The Economic Legacy of Population Transfers in Socialist and Post-Socialist Czechoslovakia

An Honors Thesis for the Department of Economics

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Table of Contents

- 1. Introduction
- 2. The First Republic and the Second World War
 - 2.1. Masaryk's Paradox: The Myth of Czechoslovakia and the Sudeten Germans
 - 2.2. Reluctant Cooperation and Industrial Revolution in Bohemia
 - 2.3. The Annexation of the Sudetenland and the Nazi Regime
- 3. The Expulsion of the Sudeten Germans
 - 3.1. "Collaborators, Traitors, Germans, and Hungarians"
 - 3.2. The National Committees and "Organized Transfers" in Practice
- 4. The Cold War and Socialization
 - 4.1. Komunisticka Strana Ceskoslovenska: The Evolution of the Communist
 Party
 - 4.2. The Singularity of Northwest Bohemia in the postwar Soviet Zone
 - 4.3. The State Planning Experiment
 - 4.4. Problems in the Laboratory
- 5. Conclusion
- 6. References
- 7. Appendix

List of Maps

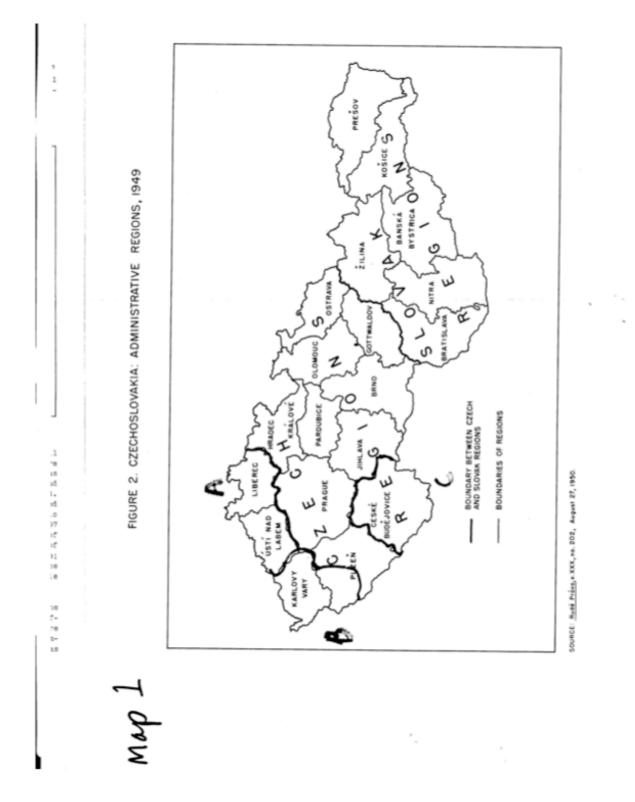
1.	Czechoslovakia Administrative Regions, 1949	2
2.	Percentage Change in Population in Administrative Districts of Czech	
	Regions, 1930-1947	3
3.	Infant Mortality in Czechoslovakia by Administrative Districts,	
	1949	4
4.	Standardized Mortality Rate in the Czech Republic, 2004-2008	5
5.	Partition of Czechoslovakia, 1938-1939	46
6.	Occupation of Germany, 1946	.47
7.	Industries of Czechoslovakia.	.48
8.	Basic Resources and Processing of Czechoslovakia	.48
9.	Pollution in Czechoslovakia, 1969: Gas Emission	.49
10	. Dust Fallout and Gas Emission in the Czech Lands in 1970	.50

