

Freie Universität Berlin
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Summer Semester 2017

Economic History of Central-Eastern Europe

Time and Location: Tuesdays, 14-16, Garystr. 55, Room 101

Office Hours: Mondays, 12-14, Garystr. 55, Room 104A

Master OES: Methoden der Wirtschaftsgeschichte und der Ressourcenökonomie

Master Economics and Public Economics: Wirtschaftsgeschichte des 20. Jahrhunderts
(Economic History of the 20th Century)

This course focuses on the economic history of Central-Eastern Europe from economic theory perspective. The first part of the course discusses the consequences of the First World War and disruption of the first wave of globalization in the interwar period. The second part of the course follows the development and decline of the Eastern centrally planned economies in the post-war period. Finally, the third part of the course touches some issues of transition to market and East-West integration.

Exam: presentation (approx. 15 min) and research paper (approx. 15 pages)

1. Interwar period

- 1.1. Storm on the continent: World War I and collapse of the empires
- 1.2. Shadows of the past: New order in Eastern Europe and legacies of empires
- 1.3. Reversing the wheel: Economic disintegration, financial fragility and Great Depression

2. Post-war period

- 2.1. Dividing the cake: The Marshall plan, the iron curtain and the Cold War
- 2.2. Catch up and ~~overtake~~ fall behind: Post-war growth and stagnation
- 2.3. Mirror of world capitalism: Economic integration in the East
- 2.4. Who likes heavy metal? Macroeconomic disequilibria in planned economies
- 2.5. Middle path? Market socialism in Yugoslavia

3. Transition period

- 3.1. Red is out of fashion: Collapse of the Soviet bloc
- 3.2. Tear down this wall: German reunification
- 3.3. Starting all over again: Transition, stabilisation and growth
- 3.4. Lurking in shadows: Informal economy
- 3.5. Not the same after all: (Non-)convergence between East and West Germany
- 3.6. "EU're hosting the party": Integration with the West

Week 1. Storm on the continent: World War I and collapse of the empires

- Osinsky, P. (2009). *From War to State Breakdown: A War-Centered Theory of the Early Twentieth Century European Revolutions*. Fourth Annual Conference in World History and Economics at Appalachian State University, Boone, NC, April 18th, 2009

Week 2. Shadows of the past: New order in Eastern Europe and legacies of empires

- Dimitrova-Grajzl, V. (2007). The Great Divide Revisited: Ottoman and Habsburg Legacies on Transition. *Kyklos*, 60, 539-558.
- Grosfeld, I. & Zhuravskaya, E. (2015). Cultural vs. Economic Legacies of Empires: Evidence from the Partition of Poland. *Journal of Comparative Economics*, 43, 55-75.
- Šimon, M. (2015). Measuring Phantom Borders: The Case of Czech/Czechoslovakian Electoral Geography. *Erdkunde*, 69, 139-150.
- Wolf, N. (2005). Path Dependent Border Effects: the Case of Poland's Reunification (1918-1939). *Explorations in Economic History*, 42, 414-438.
- Wolf, N., Schulze, M.-S. & Heinemeyer, H.-C. (2011). On the Economic Consequences of the Peace: Trade and Borders after Versailles. *Journal of Economic History*, 71, 915-949.

Week 3. Reversing the wheel: Economic disintegration, financial fragility and Great Depression

- Abdelal, R. (2000). Purpose and Privation: Nation and Economy in Post-Habsburg Eastern Europe and Post-Soviet Eurasia. *East European Politics and Societies*, 16, 898-933.
- Morys, M. (2013). The Disintegration of the Gold Exchange Standard During the Great Depression - Déjà Vu for the Eurozone? *Geschichte und Gesellschaft*, 39, 153-176.
- Wandschneider, K. (2008). Stability of the Interwar Gold Exchange Standard: Did Politics Matter? *Journal of Economic History*, 68, 151-181.
- Wolf, N. (2008). Scylla and Charybdis. Explaining Europe's Exit from Gold, January 1928-December 1936. *Explorations in Economic History*, 45, 383-401.
- Wolf, N. (2010). Europe's Great Depression: coordination failure after the First World War. *Oxford Review of Economic Policy*, 26, 339-369.

