



The Eastern European Economic History Initiative



NATIONAL RESEARCH UNIVERSITY



## Understanding economic growth and development in Central and Eastern Europe

Workshop in Economic History and Development

**National Research University Higher School of Economics (HSE),  
Moscow, 2-3 September 2016**

Convergence venue: Shabolovskaia ul. 26; room 5307

Annotated program (27.08.2016)

### Friday, 2 September 2016

08:00-09:00	<b>Welcome coffee*, registration</b>
09:00-09:40	<p><b>Welcome address</b>  Jacob Weisdorf (University of South Denmark, WEast)  Oleg Zamulin (NRU HSE, Dean of the Faculty of Economic Sciences),  Alexander Kamenskii (HSE, Head of the Faculty of Humanities),  A representative from Ebert Foundation</p>
09:40-10:30	<p><b>Session 1. The long road to industrialization [2 papers]</b>  Chair: Andrei Markevich (New Economic School)</p> <p><b>Amanda G. Gregg (Middlebury College). "Vertical and Horizontal Integration in Imperial Russian Cotton Textiles, 1894-1900"</b></p> <p>When do firms produce their own inputs instead of purchasing them on the market? In one explanation firms engage in vertical integration to save the cost of transacting on the market, especially when markets are thinner and therefore price risk is greater (Coase 1937). On the other hand, firms that wish to vertically or horizontally integrate may be unable to do if they face financial constraints, because integration requires additional capital. This paper finds evidence for a thin markets explanation of integration within the Russian cotton textile industry in 1894 and 1900, though capital-intensive industries like spinning required financial resources. The 1894 data describe firms' horizontal and vertical integration in especially rich detail. Vertically and horizontally integrated factories were larger in terms of number of workers and tended to be located outside of European Russia in Siberia or the Far East, where markets were thinner. Vertically integrated firms were older, had more workers and machine power, and produced more revenue per worker given the same machine power.</p> <p><b>Hana Nielsen** (Lund University). Paul Warde (Pembroke College), Astrid Kander (Lund University). "East versus West: Energy intensity in Coal-Rich Europe, 1800-2000"</b></p>

	<p>Low energy intensity is important to meet future emission targets and make the most economic use of our energy resources. We present a stylized graph of the energy intensities in four typical European sets of countries: North South, East and West, 1800-2000. The coal-rich West and East differ from the coal-poor South and North, in that their pattern is an inverted U-curve, while both North and South have consistently declining energy intensities, i. e. improving their economic use of energy over time. Energy intensity peaks about 50 years earlier in the West than in the East, and are in both cases driven by specialization in heavy industrial goods. An additional reason for the inefficient energy use in the East (exemplified by Czechoslovakia and East Germany) is the planned economy. For the first time we have been able to demonstrate that the gap between the West and East actually started in the 1950s, and to single out the main driver behind the East European inefficiency. It is not general systematic wastefulness of energy or complete lack of innovativeness, but surprisingly for a planned economy, it is the inefficiency in the expanding electricity system that caused the bulk of it.</p>
<p><b>10:30-10:40</b></p>	<p><b>Coffee break</b></p>
<p>10:40-12:10</p>	<p><b>Session 2 Continuity and change in institutional development [2 papers]</b>  Chair: Jacob L. Weisdorf (University of South Denmark)</p> <p><b>Michael Fritsch (Friedrich Schiller University Jena), Alina Sorgner (Friedrich Schiller University Jena), Michael Wyrwich (Friedrich Schiller University Jena) and Evgenii <u>Zazdravnykh</u> (NRU HSE, Saint Petersburg) “Historical Shocks and Persistence of Economic Activity: Evidence from Entrepreneurship in a Unique Natural Experiment”</b></p> <p>We investigate the persistence of entrepreneurship in the region of Kaliningrad between 1925 and 2010. During this time period the area has been host to a number of very extreme external shocks such as destruction by World War II, a nearly complete replacement of the native German population by Soviets, and 45 years under an anti-entrepreneurial socialist economic regime followed by a shock-type transition to a market economy. Nevertheless, we find a surprisingly high level of persistence of industry-specific self-employment rates in the districts of the Kaliningrad region. Our analysis suggests that persistence of entrepreneurship is higher in regions with successful historical entrepreneurship, that is, in regions where an industry was particularly efficient and entrepreneurial activity was especially pronounced.</p> <p><b>Mikołaj Malinowski (Lund University) “Freedom and Decline; Polish state formation and rye market disintegration”</b></p> <p>I investigate a link between state formation and market development in preindustrial Poland. I argue that constraining executive power in the late 16th century contributed to a paralysis of Parliament in the late 17th century. The Polish republican model failed because of economic inequality within the landed nobility. The weakening of the position of the king upset the balance between the major coalitions of power. The uncontested elite used its influence to accumulate land and to gain special property rights. This process accelerated during the wars of the middle of the 17th century. The elite translated economic inequality into political dominance by becoming patrons of impoverished nobles. They influenced local representative institutions to elect their clients as delegates to Parliament in order to corrupt the only remaining central institution capable of constraining</p>