Section 1 Introduction

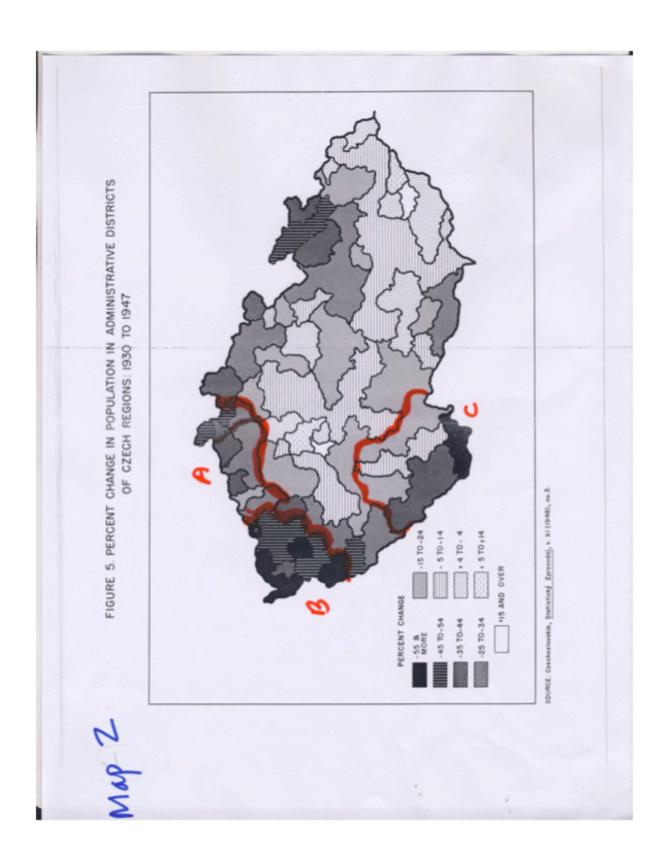
After the Second World War, after Europe had lost tens of millions of citizens as casualties of the war and the Holocaust, the continent experienced another massive population shift when the Allied powers¹ transported several million Europeans across borders in an effort to stabilize nations and increase the homogeneity of nation states. One of the largest and most controversial of these population transfers occurred in Czechoslovakia. As the war drew to a close, the Czech government abroad announced a policy, sanctioned by the victorious Allies, to forcibly expel two and half million ethnic Germans living in the Czech lands. The Czechs decided upon a policy of collective German guilt for the atrocities of World War II: they declared the ethnic Germans residing within their borders traitors and belligerents.

The economic consequences of this massive population displacement and the labor shortages that ensued were endured in an unpredictable way. A study of the experience of the regions in Czechoslovakia that were most heavily impacted by the population changes in the postwar years has much to offer the discussion of the long-term importance of human capital. One might assume that the regions that lost the greatest percentage of inhabitants might also be the regions to suffer the most persistent negative consequences. However, a quick glance at the maps below shows that this was not the case.

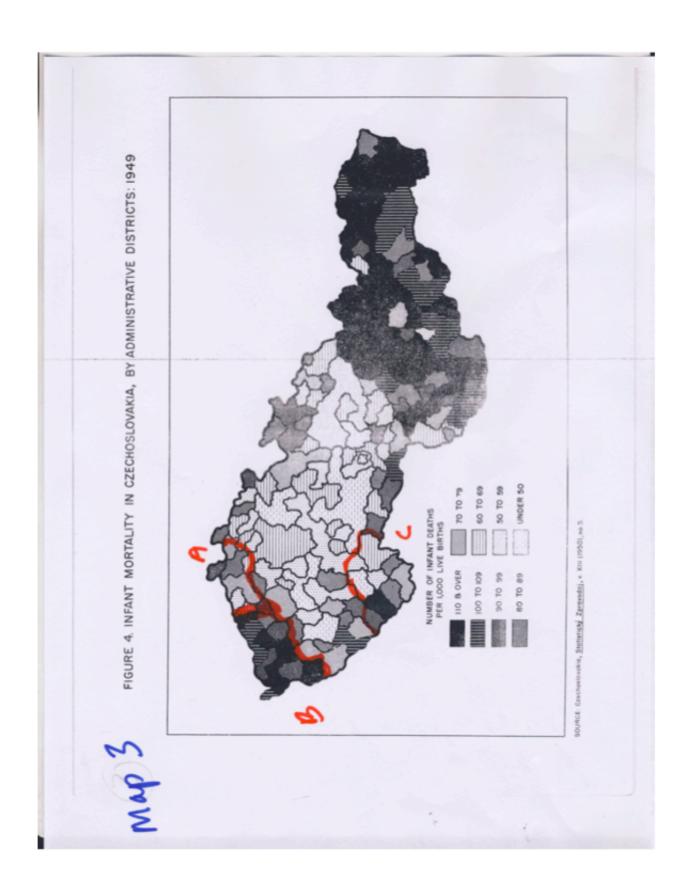
 $^{\rm 1}$ Namely, the United States, the United Kingdom, and the Soviet Union