Week 4. Dividing the cake: The Marshall plan, the iron curtain and the Cold War

- Cox, M. & Kennedy-Pipe, C. (2005). The Tragedy of American Diplomacy? Rethinking the Marshall Plan. *Journal of Cold War Studies*, 7, 97-134.
- Rajak, S. (2014). No Bargaining Chips, No Spheres of Interest: The Yugoslav Origins of Cold War Non-Alignment. *Journal of Cold War Studies*, 16, 146-179.
- Ringmar, E. (2002). The Recognition Game: Soviet Russia against the West. *Cooperation and Conflict: Journal of the Nordic International Studies Association*, 37, 115-136.
- Tietzel, M. & Weber, M. (1994). Economics of the Iron Curtain and the Berlin Wall. *Rationality and Society*, 6, 58-78.

Week 5. Catch up and overtake fall behind: Post-war growth and stagnation

- Brada, J.F. (1989). Technological Progress and Factor Utilization in Eastern European Economic Growth. *Economica*, New Series, 56, 433-448.
- Cameron, N.E. (1981). Economic Growth in the USSR, Hungary, and East and West Germany. *Journal of Comparative Economics*, 5, 24-42.
- Klacek, J. (1988). Economic Growth and Efficiency: A Comparative Efficiency Approach. *European Economic Review*, 32, 443-450.
- Murrel, P. & Olson, M. (1991). The Devolution of Centrally Planned Economies. *Journal of Comparative Economics*, 15, 239-265.

Week 6. Mirror of world capitalism: Economic integration in the East

- Biessen, G. (1991). Is the Impact of Central Planning on the Level of Foreign Trade Really Negative? *Journal of Comparative Economics*, 15, 22-44.
- Brada, J.C. (1991). The Political Economy of Communist Foreign Trade Institutions and Policies. *Journal of Comparative Economics*, 15, 211-238.
- Brühlhart, M. & Koenig, P. (2006). New Economic Geography Meets Comecon: Regional Wages and Industry Location in Central Europe. *Economics of Transition*, 14, 245-267.
- Grant-Friedman, A. (2004). Standing in the Mirror of World Capitalism: Economic Globalization, the Soviet Union, and the COMECON. *UCLA Theory and Research in Comparative Social Analysis Series*.
- Wipf, L.J. & Brada, J.C. (1975). The Impact of West European Trade Strategies on Exports to Eastern Europe. *European Economic Review*, 6, 155-171.

Week 7. Who likes heavy metal? Macroeconomic disequilibria in planned economies

- Brada, J.C. & Montias, J.M. (1984). Industrial Policy in Eastern Europe: A Three-Country Comparison. *Journal of Comparative Economics*, 8, 377-419.
- Charemza, W. & Quandt, R.E. (1982). Models and Estimation of Disequilibrium for Centrally Planned Economies. *Review of Economic Studies*, 49, 109-116.
- Grosfeld, I. (1987). Modeling Planners' Investment Behavior: Poland, 1956-1981. *Journal of Comparative Economics*, 11, 180-191.
- Podkaminer, L. (1988). Disequilibrium in Poland's Consumer Markets: Further Evidence on Intermarket Spillovers. *Journal of Comparative Economics*, 12, 43-60.
- Podkaminer, L. (1989). Macroeconomic Disequilibria in Centrally Planned Economies: Identifiability of Econometric Models Based on the Theory of Household Behavior under Quantity Constraints. *Journal of Comparative Economics*, 13, 47-60.
- Portes, R., Quandt, R.E., Winter, D. & Yeo, S. (1987). Macroeconomic Planning and Disequilibrium: Estimates for Poland, 1955-1980. *Econometrica*, 55, 19-41.

- Welfe, W. (1991). Multisectoral Econometric Models of the Centrally Planned Economies and the Disequilibria. *Economics of Planning*, 24, 203-226.