	<p>their rent-seeking practices. Political devolution limited state capacity. This resulted in coordination failures and, in turn, disintegration of the rye market. Polish rye markets remained disintegrated in the 18th century – a period of an alleged overall improvement in market conditions in Western Europe. This dissimilarity could be a reason behind the underdevelopment of contemporary Eastern Europe.</p> <p><b>Ilya B. Voskoboynikov (NRU HSE) “Accounting for Russia’s manufacturing growth in 1961-2012”</b></p> <p>What are long run sources of economic growth in Russia? Did they change after transition from plan to market economy in early 1990-s? A great deal of previous research into this has suggested the story of a shift of the economy from inputs-driven (extensive) growth before transition (see, e.g., Krugman (1994)) to multifactor productivity-driven (intensive) growth (e.g. Jorgenson and Vu (2013)) afterwards.</p> <p>This paper examines decomposition of output growth into contributions of labour, output and MFP, which is also called growth accounting, using a recently discovered detailed historical statistics for the planned economy period since 1961, and Russia KLEMS data for years from 1995 onwards. At this stage of the project I consider mostly an Industrial sector, which includes Mining, Manufacturing and Distribution. For capital the paper applies the concept of capital services along with traditional capital stocks, taking into account three types of capital, which are machinery, constructions, and other assets. As it turns out, that capital accumulation before transition was not as high as it follows from official numbers. Surprisingly, being measured both as stocks and as services, before transition it grew slower than in the post-transition resurgence in 1999-2008. Main reason for this discrepancy is underestimation of discards in the official statistics. Next, the Soviet era does not seem more extensive in comparison with the post-transition period.</p> <p>All in all, for this half a century Russian manufacturing demonstrates alternate periods of extensive and intensive growth both before and after transition. This stresses the point made by Allen (2003), that economic causes of the economic collapse of the Soviet Union have not been entirely understood so far.</p>
12:10-13:40	<b>Lunch*</b>
13:40-14:50	<p><b>Session 3. Between regulation and integration [3 papers]</b> Chair: Leandro Prados de la Escosura (Universidad Carlos III de Madrid)</p> <p><b>Pál Germuska (European University Institute, Florence) “The Hungarian State Bureaucracy Elite and the European Integration during the 1970s”</b></p> <p>This paper presents the first preliminary outcomes of a newly initiated research, which is devoted to Hungarian elites during the long 1970s. My research is conducted in the framework of the ERC project entitled “Looking West: The European Socialist regimes facing pan-European cooperation and the European Community”, at the European University Institute. The project aims at the thorough analysis of the Eastern European political and economic elites’ views of pan-European cooperation and relations with the European Economic Community in the non-Soviet European member states of the Council for Mutual Economic Assistance (COMECON, namely the German Democratic Republic, Poland, Hungary, Czechoslovakia, Romania, Bulgaria), and additionally in Yugoslavia.</p>