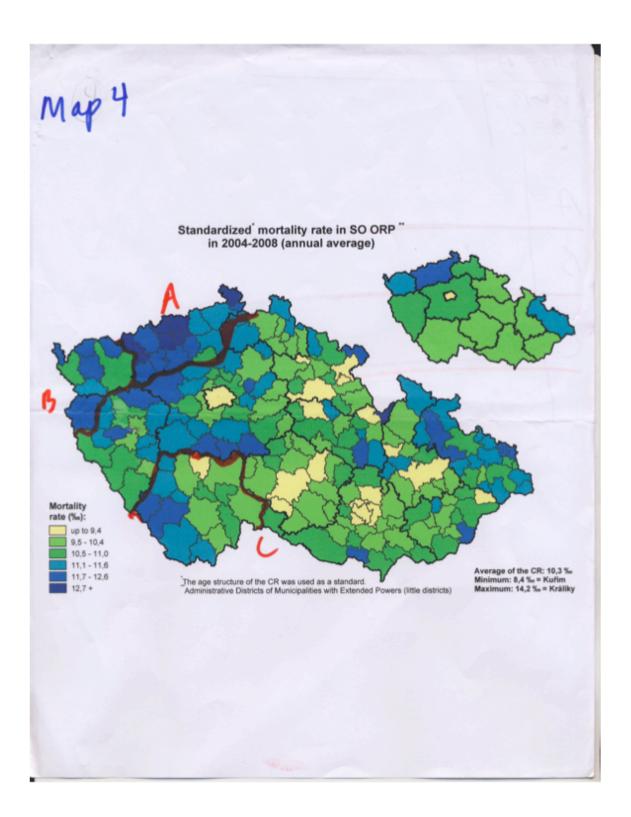
United States Bureau of the Census. 1953. The Population of Czechoslovakia, by Waller Wynne, Jr., International Population Statistics Reports. Series P-90. No. 3. U.S. Government Printing Office. Washington D.C. Pg. 5



United States Bureau of the Census. 1953. *The Population of Czechoslovakia*, by Waller Wynne, Jr., International Population Statistics Reports. Series P-90. No. 3. U.S. Government Printing Office. Washington D.C. Pg. 16



United States Bureau of the Census. 1953. *The Population of Czechoslovakia*, by Waller Wynne, Jr., International Population Statistics Reports. Series P-90. No. 3. U.S. Government Printing Office. Washington D.C. Pg. 13



Map 1 shows the administrative regions in Czechoslovakia in 1949. When these administrative regions are superimposed on Map 2, three general areas along the border are revealed. Region A to the North, encompasses Usti Nad Labem² and Liberec; Region B in the West, accounts for Karlovy Vary and Plzen; Region C in the South corresponds with Ceske Budejovice. This grouping divides the border regions of the Czech lands into three: by employing these three groupings, one can estimate from Map 2, which shows the percentage of populations displaced in Czechoslovakia between 1930 and 1947, how heavily regions A, B, and C were affected by the transfers³. Based on an average of the population change in the administrative districts of Map 2, a rough estimate suggests that A lost 29% of its population, B lost 49% and C lost 45%. Region B lost the highest percentage of its population, Region C lost the second highest, and Region A lost the least.

Map 3 shows the infant mortality rate in Czechoslovakia in 1949, two years after the population change was calculated for Map 2. This Map will be used to suggest standards of living by district. Superimposing the same regions (A, B, and C) onto Map 2 displays an expected outcome of the population transfers. In 1949, Region B suffered from the worst standard of living, Region C the second worst, and Region A the best. Predictably, the size of the displaced populations was inversely related to the postwar living standard.

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² The accents hacek (*) and carka (*) will not be used throughout the thesis. All names and locations are spelled without accents, but otherwise they are rendered with the Slavic spelling (i.e., Tomas, not Thomas; Edvard, not Edward).

³ The bulk of the transfers and almost all of the organized transfers were completed by mid 1947. Local administrations expelled thousands more ethnic Germans up until 1955, however they are not accounted for in these maps. The maps shown are still able to offer a framework for understanding the regions most affected by the expulsions.