Week 8. Middle path? Market socialism in Yugoslavia

- Estrin, S. (1991). Yugoslavia: The Case of Self-Managing Market Socialism. *Journal of Economic Perspectives*, 5, 187-194.
- Jovic, D. (2001). The Disintegration of Yugoslavia. A Critical Review of Explanatory Approaches. *European Journal of Social Theory*, 4, 101-120.
- Keren, M. (2014). The Yugoslav Firm versus a Wardian LMF, a Socialist Firm and a LMF in a Capitalist Market. *Comparative Economic Studies*, 56, 676-695.
- Kraft, E. & Vodopivec, M. (1992). How Soft Is the Budget Constraint for Yugoslav Firms? *Journal of Comparative Economics*, 16, 432-455.
- Vodopivec, M. (1993). Determination of Earnings in Yugoslav Firms: Can It Be Squared with Labor Management? *Economic Development and Cultural Change*, 41, 623-632.

Week 9. Red is out of fashion: Collapse of the Soviet bloc

- Brezis, E.S. & Verdier, T. (2003). Political Institutions and Economic Reforms in Central and Eastern Europe: A Snowball Effect. *Economic Systems*, 27, 289-311.
- Bunce, V. (1985). The Empire Strikes Back: The Evolution of the Eastern Bloc from a Soviet Asset to a Soviet Liability. *International Organization*, 39, 1-46.
- Harrison, M. (2002). Coercion, Compliance, and the Collapse of the Soviet Command Economy. *Economic History Review*, 55, 397-433.
- Rosser, J.B. Jr. & Rosser, M.V. (1997) Schumpeterian Evolutionary Dynamics and the Collapse of Soviet-Bloc Socialism. *Review of Political Economy*, 9, 211-223.
- Szelenyi, I. & Szelenyi, B. (1994). Why Socialism Failed: Toward a Theory of System Breakdown -- Causes of Disintegration of East European State Socialism. *Theory and Society*, 23, 211-231.

Week 10. Tear down this wall: German reunification

- Canova, F. & Ravn, M.O. (2000). The Macroeconomic Effects of German Unification: Real Adjustments and the Welfare State. *Review of Economic Dynamics*, 3, 423-460.
- Easterlin, R.A. & Plagnol, A.C. (2008). Life Satisfaction and Economic conditions in East and West Germany Pre- and Post-unification. *Journal of Economic Behavior & Organization*, 68, 433-444.
- Frank, R. (2016). The Costs of Korean Unification: Realistic Lessons from the German Case. *Korea's Economy*, 30, 93-100.
- Ross, M. (2001). *Transfers, Agglomeration and German Unification*. HWWA Discussion Paper, No. 144.

- Sinn, H.-W. (1996). *International Implications of German Unification*. NBER Working Paper No. 5839.
- Wiesenthal, H. (2003). German Unification and 'Model Germany': An Adventure in Institutional Conservatism. *West European Politics*, 26, 37-58.
- Wild, T. & Jones, P.N. (1994). Spatial Impacts of German Unification. *The Geographical Journal*, 160, 1-16.

Week 11. Starting all over again: Transition, stabilisation and growth

- Beck, T. & Laeven, L. (2006). Institution Building and Growth in Transition Economies. *Journal of Economic Growth*, 11, 157-186.
- Campos, N.F. & Coricelli, F. (2002). *Growth in Transition: What We Know, What We Don't, and What We Should*. William Davidson Working Paper No. 470.
- Matkowski, Z., Próchniak, M., & Rapacki, R. (2016). *Real Income Convergence between Central Eastern and Western Europe: Past, Present, and Prospects*. Proceedings of the 33rd CIRET Conference on Economic Tendency Surveys and Economic Policy.
- De Melo, M., Deniyer, C., Gelb, A. & Tenev, S. (2001). Circumstance and Choice: The Role of Initial Conditions and Policies in Transition Economies. *The World Bank Economic Review*, 15, 1-31.
- Tiits, M., Kattel, R., Kalvet, T. & Tamm, D. (2008). Catching up, Forging ahead or Falling behind? Central and Eastern European Development in 1990-2005. *European Journal of Social Science Research*, 21, 65-85.

