UPCES
Undergraduate Program in Central European Studies

Charles University
Center for Economic Research and Graduate Education

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Economic history of Central and Eastern Europe

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Motivation

Economic conditions and our economic lives are constantly changing. Technological change, demographic transitions, economic and political crises are shaping the world from time to time. Countries in Central and Eastern Europe (CEE) in particular experienced several economic and political upheavals during the last 150 years. For example, countries in CEE experienced a delayed industrialization, the collapse of the Austrian-Hungarian Empire, weak political and economic institutions after World War I, ethnic cleansing after World War II, a centralized planning economy and the transition towards a market economy after 1990. All these transitions are partially still visible in economic and socio-economic figures today. A long-term perspective on the evolution of economic and socio-economic figures can also help to understand changes and obstacles today.

The course provides the big picture of economic development and links that to specific circumstances in CEE countries. The course thus introduces the general picture of economic history and long-run development by linking the situation in (Western) Europe and the USA to the circumstances in CEE. The course bases on a broader understanding of economic development. Despite classical economic measures like GDP, inflation or population growth, we will also discuss so-called soft economic variables such as norms, culture, trust and social capital. These soft economic variables are important drivers of economic growth and economic success as well.

Detailed course information

This course provides an overview of economic history and the long-run development of socio-economic figures and focuses on the situation in CEE in particular. The course consists of three main blocs. First, the course starts with the question why some regions in the world start to become so much richer than the rest of the world. Explanations for the economic success of the United Kingdom and Western Europe are the early fertility transition that caused the so-called "Little Divergence" and the Industrial Revolution starting around 1780. We learn about the drivers of economic growth by comparing the situation in the United Kingdom to the situation in Continental and Eastern Europe. We also focus on the formation and evolution of social norms. The natural environment and historical legacies such as the long-gone Austrian-Hungarian Empire are shaping trust and norms until today.

Second, the course continuous with the period between World War I and World War II. During the interwar period, the independence of many CEE countries, hyperinflations, the Great Depression and the rise of totalitarian regimes (Soviet Union, Nazi Germany) shaped the economic situation fundamentally. We discuss how these shocks affected countries in CEE differently; while Czechoslovakia was relatively stable during these years, re-unified Poland and Hungary faced hyperinflations, weak economies and a harmful economic linkage to France that caused severe economic downturns during the Great Depression.

Third, we will focus on the economic development after World War II. The division of Europe into an Eastern and Western bloc provides quasi-experimental settings to study economic growth and convergence. We discuss the long-run effects of regional economic growth due to the liberation and zoning of Europe after World War II and explore the long-run economic and political outcomes of ethnic cleansing in Poland and Czechoslovakia. We analyze the economic effects of trade integration within the Western Bloc and compare it to the situation in COMECON countries in Eastern Europe. Lastly, we discuss the economic transition after 1990 by zooming into East Germany (the former GDR) and into the situation in CEE countries.

Grading

Grading bases on the following components:

(1)	Attendance and participation	10 %
(2)	Executive Summary of a research paper	20 %
(3)	Presentation in class of a research paper	20 %
(4)	Mid-term exam	25 %
(5)	Final exam	25 %

<u>(1) Attendance and participation:</u> Students are expected to attend every class and they have to comply with the attendance policy of the IEF program. One excused nonattendance is tolerated, more than one has significant consequences for the grade (i.e minus 5points out of 100). Students are responsible for catching up with the material they have missed.

<u>(2) Executive Summary of a discussion paper:</u> Students will choose a discussion paper from the reading list (see the weekly schedule below). The discussion papers will be briefly introduced in week #1, and will be allocated thereafter. The student individually writes an executive summary of this discussion paper (approx. 3 pages). The student submits the executive summary to the instructor 3 days before the presentation. The instructor immediately makes the executive summary accessible to the entire class. All students are expected to read these executive summaries before the presentation.

> *Notes:* The level of difficulty of the research papers vary. The instructor will help students how to interpret the results of the research paper.

<u>(3) Presentation in class of the discussion paper:</u> Students will present their discussion paper/executive summary in front of the class (approx. 10-15min) and lead a short discussion thereafter (approx. 10min). The presentation should use some visualization techniques such as PowerPoint, Latex-presentation, etc.

(4) Midterm exam: The midterm exam will take place in week #4 and will cover the content of all lectures, executive summaries and student presentations from the meetings before. The exam will be a written non-technical examination.

(5) Final exam: The final exam will take place in week #6 and will cover the content of all lectures, executive summaries and student presentations after the midterm exam. The exam will be a written non-technical examination.

