391	.342	.526	.444	.571	.509
Total	1.000	1.000	1.000	1.000	1.000	1.000

## Shares in Total Trade of Czechoslovakia

	1924-26		1935-37	
	EXP	IMP	EXP	IMP
Germany	.207	.294	.146	.166
Austria	.181	.075	.088	.044
Other Successor	.191	.183	.144	.136
Other	.421	.448	.622	.654
Total	1.000	1.000	1.000	1.000

## Shares in Total Trade of Hungary

	1924-26		1935-37	
	EXP	IMP	EXP	IMP
Germany	.103	.148	.236	.250
Austria	.356	.218	.177	.178
Other Successor	.370	.413	.118	.237
Other	.171	.221	.469	.335
Total	1.000	1.000	1.000	1.000

EXP = exports; IMP = imports.

## Sources:

- Austria: Stankovský (1990; p. 373)  
Czechoslovakia: Calculated from data in Drabek (1985; pp. 490, 497, 511, and 518).  
Hungary: Calculated from data in Drabek (1985; pp. 491, 498, 512, and 519).

There may never be a return to the level of economic cooperation within Central Europe that existed in the Habsburg Empire. But the interwar years, where the underlying conditions for building cooperative links were far worse than they are today, suggest that the post-1945 era was an exception in long-term patterns of international economic relations in Central Europe. In the future, economic interactions among the former East bloc countries and between them and Austria will increase even as the whole region moves toward closer ties with Western Europe.

### The State and Economic Institutions

The current economic restructuring in Central Europe comes in the midst of a major sea change in international discourse on political economy. Beginning in the late 1970s, "government" came under steady fire as the major source of economic ills in the

developed, capitalist economies. Deregulation and tax cuts aimed at reducing the size of government became the buzzwords of economic policy. Long before 1989 the bad effects of central planning in the socialist world were widely appreciated. Economic reforms that decentralized decision-making became commonplace even within the most rigid planning systems.<sup>(15)</sup> The collapse of communism brought the complete discrediting of central planning within the former East bloc. From both inside and outside Central Europe the twin mantras of "introduce markets" and "privatize" pervade policy discussions on the transition.

There is ample support for the view that Soviet-type economic planning sapped the vitality of the East bloc economies with its overbloated and oppressive public sector. The increasing gap between them and their Western European counterparts has already been mentioned. The high rate of economic growth in Austria, the only Central European state to escape the rigid yoke of central planning, adds powerful evidence in support of the argument. In addition, Hungary's early experiments with privatized agriculture and decentralized decision-making ("goulash communism") show that the East bloc states traveling farthest down the road of economic reform performed the best.

Yet something has been lost in this wave of free market rhetoric. The western European economic miracle relied on large doses of state intervention and hierarchical coordination of market forces.<sup>(16)</sup> French indicative planning and the Swedish welfare state typify the "mixed" capitalist framework of economic growth in Western Europe in the post-World War II period. Here again it is instructive to look at Austria, which was truly a country between West and East not only in its geography, but in the nature of its economic system.<sup>(17)</sup> Austria developed an extensive welfare state, heartily embraced the Keynesian revolution by developing its own brand of "Austro-Keynesian" stabilization policy, and instituted a highly neo-corporatist institutional arrangement, the "social partnership," to control wages and prices. More importantly, over 25 percent of its industrial output was produced by state-owned firms. How do we interpret these data on the institutional base of Austria's economic miracle? Was Austria's success due to its relatively large public sector as the most socialist state of mixed-capitalist Western Europe or to its relatively small public sector as the most capitalist state of socialist Central Europe?

Actually, both interpretations have some merit, which is to say that under the present conditions it is hard to imagine an effective growth policy in Central Europe that fails to include a substantial role for the state. The development task that lies before the formerly socialist economies of Central Europe is immense. Developing infrastructure, creating new institutions of production and exchange, and brokering the social tensions of transition cannot be accomplished through private contracting alone. These tasks require an active public sector that is far smaller and less oppressive than in the typical centrally planned economy, but far larger and more interventionist than is implicit in the "shock treatment" programs offered up by many western policy advisors.

