

HABILITATION THESIS REVIEWER'S REPORT

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Applicant

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Habilitation thesis

Blast from the Past: Essays on the Long-Term Impacts of Historic Events

Reviewer

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Stepan Mikula has submitted an excellent habilitation thesis that highlights the quality of his academic work and shows that he has firmly established himself as a serious scholar at the intersection of urban economics and economic history. The thesis consists of three chapters on the persistence of historical events, using data from the Czech Republic as well as other countries in Central and Eastern Europe. All three chapters are published in excellent journals, the first chapter in the Journal of Urban Economics (top field journal in Urban Economics, a large field within the economics profession), the second chapter in Empirica (a general interest journal specialised in the publication of insightful descriptive papers) and the third chapter is published in Economics Letters (a general interest journal specialised in publishing short yet insightful papers).

Chapter 1:

The first chapter -- academically by far the most ambitious of the three -- studies the impact of the expulsions from Sudetenland and the subsequent re-settlement on various measures of social capital 40+ years later. The hypothesis is that the re-settlement of the Sudeten region by people from other parts of Czechoslovakia reduced social capital because the new settlers had little historically grown attachment to their new region of residence. The authors exploit the fact that many areas in Sudeten were almost exclusively inhabited by Germans before the war and that only the Germans but not the Czechs were expelled after 1945. This historical context gives rise to a spatial discontinuity design, allowing the authors to compare neighbouring areas that were similar before the war but some experienced expulsions and re-settlements, whereas in others the communities remained largely intact. This is a fascinating episode of European history, and I applaud the authors for using it to show how the re-settlement affected social capital.

The authors find a strong negative effect of the re-settlement on social capital. Even decades later, re-settled areas had significantly higher migration churn (i.e. higher immigration as well as higher out-migration), which suggests that people there are less attached to their area than people in areas close by that did not experience a re-settlement. The authors also find a negative effect on voter turnout after 1990 and negative effects on club memberships or community activities. This is compelling evidence showing that social capital is easily destroyed but takes a long time to build. The research design is clean, and the authors perform

many robustness checks to corroborate their identification strategy. I also applaud the authors for the significant data collection effort that went into this project and their rigour in the execution of the project. It is difficult to publish in top field journals, and particularly so for authors who come from universities outside the top places in the U.S., U.K. or Europe, and/or who work with data from countries that are not the U.S., Scandinavian countries (due to their admin data) or developing countries. In other words, for researchers from a Czech university that is highly respected but perhaps not immediately on everyone's radar, and using data from the Czech Republic, publishing in a journal like JUE is an uphill battle. The fact that the authors succeeded underlines the high quality of their scholarly work.

Chapter 2:

The second chapter studies the relationship between social capital and migration from transition countries. This is a very important relationship to investigate. We don't see as much migration as wage differentials would predict, which suggests that migration has other important driving forces. Social capital -- however it may be defined -- is certainly a plausible push factor for out-migration (and a pull factor for immigration). Using basic regression analysis, the authors document a robust negative correlation between social capital and out-migration.

The authors acknowledge the inherent endogeneity problem in any research that involves the effect of social capital. Social capital is not randomly assigned; it is the outcome of a political, social and economic process that also determines whichever outcome is studied. Researchers have three options here: 1) control for all the determinants of social capital that may also affect the outcome; 2) find a valid instrument for social capital; 3) resort to documenting stylised facts. The authors chose option 3, which I believe is the most reasonable option. The other options are hardly ever credible, and there is more insight to be gained from a paper that is largely descriptive than from a paper based on a shaky identification strategy such as instrumental variables.

The authors use the Life in Transition Survey provided by the EBRD, which covers 34 post-communist countries and includes a wealth of personal information as well as information about people's attitudes and intentions. In the empirical analysis, they use Western European countries as the benchmark, to which they compare two groups: countries in Central and Eastern Europe that are members of the EU, and all 34 post-communist countries. The main measures for social capital are memberships in clubs and civil society organisations as well as how frequently someone meets family and friends. The authors first document that cohorts raised under communism have lower indicators of social capital than the same cohorts in Western Europe as well as lower indicators than younger cohorts in the same countries.