	<p>During the investigation, attention will be paid to the ruling party, the state bureaucracy, the managers, moreover the experts and academics. The project identifies the years 1969–1985 (the “long 1970s”) as a crucial period, when new ways of East–West relations emerged, the socialist bloc’s willingness to integrate into the world economy revealed, and the European Economic Community (EEC) went on the stage as an autonomous international actor.<sup>1</sup> My study will investigate these questions in relations to the Hungarian state apparatus – specifically the ministries and agencies most concerned with the debate on cooperation with the West.</p> <p><b>Marina Chuchko (Universidad Carlos III de Madrid) “Chemistry of the tariff formation process: business lobby and the Mendeleev’s tariff 1891”</b></p> <p>This study is aimed to analyze the tariff formation process with an emphasis on the participation of interested business groups. The tariff implemented in 1891 and named after the great chemist and one of the tariff’s drafters Mendeleev D.I. is considered to be the culmination of the 19th century protectionism policy of the Russian Empire having increased the duties for virtually all groups of commodities. At the same time it was characterized by the high level of involvement of the representatives of manufacturing and commercial circles into the tariff negotiations. The central argument of the study is that despite the non-democratic nature of policy making in the Russian Empire the rates of tariff were, to a significant extent, the result of participation of the business groups in the tariff formation process.</p> <p><b>Maria Fiveiskaia (The Russian Presidential Academy of National Economy and Public Administration) “Scenarios of cooperation between a state and society in the sphere of technical regulation in the Russian Empire in 1870-1910”</b></p> <p>The report raises issues of modelling formation of cooperation between a state and society in the sphere of technical regulation in the Russian Empire in 1870-1910. The basis for establishing requirements towards the production quality, technological processes parameters, health and safety are the provisions of ministerial reform of 1802. The resource of the so-called "special establishments" was used by the ministries and departments both in typical and specific scenarios.</p>
14:50-15:10	<b>Coffee break</b>
15:10-16:30	<p><b>Session 4. Private and public finances in a historical perspective [2 papers]</b> Chair: Adrian A. Selin (HSE Campus in St. Petersburg)</p> <p><b>Miloš Božović (University of Belgrade). “My ships come home a month before the day: Venetian public debt servicing and precious metals from the Balkans”</b></p> <p>This paper analyses whether Venetian public debt servicing costs were driven by the availability of silver and gold from the Balkans. We use data on prices of prestiti, perpetual bonds issued by the Venetian state, between 1399 and 1470, as well as data on economic growth and trading activity with silver and gold from major mines in Serbia and Bosnia during the same period. We document that a significant increase in debt servicing costs of the Venetian Republic in the 15th century can be attributed to an abrupt halt in supply of precious metals from the Balkans, a result of the Ottomans gaining control over the major mines. The findings may have both historical and economic implications.</p> <p><b>Elena Korchmina (NRU HSE). “How rich were Muscovites (Moscow residents) before</b></p>

	<p><b>the Napoleonic invasion?”</b></p> <p>The problem of living standards in Russia in the imperial period is a complex issue. There are some papers where historians try to assess the revenues and expenditures of Russians (Kahan, Mironov, Milov, Dennison, Nafziger). Basing on these calculations they try to estimate the level of Russian development in general and comparing with other countries. Usually they use indirect evidence or just cases.</p> <p>So our paper aims to verify their calculations using new sources – tax returns written by Moscow residents before Napoleonic invasion.</p> <p>In February 11, 1812, for the first time, Russian government imposed the progressive income tax. But this fact is not very well known even in Russian historiography. The main reason for it is that Russian historians considered this tax as a temporary one only for nobility, which was canceled in a few years after the introduction because Russian nobles did not want to pay it (Zakharov, Petrov, Shatsillo, 2006).</p> <p>But the reality turned out to be much more complex, at least in Moscow. It is true that according to the law only nobility should pay this tax. But the investigation in the archive shows that all estates of Russian society, who had residential property in Moscow (and in other towns), filled tax returns where they described their assets (peasants, lands, houses, factories, shops and in some cases bank accounts) and their revenues excluding interests they paid on their private and state debts. These documents were subscribed by the owners or, if they were illiterate, that was especially mentioned, by their authorized representatives.</p> <p>Now we have more than 2 200 statements of nobles, merchants, towns people, priests, foreigners and peasants where they described their financial status. Right now our dataset includes about 10 % of those who had to report and we continue filling it.</p> <p>So at this stage of our research we want to solve the following problems:</p> <ul style="list-style-type: none"> <li>- to describe the financial situation of nobles and merchants;</li> <li>- to verify the desire to pay taxes focusing on those cases where there was an increase of tax rate;</li> <li>- to estimate the level of debt burden of Muscovites.</li> </ul>
16:30–18:30	<p><b>Cultural event. Guided walking tour, which includes <a href="#">Donskoy Monastery</a> and <a href="#">Shukhov Tower</a></b></p>

