

# CEE Growth & Development

UPCES

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# Proximate and Fundamental Causes of Growth

## Proximate causes of growth

- factor accumulation, and
- technology advancement

## Major fundamental causes:

- luck
- geography
- institutions
- culture

# Institutions

## Definition (Institution)

Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.

*D. North (1990)*

## Definition (Culture)

The way of life, especially the general customs and beliefs, of a particular group of people at a particular time.

© *Cambridge Dictionary*

# Culture

Culture affects economic outcomes mainly by fostering ideological or religious beliefs that influence individual traits such as

- trust
- toleration
- thrift
- laboriousness

## Definition

*Transformative potential* is the capacity to legitimise, in religious or ideological terms, the development of new motivations, activities, and institutions which are not encompassed by the original impulses and views.

## Roland (2010)

### The Long-Run Weight of Communism or the Weight of Long-Run History?

#### Fact

*Culture (social norms and values) is a slow moving institution in contrast with 'fast-moving' institutions (e.g. political).*

#### Fact

*Culture is transmitted vertically from parents to children and horizontally through influence from peers and the outside world.*

## Roland (2010)

### Fact

*The communist experiment proved to be a failure. [...] The institutions that have emerged from the transition however turned out to be very different in these three regions and do not seem to converge in any way.*

### Fact

*Empirical evidence shows that having lived together in an empire, be it Austro-Hungarian, Russian or Ottoman, explains cultural closeness between locations. [...] Having been integrated in the same empire for more than 100 years is the equivalent of reducing the distance between two locations by more than a third.*

# Three Empires Ruled the Region



Stability of Austro-Hungarian Empire, expanding Russian Orthodox influence and dying Ottoman Empire  
Growth

## Alesina & Fuchs-Schündeln (2007)

Two possible reactions to Communist dictatorship in East Germany:

- 1 People turn strongly against the 'state' and switch preferences in favour of libertarian free markets
- 2 45 years of heavy state intervention instill in people the view that the state is essential

### Fact

*They 'quickly and soundly reject the first hypothesis in favour of second'.*

### Fact

*The effects of Communism are significant and long-lasting.*

# Max Weber

## THE PROTESTANT ETHICS AND THE SPIRIT OF CAPITALISM

### Fact (Luther's Prescription)

*Fulfillment of duties in worldly affairs [is] the highest form which the moral activity of the individual could assume.*

# Karl Marx

'Man made God, God did not make man'

Fact (Religion is the people's opium!)

*Religious misery is, by one side, an expression of the real misery. Religion is exhausted creature's sigh, the heart of a heartless world, the spirit of spiritless situations. Religion is the people's opium.*

*Criticism of Hegel's Law (1844)*

## Barro & McCleary (2003)

### Fact

*Increases in some religious beliefs - notably belief in hell, heaven, and an afterlife - tend to increase economic growth. There is some indication that the fear of hell is more potent for economic growth than is the prospect of heaven. [...] Beliefs stimulate growth because they help sustain specific individual behaviours that enhance productivity.*

## Barro & McCleary (2003)

### Fact

*[H]igher level of church attendance depress economic growth because greater attendance signifies a larger use of resources by the religion sector.*

### Fact

*The net effect depends on the extent to which an increase in attendance leads to stronger beliefs.*

## Guiso, Spanieza, & Zingales (2003)

Analysis based on micro survey data to relate religion to individual traits.

## Guiso, Spanieza, & Zingales (2003)

### Fact

*Convinced atheists are more tolerant, have more progressive attitudes toward women, less trusting of the government and the police, trust the legal system less, are more willing to break the law, and have worse attitudes toward the market and its perceived fairness.*

## Guiso, Spanieza, & Zingales (2003)

### Fact

*'Trust toward others' is affected mostly by religious participation, not by being brought up religiously.*

### Fact

*Intolerance is mostly an outcome of being raised religiously.*

### Fact

*Religious upbringing has a negative impact on trust. By contrast, a higher attendance at religious services is associated with a higher level of trust toward others (except of Hindus).*

## Guiso, Spanieza, & Zingales (2003)

### Fact

*Religious participation increases trust in the government, trust in the legal system and reduces willingness to break legal rules for all religious denominations (except Buddhists).*

### Fact

*Judaism has the strongest negative impact on willingness to cheat on taxes, Protestantism second, Catholicism and Hinduism third, and Islam fourth. (Orthodox Christians are not observed).*

### Fact

*Religious Jews trust the government less in a Catholic-dominated country. [...] Catholics are more probable to accept a bribe.*

## Guiso, Spanieza, & Zingales (2003)

### Fact

*Religious people of all denominations (except Buddhists) are more inclined to believe that people in need are lazy and lack will power.*

Almost all of the major Religions are present in the CEE

- with the traditional role of Christianity
  - Orthodox (Eastern and Oriental)
  - Catholic
  - Reformed
- with the significant presence of Judaism
- with limited presence of Islam



## Christian

- Orthodox

- Georgian
- Ruthenian
  - Russian
  - Ukrainian
  - Belarusan
- Serbian
  - Macedonia
  - Montenegro
- Bulgarian
- Romanian
- *Albania*

- Apostolic

- Armenian

- Catholic

- Czech
- Slovak
- Polish
- Lithuanian
- Hungarian
- Slovene
- Croat
- Ruthenian
- *Albania*

- Protestant

- Estonia
- Latvia

## Others

- Muslim

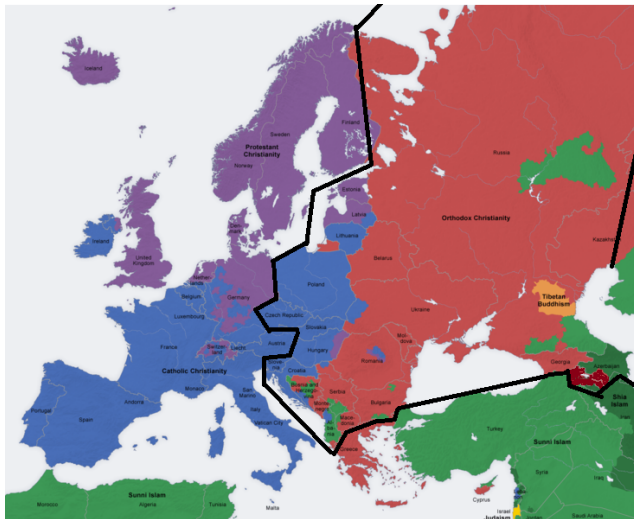
- *Albania*
- Azeri
- Bosniak
- Tatar (Russia)
- Caucasian (Russia)

- Buddhist

- Kalmyk (Russia)

- Atheist

- *Albania*



# Jews in Europe