The main analysis studies whether the lower social capital translates into a greater willingness to migrate. The analysis is based on a regression of an individual's willingness to migrate on the number of memberships in clubs and organisations and other indicators of social capital, controlling for other personal characteristics and country fixed effects. The authors find a robust positive correlation between membership and willingness to migrate. Whereas this result is not particularly surprising, the interesting results come from the comparisons between Western Europe and post-communist states as well as the breakdown by cohort. It turns out that this relationship is weaker in post-communist countries than in Western Europe. Perhaps even more interestingly is the contrast between cohorts. In the older cohort, the relationship between social capital and the willingness to migrate is low everywhere (even in Western Europe). However, in the younger cohort (labeled "post-transition cohort") the relationship is strong in Western European countries but very weak in post-communist countries.

Overall, this paper documents interesting stylised facts that are important for understanding why some people migrate and others do not. Social factors certainly play a role in this process, but the results also show that the patterns are quite nuanced. None of the findings is particularly striking, but that is exactly what most research produces. The authors clearly state three hypotheses and check whether they find support for these in the data. This is what research should be like and I commend the authors for going about their research in this way and producing stylised facts that will trigger future research. In fact, in chapter 1 the authors have shown that they can produce more substantial follow-up research. Both chapters are complements: Chapter 2 establishes a stylised fact for a number of post-communist countries. Chapter 1 shows that this pattern is actually causal by zooming into one country and exploiting a credible natural experiment.

Chapter 3:

The third chapter is somewhat related to the first chapter, namely it exploits the historical episode of post-war expulsions. In this chapter, the authors explore a fascinating question: does political party propaganda affect people who (think they) have skin in the game? The authors consider the campaign of the 2013 presidential election in the Czech Republic, where a decisive vote was called between Milos Zeman and Karel Schwarzenberg. In the run-up to the vote, Zeman's party ran a questionable campaign, suggesting that a vote for Schwarzenberg -- a former nobleman of German origin, whose family was expropriated despite siding with the Czechs during World War II -- would threaten the expropriation of people who bought or were given properties of expelled Germans. The authors study whether this campaign led to a higher turnout and disproportionate gains for Zeman's party in areas with a higher historical share of Germans (and, thus, a higher perceived expropriation risk). This is a fascinating and, admittedly, worrying finding. In this day and age, populist politicians in many countries exploit historical events in manipulative campaigns, so it is of utmost importance to know about the impact of such campaigns. If this was in a U.S. state, the paper would have probably had a shot in a top political science journal given the importance of answering this question. In addition, the research design is credible, the analysis is carefully executed and the plausibility of the findings is discussed through additional data from google searches and institutional background information. I encourage the authors to follow on with additional work in this domain, which would be highly interesting in political science as well as political economy.

Summary

Stepan Mikula has submitted an excellent thesis that underlines his distinguished scholarship in the areas of urban economics, economic history and economics of transition. The fact that he publishes in top field journals as a researcher from a lesser known economics department and using data from the Czech Republic underlines the outstanding quality of Stepan's academic work. I am aware that a statement about the ranking of the economics department and a study using data from the Czech Republic may sound arrogant, but it is absolutely not meant that way. Unfortunately our profession is extremely hierarchical when it comes to which places and journals are considered influential, and which countries are considered interesting to study. Stepan has proven himself in a highly competitive field and shown that he is a serious scholar therein. I am certain that in the future he will keep research at the highest international standard. A habilitation and, subsequently, a chair in economics, would be highly merited.

Questions for the panel:

Reviewer's questions for the habilitation thesis defence (number of questions up to the reviewer)

The submitted work is carefully executed, which is why I only have two substantive questions.

- 1) Spatial autocorrelation: The work of papers 1 and 3 is based on spatial regressions, comparing places with few versus many expelled Germans after WWII. Recent work by Morgan Kelly has shown that statistical inference is difficult because of spatial autocorrelation. This is particularly challenging for spatial regression discontinuities, where it is not uncommon to find a significant effect around randomly drawn discontinuities. What will the authors do in the future to take spatial autocorrelation into account?
- 2) Definition of social capital: the authors use various indicators of social capital. However, it is not clear from their work what is actually meant by social capital and how it would ideally be measured. It would be helpful if the authors could provide us with a discussion of the (theoretical) literature on the measurement of social capital.

Conclusion

The habilitation thesis entitled *Blast from the Past: Essays on the Long-Term Impacts of Historic Events* by Štěpán Mikula **fulfils** requirements expected of a habilitation thesis in the field of *Economics*.

Date: 3 June 2022

Signature: Benjamin Elsner