

Economic History and Long-Run Development

— Central and Eastern Europe and Beyond —

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Instructor's information: [Personal homepage](#) or [CERGE-EI webpage](#)

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Motivation

Our economic lives are constantly changing: Technological change, economic and political crises shaped the world since the industrial revolution during the last 200 years. Countries in Central and Eastern Europe (CEE) in particular experienced several upheavals during the last 150 years: 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 are partially still visible in socio-economic figures today. A long-term perspective on the evolution of economic figures can also help to understand changes and obstacles today.

The course provides the big picture of economic development from a European and US centric point of view and links that to specific circumstances in CEE countries. 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 continues 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 and monetary integration within the Western Bloc (e.g., GATT/WTO, Bretton Woods/Euro) 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	15 %
(2) Executive Summary of a research paper	25 %
(3) Presentation in class of a research paper	10 %
(4) Mid-term exam	25 %
(5) Final exam	25 %

(1) Attendance and participation: Students are expected to attend every class and they have to comply with the attendance policy of the UPCES 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.

(2) Executive Summary of a research paper: Students will choose a research paper from the Reading List in the second week of the course. The student writes an executive summary of this research paper (4-6 pages). The student submits the 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 this executive summary before the presentation.

Notes: The level of difficulty of the research papers vary. The instructor will help students without an economic background or without any background in statistics how to interpret the results of the research paper.

(3) Presentation in class of a research paper: Students will present their research paper/executive summary in front of the class (approx. 15-20min) and lead a short discussion thereafter (approx. 10min).

(4) Midterm exam: The midterm exam will take place in week #8 and will cover the content of all lectures, executive summaries and student presentations from week #2 to #7. The exam will be a written non-technical examination.

(5) Final exam: The final exam will take place in week #13 and will cover the content of all lectures, executive summaries and student presentations from week #8/9 to #12. 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

Orientation week

CEE INTRODUCTORY LECTURE SERIES AND PRAGUE TOURS.

Week 2

Overview of the course and the Malthusian poverty trap

- Introduction, outline of the course, research paper assignments and course requirements
- The big picture since the year AD 1: From stagnation to the “sustainable” economic growth
- The Malthusian poverty trap

Reading List:

Markevich, A., and E. Zhuravskaya (2018): “The Economic Effects of the Abolition of Serfdom: Evidence from the Russian Empire,” *American Economic Review*, 108(4-5), 1074–1117. (Level: Difficult)

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

Week 3

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

Reading List:

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)

Dittmar, J. E. (2011): “Information Technology and Economic Change: The Impact of the Printing Press,” *Quarterly Journal of Economics*, 126(3), 1133–1172. (Level: Medium-Difficult)

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)

Week 4

The Industrial Revolution in the UK and its spread to Continental Europe

- Theories on the Industrial Revolution: “Enlightenment” versus relative factor prices
- The spread of the industrial revolution: The cases of Germany, France and Russia

Reading List:

Markevich, A. (2019): “A Regional Perspective on the Economic Development of the late Russian Empire,” Working Paper/mimeo, New Economic School, Moscow. (Level: Medium)

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

Week 5

Cultural Economics and the legacy of the Austrian-Hungarian Empire

- 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

Reading List:

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)

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

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

Week 6

CEE after WWI: Hyperinflations, new borders and coordination failure

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

Reading List:

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)

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)

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

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)

Week 7

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 Goldstandard for European recovery

Reading List:

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)

Wolf, N. (2008): "Scylla and Charybdis. Explaining Europe's Exit from Gold, January 1928–December 1936," *Explorations in Economic History*, 45, 383–401. (Level: Medium)

Week 8

Midterm exam and outlook

Written non-technical midterm exam (60min)

Outlook

Week 9

The economics of totalitarian regimes – Nazi Germany and the USSR

- Nazi Germany: “Keynesian” economic policy or other drivers of economic success
- USSR: The great experiment
- Partial success and failure of planning economies

Reading List:

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

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

Suesse, M. (2018): “Breaking the Unbreakable Union: Nationalism, Disintegration and the Soviet Economic Collapse,” *Economic Journal*, 128 (615), 2933–2967. *(Level: Medium-Difficult)*

Week 10

Central and Eastern Europe 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

Reading List:

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)*

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-Difficult)*

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).

Testa, P. A. (2019), “The economic legacy of expulsion: Lessons from postwar Czechoslovakia,” Working Paper UC Irvine. *(Level: Medium-Difficult)*

Week 11

- Bloc integration in the West: From EG-6 to the European Union
- Bloc integration in the East: COMECON and the lack of price signals
- Monetary regimes in the West: From Bretton Woods to the Euro

Reading List:

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)*

Glitz, A., and E. Meyersson (2020): “Industrial espionage and productivity,” *American Economic Review*, forthcoming.

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

Week 12

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

Reading List:

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: Easy-Medium*)

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*)

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

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*)

Week 13

Final exam and feedback round

Written non-technical final exam (60min)

Feedback round