**Saturday, 3 September 2016**

08:00-09:00	<p><b>Welcome coffee*, registration</b></p>
09:00-10:20	<p><b>Session 5 Financial history of Eastern Europe [3 papers].</b> Chair: Leonid I. Borodkin (Moscow Lomonosov State University)</p> <p><b>Alexander Opitz (University of Hohenheim) “Democratic prospects in Imperial Russia: The revolution of 1905 and the political stock market”</b></p> <p>This paper assesses the attitude of investors in an event study using Russian government bonds. The Revolution of 1905 offers an ideal occasion, as it was accompanied by two opposing constitutional changes within a short period of time. The result contributes to the debate as to whether Imperial Russia could possibly have followed other Western European states, i.e. gradually adopting a</p>

democratic rule, or whether a revolution was inevitable – as the writing of Soviet history suggests. As it turns out, investors did not perceive the ongoing as a threat. Rather they considered long-run democratic change to be a realistic. Furthermore, the Russo-Japanese War is taken into consideration, resembling the existing literature. The assessment is based on two types of bonds, listed at both the Saint Petersburg and the Berlin Stock Exchange. Investors in the East and West were largely consistent in their reactions.

**Sofya Salomatina (Moscow Lomonosov State University) “Regional banking development via interest rate analysis: the case of the Russian Empire in 1874-1913”**

This research deals with integration processes in the commercial banking market in the Russian Empire in 1874-1913. The integration is studied through the interest rate analysis: the smaller the difference in interest rates between regions and periods means the greater market integration, as well as an easier way for banks to move resources to regions of potential growth.

The average annual rate of return on all loans in a bank is used as a substitute for interest rate in this study. This rate has been calculated for any central office or regional branch of joint-stock commercial banks in 1874, 1897 and 1913, based on banks’ annual reports (freshly collected and calculated data). These data on banks’ units are grouped in accordance with large economic and geographical regions of the Russian Empire (using GIS-mapping), which now are the parts of the up-to-date Eastern European states: Congress Poland (Warsaw, Łódź), the Baltic Region (Riga, Libava), the Lithuanian Region (Bialystok, Vilna), the Byelorussian Region (Minsk); the European Southwest of the Russian Empire (Kiev), the Southern Steppe (Odessa, Taganrog, Rostov-on-Don).

According to the statistical analysis, including regression, the variation of average lending rates decreased by almost 2.5 times since 1874 to 1913. The reason was the dominance of branch banking in the Russian Empire. The regional interest rates’ distribution can be explained by supply-demand effects (the more resources there were in the region the lower rates were there), scale effects (larger banks offered lower rates).

At the same time, the level of rates did not go down: the average rates (for all the financial centers), weighted by loan portfolio, were 7.7% (1874), 6.8% (1897) and 7.1% (1913), because the integration process was accompanied by the democratization of banks’ clientele. The overcoming of the elitism in bank lending was accompanied by slight increase in interest rates.

The issue of financial market integration has a great potential for comparative studies. In comparison with the interest rates on the Bank of Japan in 1897, the Russian lending rates were significantly lower, because the Japanese rates ranged of 10-12% (Mitchener, Ohnuki, 2007). As regards the USA, we can compare our data with the gross rates of return on earning assets calculated on national banks’ financial reports. The method of the similar index’s calculation, based on Russian data, has not yet fully developed, but we can already say now that in 1897 the Russian average rates were a bit higher than the American ones (Russia — 7.9%, the US reserve-city national banks — 7.5%; the US non-reserve-city national banks — 7.2%) (Davis, 1965). The significant contrast is observed in the rates of the financial capitals: New York (4.43%) and St. Petersburg (7.9%). Compare interest rates between the US, Japan and the Russian Empire had not yet been completed.