However, by applying the same groups to Map 4, which will serve to demonstrate standards of living in the post-socialist era, an unexpected event occurs. By 2008, the fortunes of these regions reversed: of the three districts, A now suffers the worst standard of living, C the second worst, and B the best! It seems that there is no predictable pattern between percentages of population lost and economic situations today. In the short-term, the results are consistent with expectations, but in the long-term the results of expulsions seem to reverse. In order to understand the course of development (or deterioration as it may be) it is necessary to take into account first, the pre-existing distribution of capacity and industry in the Czech lands and second, the introduction of Communism in the early postwar years.

The removal of 30% of the population from one of the most industrialized zones in Central and Eastern Europe, had many direct and indirect negative consequences for Czechoslovakia. It took the country thirty years to recover to interwar population levels (Abrams 1995, 244). This major demographic shift gave rise to a plethora of other political, economic and social issues. Many of the Sudeten Germans, as the expelled Germans were called at the time, were skilled workers, and many others constituted a large part of the industrial, capitalist, ownership class in Czechoslovakia before WWII. The expulsions removed this ownership class and dismantled the industrialized labor population, leaving behind disillusioned and unorganized Czechs, eager for state intervention. The border regions quickly became (although did not remain) a stronghold for the Czechoslovak Communist

party. The Communists exploited this opportunity for nationalization of the abandoned industry to satisfy their own short-term goals of economic autarky.

The expulsion of the Sudeten Germans is only one economic shock in a series of four that occurred in between the First World War and the end of the Cold War in Czechoslovakia⁴. The first shock is the creation of the Czechoslovak state at the end of WWI and the subsequent industrialization of the Czech lands. The second shock is the German annexation of the Sudetenland in 1938 and the Second War. The third shock is the expulsion, as previously discussed. Finally, the fourth shock is the introduction of the state planning mechanism in 1948. When considered all together, it is clear that it was an interaction of both human capital and physical capital shifts that determined the fate of these Czech regions.

This thesis adds to the growing literature on the relative impact of human and physical capital changes on long-term economic growth. For example, Gregory Clark (2007) and Glaeser et al. (2004) concluded in their respective papers that human capital changes were primarily important to economic outcomes. This study however, casts doubt on the persistency of human capital changes in national economies. Rather, the following investigation will show that institutional changes and the dynamism of new settlers play more important roles in the success of

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⁴ Taking into account events that occurred after the fall of the Berlin Wall in 1989, there are arguably two more economic shocks: the privatization of the Czechoslovak economy and the break-up of the nation into the Czech Republic and Slovakia. This thesis examines some information from post-Socialist Czechoslovakia or the Czech republic; the author acknowledges that these additional shocks, while not referenced in the thesis, might have impacted data in after 1989.

economic adaptability. These results are consistent with Eric Chaney's paper on the 17th century expulsion of the Moriscos from the Iberian Peninsula (2008).

The thesis will proceed with a discussion of each of these four shocks and their impact on the border regions in the Czech lands. Section 2 begins with a brief history of the First Republic of Czechoslovakia and explains how this stage in the political life of the new nation contributed to the condition of the national economy at the outbreak of the Second World War. Section 2 continues with the second shock, the shock of WWII. This second stage of existence (the Czech lands as the Protectorate of Bohemia-Moravia) is not a direct economic break: the Czech economy under Nazi administration experienced no profound changes. Decidedly, the War affected serious political, social, and emotional change, but it contributes to this discussion of economic shocks and consequences in the way that the war reinforced the specialized strengths of ethnic Germans and ethnic Czechs.

Certainly, Nazi brutality and the wartime experience also provoked the events that occurred after liberation in 1945.

Section 3 tackles the third shock – the population transfers themselves. This section illustrates the process of transfers and the upheaval that they inspired. The third shock, the transfers, depopulated entire cities and villages that were, as the thesis will show, politically and economically vital to Czechoslovakia and other states in Central and Eastern Europe.

Section 4 addresses the rise of the Communist party and the implementation of the state-planning mechanism in these border regions. This section sheds light on

the maps above and attempts to explain the final catalyst, this fourth shock, and how it created the economic conditions that persist today.