A sizable public sector in Central Europe follows not only from the logic of catching up. It also follows as a legacy of the region's pre-communist era. During the mercantilist era (1500-1750) centralized states, especially in Western Europe, became major actors in

economic life. In the era of state-building mercantilist doctrine recognized the close interdependence between political power and economic power. Centralized bureaucratic states grew in size and influence as they ate away at the geographically dispersed pockets of political and economic power that characterized Europe in medieval times. As central governments began accumulating authority over budgetary matters and constitutional policy, they gained potentially large influence (good and bad) in economic affairs.

In the Habsburg Empire the twin concerns of wealth and power came to center stage in the eighteenth century.<sup>(18)</sup> Maria Theresia and Joseph II promoted fundamental economic reforms, especially in agriculture, as the levels of spending needed to maintain the monarchy's great power status began to outstrip government revenue. In the nineteenth century modern economic growth in Britain and northwestern Europe further destabilized great power politics in Europe. Having survived the revolutions of 1848, the Habsburg crown once again instituted major economic reforms in agriculture, finance, trade, and transportation as a way of shoring up its great power status.<sup>(19)</sup> The tradition of state intervention in economic activity carried on after the Dual Settlement of 1867 even as control over some important areas of economic policy shifted to separate governments in Vienna and Budapest. Scholars are correct in challenging the view that government policy significantly promoted economic development in the Habsburg Empire and that it did so largely in the absence of "market forces."<sup>(20)</sup> What seems undeniable, however, is that decision-making with respect to economic development in the Empire came "from above" as much as "from below." Adam Smith's "invisible hand" becomes increasingly visible as we move eastward in nineteenth-century Europe. Although Alexander Gerschenkron's approach to comparative European industrialization has been picked apart in its details, his vision of Central and Eastern as the home of hierarchical modes of resource allocation and income distribution has much value.<sup>(21)</sup>

The collapse of the Empire during World War I and its dismemberment into the successor states at the Paris Peace Treaties did not end the tradition of state intervention in Central Europe. The tradition simply resurfaced in a different form. What had been regional centers of power on the periphery in the old Empire now became central authorities within the respective successor states. In interwar Central Europe, the actual involvement of the state in economic life far transcended the restricted role reserved for it by the prevailing liberal orthodoxy.<sup>(22)</sup> Public officials in the new successor states had to deal with the normal problems of post-war demobilization and with the devastating consequences of hyperinflation. More fundamentally, they had to reshape existing institutions of production, exchange, and policy formation and create new ones to deal with functions previously performed in Vienna. The great depression led to even larger-scale state intervention designed to control foreign exchange, support commodity prices, and set up bilateral trade agreements.

The importance of the state as an actor in interwar Central Europe is demonstrated by the case of Austria where the state was relatively passive.<sup>(23)</sup> Both domestic pressures (widespread doubt among ruling elites that post-1919 Austria was *lebensfähig*) and foreign pressures (the tying of League of Nations loans to liberal economic policy) immobilized the Austrian state as an economic actor. Perhaps as a consequence, Austria

suffered a more intense hyperinflation in the 1920s, a deeper depression in the 1930s, and an overall slower rate of growth than the other successor states.

In contrast, the experience of post-World War II Austria presents an interesting counterfactual, i.e., a model of "might have been," had its neighbors in Central Europe not become part of the Soviet Union's external empire. Sharing a similar past and a common set of problems with Austria, these countries might well have experienced more rapid economic growth in a highly mixed-capitalist framework with significant state ownership and neo-corporatist institutions.<sup>(24)</sup>

## Conclusion

The events of 1989 mark the fourth major shock in the economic life of Central Europe in the past one hundred years. The first came in the late nineteenth century as the uneven spread of modern economic growth through the Habsburg Empire uprooted traditional agrarian societies. World War I and the dismemberment of the Habsburg Monarchy brought the second shock by disrupting the economic unity of the lands under Habsburg rule. World War II and the Cold War provided the third and perhaps most devastating shock by dividing Europe in half through the heart of "the lands between." In all cases, the transition periods were painful and difficult because of economic rigidities, social conflict, and political instability. All Europeans have a stake in making this fourth transition turn out differently.