**Alexander Sokolov (Ryazan State Radio Engineering University) “The experience of financial reform in Austria and Hungary after 1919: the comparative characteristic”**

	[Abstract is not available]
<b>10:20-10:40</b>	<b>Coffee break</b>
10:40-12:10	<p><b>Session 6. The origins of identity [2 papers]</b> Chair: Ilya Voskoboynikov (NRU HSE)</p> <p><b>Attila Gáspár (Central European University, Budapest), <u>Rita Pető</u> (Central European University, Budapest) “The economic incentives of assimilation - Name changes in the early 20th century Budapest”</b></p> <p>We study how changing identities and the decision to assimilate affected wages in Hungary in the late 19th - early 20th century. By doing this, we show, in the spirit of Akerlof and Kranton (2000) that identity, which often provides the grounds for labor market discrimination, is in itself endogenous to economic incentives. We proxy the assimilation decision by the fact that an individual changes his other surname from a foreign sounding one to a Hungarian sounding one. We report that workers who are willing to change their names enjoy 15-30% higher wages on average compared to those who are unwilling to Hungarianize. Our results also suggest that name change was a device for signaling loyalty towards the regime. To our knowledge, our paper is the first to document economic incentivization behind massive assimilation movements. We build a unique dataset from administrative yearbooks and archival data, and also make use of an exogenous policy shock in the empirical strategy (a one-year informal campaign within the public administration to put pressure on public sector employees to Hungarianize their names).</p> <p><b>Maria Kravtsova (NRU HSE), <u>Aleksey Oshchepkov</u> (NRU HSE) “The Shadow of the Family: Historical Roots of Particularism in Europe”</b></p> <p>This study provides new evidence on the impact of household formation customs that existed in the past on present day societal institutions and cultural traits. We develop and test a hypothesis that these customs affect the extent to which particularism is spread in societies nowadays. When the prevalence of particularism is high, people tend to treat other people basing on specific circumstances or personal backgrounds and pay much attention to social status, kinship or social connections. The opposite of particularism is universalism when people treat other people basing on the same universal rules equally applied to all. The high prevalence of particularism in society corrodes the rule-of-law principle, justifies the partiality of state institutions, and feeds corruption. As a testing ground for our hypothesis we consider European countries covered by Life in Transition Survey (LiTs) in 2010. We regress various measures of individuals’ particularistic-type values and behaviors on a battery of historical indicators that reflect different traits of the family system existed in the region where these individuals live now. All subnational historical indicators we use are derived directly from national censuses of the end of the 19th - beginning of the 20th century. To assign historical indicators to contemporary localities we place these localities on the historical maps of European countries using their geographical coordinates. Our preliminary empirical findings tend to support our hypothesis: individuals living in the regions where households had a larger stem or kin component, the use of servants was less common, and earlier marriage was more widespread, are more supportive to particularism.</p>
<b>12:10-13:40</b>	<b>Lunch*</b>

13:40-14:50	Chair: Elena Korchmina (NRU HSE) <b>Keynote lecture 1. Tracy K. Dennison</b> (California Institute of Technology). "The 'two cultures' and the economic history of Eastern Europe."
<b>14:50-15:10</b>	<b>Coffee break</b>
15:10-16:30	Chair: Mikołaj Malinowski (Lund University) <b>Keynote lecture 2. Leandro Prados de la Escosura</b> (Universidad Carlos III de Madrid) "Spanish economic growth over the very long run (1270-2015): Are there any lessons for European economic history?"
16:30-18:00	<b>Session 7. ROUND TABLE.</b> Chair: Jacob L. Weisdorf (University of South Denmark)  Participants: Leonid I. Borodkin, Tracy K. Dennison, Revold M. Entov, Leandro Prados de la Escosura, Andrei Markevich, Adrian A. Selin, Jacob L. Weisdorf
<b>19:00</b>	<b>Workshop reception</b>

\* University café

\*\* The last name of a presenter is underscored

**International organizing committee:**

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[Centre for Source Studies at the HSE Faculty of Humanities](#)

[Laboratory for Research in Inflation and Growth at the HSE Expert Institute](#)