The particular course of change that occurred in Czechoslovakia in the first half of the twentieth century and how its legacy persists today is a fascinating case study of economic development. Not only is the story of Czechoslovakia relevant because of its position as an increasingly important European nation, but also it is particularly pertinent to economists as an illuminating example of all the intricacies and implications of political, economic, and demographic interactions. Perhaps this study will be able to provide a small contribution to the endless investigation of what steers or derails economic progress.

Section 2 The First Republic and the Second World War

"Their geographic location as the Westernmost of all Slavs, their close historic connection with the Holy Roman Empire, and the large number of Germans living in their lands made the penetration of Western culture and new ideas into Czech territory, especially Bohemia, relatively easy." (Sugar 1963, 12)

2.1 Masaryk's Paradox: the Myth of Czechoslovakia and the Sudeten Germans

At the outbreak of World War I in 1914, the territories that would later become Czechoslovakia were assembled as territories of the Austro-Hungarian Empire. The bulk of the Czech lands (Bohemia, Moravia, Silesia) were administrative districts of the Austrian Crown lands, while Slovakia and Carpathian Ruthenia were districts of the Kingdom of Hungary. In September 1918, American President Woodrow Wilson recognized Tomas Garrigue Masaryk as the President of a new Czechoslovak Republic. A month later on October 28, the First Czechoslovak Republic was formally declared in Prague. At the time and in the two decades that followed, most of the world attributed the creation of this state to the enigmatic Czech leader, Masaryk and the intervention of the Allied Western Powers (France, Great Britain, and America) on behalf of the Czechs.

Masaryk's chief aim while abroad during the war, was to convince the West that a truly independent and liberated Czechoslovakia was necessary to check German aggression. The brave, but oppressed Czechs and Slovaks had battled German aggression for centuries and were desperate for support in their struggle. They had banded together in this moment of glory, led by their fearless leader T.G. Masaryk, to overthrow their Habsburg oppressors (Williams 1997, 132-140). This was a story of the single-minded Slavs of Central Europe, concocted to elicit sympathy from the Allies and to identify their common goal of anti-German expansionism. By liberating the territories of Czechoslovakia the Allies would crush Austro-Hungarian industry, which the Germans exploited for their war machine (Seton-Watson 1943, 43-44). Masaryk was well aware that in order to win independence, Czechoslovakia needed to position itself as a lynchpin of Allied peace, as a bulwark against the Germans.

There are several major flaws to this story of Czechoslovak history that this thesis will not discuss; one relevant inconsistency is the discounted swathes of Germans that had inhabited the Czech lands since the 13th century and the assertion by the Czechs that they could independently expropriate and drive the industrial workshop of Bohemia. Germanic settlers first moved, in large numbers,

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⁵ Masaryk glossed over the distinction between Germans and Austrians in the face of "pan-German" expansion. The Czechs had been resisting Austrian Habsburg expansion while the Germans of the German Empire were seen as the main aggressors during WWI. Pan-German expansion incorporated both of these groups: the Ausrians were a tool of the German Empire and an ally in the perceived Germanic goal to dominate the territories of Central Europe.

to the Bohemian crown lands in the early 13th century. A slow, but steady migration lasted until 1526 when the Habsburg ruler Ferdinand I incorporated the territory into his Empire and a revived influx of immigrants began. While most ethnic Germans spoke German and ethnic Czechs spoke Czech, the distinction was not always so clear. For example, the Czechs remember the Battle of White Mountain (which took place in the year 1620) as the final valiant stand of the protestant Czechs against the powerful catholic Habsburgs before 300 years of subjugation. In fact, the majority of protestant officers in charge of the 'Czech army' were Germanic (Orzoff 2009, 28). Communities of Czechs and Germans existed peacefully together and in most regions the ethnic Germans alongside Czechs, were fully incorporated into economic, social, and political life.

The case of the Czechoslovak Germans is not unique: Germans were sprawled in minority groups across Central and Eastern Europe. These pockets of Germans later became a justification for the Germanic policy of Eastward expansion into "MittelEuropa". However, the Germans in Czechoslovakia were not politically associated with their distant relatives in Germany until WWI and the Treaty of Versailles. It was during this time that the defeated and debilitated Weimar Germany became interested in German minorities outside their rump borders. Political parties in Berlin began to cry loudly for the repatriation of German minorities or for the right to the land that these Germans inhabited

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 $^{^{\}rm 6}$ The Bohemian Crown lands refer to the Habsburg territory of Bohemia, Moravia, and Austrian Silesia

(Schechtman 1962, 32). This was one of many efforts in Germany to rally morale and regain economic and political relevance on the Continent.