At the end of the term, cumulative percentage points will be converted into grades according to the following grading scheme:

Letter Grade	Percentage	Description
A	93-100	Outstanding work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

Academic Integrity Policy
Plagiarism and other forms of academic dishonesty are not tolerated.

UPCES Non-Discrimination/Harassment Policy
The UPCES program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristic, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

UPCES Diversity Policy
UPCES fully embraces diversity and strives to create a safe and welcoming environment for students from all backgrounds. Prague is a wonderfully diverse community and UPCES is no different. All students should feel at home while studying abroad and UPCES will do its utmost to make sure that becomes a reality. Although unique challenges may arise, we believe that students from all walks of life will encounter wonderful opportunities for enrichment as they explore a new culture while studying abroad.

Schedule of classes

Week #1: Overview and pre-industrial development

First meeting: Overview of the course

- ✓ Introduction: Course requirements and outline of the course
- ✓ Discussion paper overview and assignments
- ✓ Some notes on "How to read empirical regression tables"
- ✓ The big picture since the year AD 1: From stagnation to "sustainable" economic growth

Second meeting: The origin of sustainable economic growth

- ✓ Pre-industrial Europe and the sources of change: The "Little Divergence" of Europe
- ✓ The early horsemen of riches and the European Marriage Pattern: Why Western Europe differed from Eastern Europe and from the rest of the world
- ✓ The Protestant Revolution and economic growth
- ✓ The European Marriage Pattern: The situation in CEE and Western Europe

Discussion Papers:

[12.1] Cox, G. W., and V. Figueroa (2021): "Political fragmentation, rural-to-urban migration and urban growth patterns in western Eurasia, 800–1800," *European Review of Economic History*, 25(2), 203–222. (*Level: Easy*)

[12.2] Klein, A., and S. Ogilvie (2016): "Occupational structure in the Czech lands under the second serfdom," *Economic History Review*, 69(2), 493–521. (*Level: Easy-Medium*)

[12.3] Baten, J., Szołtysek, M., and M. Campestrini (2017): "Girl Power" in Eastern Europe? The human capital development of Central-Eastern and Eastern Europe in the seventeenth to nineteenth centuries and its determinants," *European Review of Economic History*, 21(1), 29–63. (*Level: Easy*)

[12.4] Theodoridis, D., Rönnbäck, K., and W. Scheltjens (2020): "Factor endowments and international trade: A study of land embodied in trade on the Baltic Sea region, 1750–1856," *European Review of Economic History*, 24(4), 716–735. (*Level: Easy*)

Week #2: Industrial revolution and cultural economics

First meeting: The Industrial Revolution in the UK and its spread

- ✓ Theories on the Industrial Revolution: "Enlightenment" versus relative factor prices
- ✓ The spread of the industrial revolution: The cases of Germany, France and Russia
- ✓ The industrialization of CEE at a glance

Discussion Papers:

[21.1] Becker, S. O., Cinnirella, F., and L. Woessmann (2013): "Does women's education affect fertility? Evidence from pre-demographic transition Prussia," *European Review of Economic History*, 17(1), 24–44. (*Level: Easy-Medium*)

[21.2] Dower, P. C., and A. Markevich (2019): "The Stolypin reform and agricultural productivity in late imperial Russia," *European Review of Economic History*, 23(3), 241–267. (*Level: Easy*)

[21.3] Markevich, A. (2019): "A Regional Perspective on the Economic Development of the late Russian Empire," Working Paper/mimeo, New Economic School, Moscow. *(Level: Medium)*

Second meeting: Cultural economics and historical legacies in CEE

- ✓ Cultural economics: How social trust relates to economic prosperity – An example
- ✓ Stylized facts about cultural differences in the European Union

- ✓ The origin of cultural differences: Nature, economic conditions and institutions
- ✓ How regional historical legacies are still shaping culture in CEE today

Discussion Papers:

[22.1] Becker, S. O., Boeckh, K., Hainz, C., and L. Woessmann (2016): "The Empire Is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy," *Economic Journal* 126(590), 40–74. *(Level: Medium-Difficult)*

[22.1] Grosfeld, I., and E. Zhuravskaya (2015): "Cultural vs. Economic Legacies of Empires: Evidence from the Partition of Poland," *Journal of Comparative Economics*, 43, 55–75. *(Level: Medium)*

[22.3] Ochsner, C., and F. Roesel (2019): "Mobilizing history," CESifo Working Paper No. 6586 (revised version), CESifo Munich. *(Level: Medium-Difficult)*

Week #3: CEE after WWI and the rise of totalitarian regimes

First meeting: Hyperinflations in CEE, new borders and coordination failure

- ✓ War debt, reparation and four big hyperinflations in CEE and Germany
- ✓ The end of hyperinflations: Fundamentals versus expectations
- ✓ Economic disintegration, coordination failure and the role of new borders