Effective transition policy in Central Europe must deal with both the continuities as well as the discontinuities that are embedded in the crumbling of the East bloc. In particular, it must account for three important legacies that predate the communist era--the legacy of relative economic backwardness, the legacy of international ties within the region, and the legacy of state intervention in economic life. These legacies suggest a need for policies 1) that foster integration into the world economy, yet recognize the potential for building cooperative links within Central Europe itself and 2) that dismantle central planning, while using aggressively the instruments of state power to promote long-term economic growth and to manage its consequences. To the extent that policy makers ignore these legacies from the past as they plan for the future, they will increase the likelihood of another rocky transition in the region's fourth major shock in the past century.

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## Endnotes

1. Havlik (1985) confirms the overall pattern of East Europe's lag behind Austria in the post-World War II period with his purchasing power parity estimates of household income for Austria and Czechoslovakia. Between 1964 and 1980 household income per member in Czechoslovakia dropped from about 77 percent to 50 percent of the level in

Austria (Table 4 and p. 187).

2. On Western Europe see Kriedte, Medick, and Schlumbohm (1981); on Eastern Europe see Lampe and Jackson (1982) and Chirot (1989).

3. See Good (1984), Chapter 1.

4. The regional income disparities implied by my estimates for 1910 are in line with the older estimates of Fellner (1923/1924) and Waizner (1927/1928) for the regions of Austria.

5. On Eastern Europe see Holzman (1987) and Marer (1989); on Western Europe see Van der Wee (1986).

6. For Western Europe see Pollard (1981); for the European periphery see Berend and Ránki; and for the particular role of France see Cameron (1965).

7. See Good (1984; Chapter 4) for details.

8. On the role of the Viennese Great Banks in the capital market see März (1968) and Rudolph (1976).

9. For a survey of economic growth in Hungary see Berend and Ránki (1974) and Komlos (1983; Chap. 4).

10. Based on data in Eddie (1977) and Eddie (1980).

11 See details in Good (1984; Chap. 4) and Mesch (1984).

12 For details see Good (1991b), which contains separate studies on Germany, the United States, and Italy for the nineteenth century and on India, China, and Thailand for the twentieth century.

13. See März (1984); Stiefl (1988; Chap. 4); and Ránki and Tomaszewski (1986).

14 See Matis (1983).

15. See extended discussions in Johnson (1989) and Campbell (1991).

16. See Shonfield (1965); Van Der Wee (1986; Chaps. 7 & 8); and Chaloupek and Teufelsbauer (1987).

17. For an overview of post-World War II economic development see Kramer and Butschek (1985). For the political setting see Heinrich, Klose, and Ploier (1989) and for economic policy and economic institutions see Abele, et.al. (1989). For a look at Austrian mixed capitalism in comparative perspective see Freeman (1989) and Katzenstein (1984).

18. Matis (1981) contains several contributions on economic policy under Maria Theresia and Joseph II. Komlos (1990) offers a cliometric approach to the issue.

19. See März (1968) and Matis (1972) for details on the importance of 1848 for Habsburg economic history.

20. See the discussion and analysis in Eddie (1989), Huertas (1977), Komlos (1983), and Rudolph (1975 and 1980).

21. Gerschenkron (1962) offers the clearest statement of his approach. He applies his approach to nineteenth-century Austria in Gerschenkron (1977). Rudolph (1972) tests Gerschenkron's hypothesis on banking in the Austrian case. For a general critique of Gerschenkron in the context of Austria-Hungary see Good (1991a).

22. Ránki and Tomaszewski (1986) survey the main patterns.

23. See Stiefel (1988; Chaps. 2 & 3).

24. On the more general issue of using Austria's neo-corporatist and mixed capitalist system as a "model" for restructuring in the former East bloc, see Butscheck (1990) and Matis (1991).

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