Kornai's 'Main Line of Causality': The Case of Communist Albania and SFR Yugoslavia, with a Special Focus on their Banking Sectors

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Based on the structure of János Kornai's 'main line of causality', two unique country cases are compared within the former European communist bloc: Albania and the Socialist Federal Republic of Yugoslavia. The research provides a qualitative comparative analysis with an overview of the two countries' development between World War II and the fall of the communist regimes. Special attention is paid to the period following the 1970s as the underlying reforms had been implemented in Yugoslavia by then, leading to fundamentally different communist prototypes. Regarding differences, the analysis also gives an insight into the structure of the two respective banking systems. Kornai's 'main line of causality' provides the framework for the current research, supplemented by the respective literature. The analysis concludes that despite the fact that all blocks of the causality line differed in the two systems, similar challenges had to be addressed during the transition period. Furthermore, Albania and the successor states of Yugoslavia reflected a range of common characteristics, which implies the relevance of path dependence.

Keywords: Kornai, Albania, Yugoslavia, Communism, Economic history, Banking sector