Discussion Papers:

[31.1] Heinemeyer, H.-C., Schulze, M.-S., and N. Wolf (2011): "On the Economic Consequences of the Peace: Trade and Borders after Versailles," *Journal of Economic History*, 71, 915–949. *(Level: Easy-Medium)*

[31.2] Miladinovic, L. (2019): "Trade and nationalism: Market integration in interwar Yugoslavia," *European Review of Economic History*, 24(2), 288–313. (*Level: Easy-Medium*)

[31.3] Trenkler, C. and N. Wolf (2005): "Economic integration across borders: The Polish interwar economy, 1921–1937," *European Review of Economic History*, 9, 199-231. *(Level: Easy-Medium)*

[31.4] Wolf, N. (2010): "Europe's Great Depression: Coordination failure after the First World War," *Oxford Review of Economic Policy*, 26(3), 339–369. *(Level: Easy)*

Second meeting: The economics of totalitarian regimes – Nazi Germany and the USSR

- ✓ Nazi Germany: "Keynesian" economic policy vs. other drivers of economic success
- ✓ USSR: The great experiment
- ✓ Partial success and failure of planning economies
- ✓ The political economy of totalitarian regimes

Discussion Papers:

[32.1] Doerr, S., Gissler, S., Peydró, J. L., and H.-J. Voth (2020): "From Finance to Fascism," Working Paper, University of Zurich. *(Level: Medium-Difficult)*

[32.2] Mohr, C. (2019): "Carrots and Sticks: Targeting the Opposition in an Autocratic Regime," Working Paper, LMU Munich. *(Level: Medium-Difficult)*

[32.3] Stegmann, A. (2018): "The effects of across-regime interpersonal contact on the support for authoritarian regimes," Working Paper. *(Level: Medium-Difficult)*

Week #4: Midterm exam and the Great Depression

First meeting: Midterm exam

- ✓ Written non-technical midterm exam (60min)
- ✓ Content: All lectures and covered discussion papers from week #1 to week #3

Second meeting: The Great Depression in the USA and Europe

- ✓ The Great Depression in the USA: From the roaring twenties to the economic downturn
- ✓ Recovery in the US: Fundamentals versus expectations
- ✓ Europe: Similar but different
- ✓ Golden fetters: The role of the Gold Standard for European recovery

Week #5: CEE after WWII, ethnic cleansing and bloc integration

First meeting: CEE after WWII and the effects of ethnic cleansing

- ✓ Liberation and occupation of Europe after WWII – Experimental settings for quantitative economic history
- ✓ Regional economics: The role of the Red Army after WWII and migration
- ✓ Ethnic cleansing: The Czech Sudetenland and the population transfer in Poland
- ✓ Political economy: Political extremism in Austria and the Czech Republic

Discussion Papers:

[51.1] Grossmann, J., Jurajda, S., and F. Roesel (2020): "Forced Migration, Stayers, and New Societies: Evidence from Ethnic Cleansing in Czechoslovakia," Working Paper/mimeo, Dresden/Prague. *(Level: medium)*

[51.2] Ritschl, A., and T. Vonyó (2014): "The roots of economic failure: what explains East Germany's falling behind between 1945 and 1950?" *European Review of Economic History*, 18(2), 166–184. (*Level: Easy)*

[51.3] Testa, P. A. (2021), "The economic legacy of expulsion: Lessons from postwar Czechoslovakia," *Economic Journal*, 131(637), 2233–2271. *(Level: Medium-Difficult)*

Second meeting: Economic growth and Bloc integration in the East and West

- ✓ Economic miracle in the West and East
- ✓ Bloc integration in the West: From EG-6 to the European Union
- ✓ Bloc integration in the East: COMECON and the lack of price signals

Discussion Papers:

[52.1] Kukic, L. (2020): "Origins of regional divergence: economic growth in socialist Yugoslavia," *Economic History Review*, 73(4), 1097–1127. (*Level: Medium*)

[52.2] Suesse, M. (2018): "Breaking the Unbreakable Union: Nationalism, Disintegration and the Soviet Economic Collapse," *Economic Journal*, 128(615), 2933–2967. *(Level: Difficult)*

[52.3] Vonyó, T. (2017): "War and socialism: Why eastern Europe fell behind between 1950 and 1989," *Economic History Review*, 70(1), 248–274. (*Level: Easy-Medium*)

Week #6: Transition after 1990 and final exam

First meeting: Transition after 1990 – Economic convergence in CEE(?)

