Persistent Economic and Political Effects of Institutions: Habsburg and Ottoman Legacies in Romania

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Abstract

This paper investigates to what extent historical institutional differences can be overcome by imposing homogenous formal institutions and adopting a policy of eliminating regional differences. Using evidence from Romania, which was split between the Habsburg and Ottoman Empires, I find that it is possible to achieve some convergence in economic outcomes but not in political outcomes. I document significant convergence in urbanization, education, and income between the former empires. The only economic imperial legacy involves infrastructure: formerly Habsburg Romania is characterized by a higher density of modern roads and a higher night luminosity. However, I posit that the striking institutional differences between the two parts of the country in the 18th and 19th centuries persisted and still influence current political attitudes. Moreover, I find that the Communist regime could reinforce the imperial legacies on political outcomes. Using regression discontinuity design, I identify significant discontinuities in current voting behavior at the former Habsburg-Ottoman border. Using parliamentary election data for 1996-2008, I find that the former Habsburg rule decreases the percentage of the vote for the major left post-Communist party by around 6% points and increases support for the main anti-Communist and liberal parties by around 2% and 5% points, respectively. I do not find evidence for the alternative hypotheses that these differences might be explained by greater ethnic diversity in the past, geographical isolation, or overrepresentation of formerly Ottoman Romania in the high-ranking Communist bureaucracy. These results show the significance of historical institutions for contemporary voting behavior, even if economic convergence took place.

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