This movement to politicize Sudeten Germans presented several dilemmas and exposed one painful paradox in Czechoslovakia. The Bohemian crown lands were known as the powerhouse of the Austrian Empire: Czechoslovakia, when it was created in 1918, received 35% of the former Empire's population, but 75% of her industry (Staller 1962, 398). This industry was concentrated, just like the German minorities were concentrated, along the periphery of Bohemia and Moravia. This industry was crucial to the existence of the Czechoslovak state. The Czechs needed to prove their place as a stable bulwark against pan-German expansion: the linchpin of peace. However, the ethnically German citizens owned a disproportionate percentage of the most valuable industry and enterprise in Czechoslovakia. The rights of this minority group (like the many other minority groups in Czechoslovakia) were strictly protected by the Constitution of 1918.

The Czechs had established their independence partly based on their defiance of German expansionism and yet, this new existence as a Republic was dependent on the continued productivity of the Sudeten Germans and on foreign investment from German and Austrian enterprise. The Czechs needed exports to secure their place in the new European community, but they needed foreign investors to replace capital that had flowed from the Habsburg investment in the region. A significant amount of this foreign investment came directly from Germany and the new Austrian state (Boyer 2000, 263). Of course, there was rampant fear in

Prague that the Germans were attempting to prolong their domination of the region through financing activities. Nevertheless, this sentiment rarely provoked any action. Even Czech investors, who attempted to secure Slav control by infusing capital into industrial enterprises, often kept on German managers because there were no Czech substitutes (Boyer 2000, 273). The Germans were decidedly crucial to economic integrity.

A second deterrent to political action on behalf of anti-German sentiment, was the issue of determining who or what was "Czech" versus who or what was "German." According to the rules of the First Republic, a Czechoslovak citizen could decide for himself what his ethnicity was. Frequently this decision was based on political groupings or events. For example: in the 1910 census, 59.5% of the wouldbe Czechoslovak population declared themselves Czech or Slovak, 27.8%, German, and 7.9% Magyar. However, in the 1921 census (the first after the Republic was established), 65.5% of the population considered themselves Czechoslovak, 23.4% German, and 5.6% Magyar (Shute 1948, 39). According to the author of the study, John Shute, there were no birth rate or migration changes that could explain this demographic change; it was simply a political decision on the part of the censustakers to be "Germanic" under a Germanic government and "Slav" under a Czechoslovak government. Furthermore, it was similarly difficult to differentiate between "ethnic economies," German or Czech enterprises (Boyer 2000, 263). This confusion became increasingly relevant as the years progressed and different

governments (the First Republic, the Third Reich, and then the National Front) attempted to separate and expropriate German enterprise.

2.2 Reluctant Cooperation and Industrial Revolution in Bohemia

Under the First Republic, the Czech lands experienced rapid industrialization: maintaining and reinvigorating their role as the workshop of Central Europe. Before the Munich Crisis of 1938, Czechoslovakia was on track to becoming one of Europe's core industrial economies. Industrial activity grew rapidly in the Northern Czech periphery; by 1930, the Sudetenland alone had an industrial capacity equal to that of Switzerland (Schechtman 1962, 100). Heavy industry and chemicals dominated the North, while light industry, textiles and glass production, took place in the West (Patek 2000, 251). Again, these peripheral regions of Bohemia and Moravia (along with Southern Bohemia which remained agrarian) also had the most significant German minority groups. 58% of Germans worked in industry, commerce, and banking, compared to 38% of the rest of the populations (Shute 1948, 40). Indeed, across the country there seemed to be a divide between industrial and German speaking and agrarian and Czech speaking.