Week 12. Lurking in shadows: Informal economy

- Elbahnasawy, N.G., Ellis, M.A. & Adom, A.D. (2016). Political Instability and the Informal Economy. *World Development*, 85, 31-42.
- Ghosh, A. & Paul, S. (2008). Opening the Pandora's Box? Trade Openness and Informal Sector Growth. *Applied Economics*, 40, 1995-2007.
- Sarte, P.-D. G. (2000). Informality and Rent-Seeking Bureaucracies in a Model of Long-Run Growth. *Journal of Monetary Economics*, 46, 173-197.
- Schneider, F. (2014). Work in the Shadow: Micro and Macro Results. *International Economic Journal*, 28, 365-379.
- Wallace, C. & Latcheva, R. (2006). Economic Transformation outside the Law: Corruption, Trust in Public Institutions and the Informal Economy in Transition Countries of Central and Eastern Europe. *Europe-Asia Studies*, 58, 81-102.
- Williams, C.C. (2009). Illegitimate Wage Practices in Central and Eastern Europe: A Study of the Prevalence and Impacts of "Envelope Wages". *Journal of Contemporary Central and Eastern Europe*, 17, 65-83.
- Williams, C.C. & Martinez-Perez, A. (2014). Why Do Consumers Purchase Goods and Services in the Informal Economy? *Journal of Business Research*, 67, 802-806.

- Williams, C.C., Round, J. & Rodgers, P. (2007). Beyond the Formal/Informal Economy Binary Hierarchy. *International Journal of Social Economics*, 34, 402-414.

Week 13. Not the same after all: (Non-)convergence between East and West Germany

- Alesina, A. & Fuchs-Schündeln, N. (2007). Good-Bye Lenin (Or Not?): The Effect of Communism on People's Preferences. *American Economic Review*, 97, 1507-1528.
- Avdeenko, A. & Siedler, T. (2016). Intergenerational Correlations of Extreme Right-Wing Party Preferences and Attitudes toward Immigration. *Scandinavian Journal of Economics*, Accepted Article.
- Bauernschuster, S., Falck, O. Gold, R. & Heblich, S. (2012). The Shadows of the Socialist Past: Lack of Self-Reliance Hinders Entrepreneurship. *European Journal of Political Economy*, 28, 485-497.
- Boenisch, P. & Schneider, L. (2013). The Social Capital Legacy of Communism - Results from the Berlin Wall Experiment. *European Journal of Political Economy*, 32, 391-411.
- Nitsch, V. & Wolf, N. (2013). Tear down this Wall: On the Persistence of Borders in Trade. *Canadian Journal of Economics*, 46, 154-179.
- Siegloch, S., Lichter, A. & Löffler, M. (2016). *The Long-Term Costs of Government Surveillance: Insights from Stasi Spying in East Germany*. Beiträge zur Jahrestagung des Vereins für Socialpolitik 2016: Demographischer Wandel - Session: Labor Markets and Institutions, No. F20-V2
- Sinn, H.-W. & Westermann, F. (2001). *Two Mezzogiornos*. NBER Working Paper No. 8125.

Week 14. "EU're hosting the party": Integration with the West

- Campos, N.F., Coricelli, F. & Moretti, L. (2014). *Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union Using the Synthetic Counterfactuals Method*. IZA Discussion Paper No. 8162.
- Elsner, B. (2013). Emigration and Wages: The EU Enlargement Experiment. *Journal of International Economics*, 91, 154-163.
- Epstein, R.A. (2014). Overcoming 'Economic Backwardness' in the European Union. *Journal of Common Market Studies*, 52, 17-34.
- May, J.B. (2009). Trade and Migration in an Enlarged European Union: A Spatial Analysis. *Global Economy Journal*, 9, 1-40.
- Plümper, T., Schneider, C.J. & Troeger, V.E. (2006). The Politics of EU Eastern Enlargement: Evidence from a Heckman Selection Model. *British Journal of Political Science*, 36, 17-38.
- Sinn, H.-W. (2000). EU Enlargement, Migration, and Lessons from German Unification. *German Economic Review*, 1, 299-314.