- ✓ The shock of 1990 in its persistence: Regional economics in the Czech Republic, Kaliningrad (Russia) and East Germany
- ✓ Focus on East Germany (the former GDR): (Partial) convergence, relative stagnation and the cost of reunification
- ✓ Economic inequality in the former Eastern bloc: The cases of oligarch Russia and the Czech Republic

Discussion Papers:

[61.1] Abadie, A., Diamond, A., and J. Hainmueller (2015): "Comparative Politics and the Synthetic Control Method," American Journal of Political Science, 59(2), 495–510. *(Level: Medium-Difficult)*

[61.2] Fritsch, M., Sorgner, A., Wyrwich, M., and E. Zazdravnykh (2019): "Historical shocks and persistence of economic activity: Evidence on self-employment from a unique natural experiment," *Regional Science* 53(6), 790–802. *(Level: Medium)*

[61.3] Guirkinger, C., Aldashev, A., Aldashev, G., and M. Fodor (2020): "Economic Persistence despite Adverse Policies: Evidence from Kyrgyzstan," Working Paper University Namur. (*Level: Medium-Difficult*)

[61.4] Novokmet, F. (2018): "The long-run evolution of inequality in the Czech Lands, 1898-2015," World Inequality Database Working Paper 2018/5. *(Level: Easy)*

Second meeting: Final exam and feedback round

- ✓ Written non-technical final exam (60min)
- ✓ Content: All lectures and covered discussion papers from week #4 to week #6
- ✓ Feedback round

Additional literature

(no mandatory reading; partially covered in class)

Overview (big picture) books:

Acemoglu, D. and J. A. Robinson (2012): "Why Nations Fail: Origins of Power, Poverty and Prosperity," Crown Publishers, New York.

Allen, R. C. (2011); "Global Economic History: A Very Short Introduction," Oxford University Press, New York.

Broadberry, S. and K. H. O'Rourke (eds.) (2010): "Cambridge Economic History of Modern Europe – 1870 to the Present, Volume 2," Cambridge University Press, Cambridge.

Eichengreen, B. (1992): "Golden Fetters: The Gold Standard and the Great Depression, 1919-1939," Oxford University Press, New York.

Eichengreen, B. (2007): "The European Economy since 1945: Coordinated Capitalism and Beyond," Princeton University Press, New Jersey.

Morys, M (ed.) (2020): "The Economic History of Central, East and South-East Europe: 1800 to the Present," Routledge (London).

Additional research papers:

Bahrami-Rad, D., Beauchamp, J., Heinrich, J., and J. Schulz (2019): "The Church, intensive kinship, and global psychological variation," *Science* 366(6466). (*Level: Medium*)

Becker, S. O., Grosfeld, I., Grosjean, P., Voigtländer, N., and E. Zhuravskaya (2020): "Forced migration and human capital: Evidence from post-WWII population transfers," *American Economic Review*, forthcoming. *(Level: Medium-Difficult)*

Bianchi, N., and M. Giorcelli (2018): "Reconstruction aid, public infrastructure, and economic development: The case of the Marshall Plan in Italy," Working Paper, UCLA. *(Level: Medium-Difficult)*

Cantoni, D., Dittmar, J. E., and N. Yuchtman (2018): "Religious Competition and Reallocation: The Political Economy of Secularization in the Protestant Reformation," *Quarterly Journal of Economics*, 133(4), 2037–2096. *(Level: Medium- Difficult)*

Hausman, J. K., Rhode, P. W., and J. F. Wieland (2019): "Recovery from the Great depression: The farm channel in spring 1933," *American Economic Review*, 109(2), 427–472. *(Level: Medium-Difficult)*

Hornung, E. (2015): "Railroads and growth in Prussia," *Journal of the European Economic Association*, 13(4), 699–736. *(Level: Medium-Difficult)*

Novokmet, F., Piketty, T., and G. Zucman (2017): "From Soviets to Oligarchs: Inequality and Property in Russia 1905-2015," NBER Working Paper No. 23712. *(Level: Easy)*

Ochsner, C. (2017), “Dismantled once, diverged forever? A quasi-natural experiment of Red Army's misdeeds in post-WWII Europe,” ifo Working Paper No. 240 (revised version).

Ogilvie, S. (2014): “The Economics of Guilds,” *Journal of Economic Perspectives*, 28(4), 169–192. *(Level: Easy)*

Sargent, T. J. (1982): “The Ends of Four Big Inflations,” in: Inflation: Causes and Effects, University of Chicago Press, 41–98. *(Level: Easy)*

Temin, P. (2002): “The Golden Age of European growth reconsidered,” *European Review of Economic History*, 6, 3–22.

Voigtländer, N., and H.-J. Voth (2013): “Gifts of Mars: Warfare and Europe’s Early Rise to Riches,” *Journal of Economic Perspectives*, 27(4), 165–186. *(Level: Easy)*