It was not only the Sudeten Germans themselves, but also foreign German investors that contributed to Germanic control in the industrial regions. In 1930, when only 22.5% of the Czechoslovak population counted themselves as ethnically German, 84% of industrial enterprises were "in German hands" (Schechtman 1962,

101). Radomir Luza, author of the seminal work on the Sudeten German expulsion The transfer of the Sudeten Germans: A study of Czech-German relations, 1933-1962, argued that it was German investments that made the quick industrial development that occurred in the Czech lands possible during the interwar years (Luza 1964, 4). Jaromir Necas, a Minister of the First Republic, agreed and asserted that the Weimar government had a policy to invest in the Germanic regions of Middle Europe as part of their renewed interest in the German minorities outside their border (Necas 1937, 599). This new capital, from Germany and other places, was primarily invested in the mining and steel industries of Northern Bohemia? (Douglas 1953, 74). Eventually, the Czechs embraced this investment and continued along a path of industrialization and modernization in the 1920s. It is possible to imagine the path that Czechoslovakia was on at this time: had political events been different, the Czechs might have entered the realm of core European economies half a century earlier.

The creation of the First Republic was a triumph for the Czechs and Slovaks and remains today a proud moment in Czech history; even so, it is not unexpected that the creation of this new nation also brought new national problems and revived old ones. The Czechs had finally won freedom from the Germans, their oppressors and rulers for centuries, only to find German influence unavoidable in the economic and eventually political spheres. Under Masaryk's leadership, the Czechs and Germans were able to work together to progress the nation. Unfortunately,

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⁷ According to Eagle Glassheim, North Bohemia is made up of Ceska Lipa, Decin, Chomutov, Jablonec, Liberec, Litomerice, Louny, Most, Teplice, and Usti nad Labem.

cooperation in the political sphere proved less successful. German dreams for eastward expansion pushed through: Hitler and the National Socialists toppled the First Republic and all it had achieved in a matter of months.

2.3 The Annexation of the Sudetenland and the Nazi Regime

"We can fairly claim that we have entered a new phase of effective co-operation between the nationalities in our state, particularly between Czechs and Germans."

(Necas 1937, 611)

- Jaromir Necas

Czechoslovak Minister of Social Welfare, 1937

The Sudetenland was one of the first territories to fall prey to the Third Reich's rapid expansion across the continent. The course of history does not need to be explained in this thesis, but as is well known, German interest in her brethren in Central and Eastern Europe contributed to a myriad of issues that culminated in the rise of Hitler and the Nazi party in the 1930s and the outbreak of WWII.

Unfortunately for the Czechs, Hitler and his party pressed for the annexation of the Sudeten region while the Western European powers were still practicing a policy of appeasement. Under this policy, Western European leaders agreed to satisfy a series of Reich demands in exchange for Hitler's word that he would ask no more.

One such demand was the annexation of the Sudetenland and on September 29, 1938 Western leaders signed away Czechoslovakia's most strategic border regions to the Nazi state. This began a steady parcellization of the Czechoslovak state:

Hungary, Poland, and Germany annexed more land.⁸ Ultimately, Slovakia seceded to become a pupper state of the Third Reich and the Czech lands were reconstituted as the Protectorate of Bohemia-Moravia under the Nazi administration of Reinhard Heydrich.

The occupying Germans now controlled one of the most powerful sources of industry in Central Europe and immediately they began to reposition the economy to support the German war effort. However, before the Germans could begin their economic exploitation they needed to first establish which of the residents of their new territory were citizens of the Reich ("German") and which were Czech (not fit for citizenship, according to Nazi doctrine). Only citizens of the Reich were considered fit to operate the industrial plants of the Sudetenland. For the first time in their lives, residents of the area had to permanently decide whether they were "Czech" or "German." When not enough residents opted to be German in the first poll, Reinhard Heydrich instituted a specific criteria outlining which of the Czechs were "Germanizable or un-Germanizable" (Bryant 2002, 693). According to these criteria, Czechs with certain physical characteristics would become citizens of the Reich after a period of "Germanization." Under this policy, Heydrich declared many non-German speaking Czechs citizens of the Reich. This was the first time the state had adopted an official policy differentiating the ethnic Czechs from the ethnic Germans. Naturally, ethnic divisions in communities of the Sudetenland and the new periphery of the Bohemia-Moravia protectorate were hardened and enflamed.

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⁸ Please reference the first map of the Appendix for an illustration of the diminution of Czechoslovakia before WWII.

It fell in line with the Nazi policy of racial hierarchy that only Germans should control enterprises in Reich territory or enterprises that were being used for the war effort. The Germans owned a disproportionate number of businesses before the war and the Nazis exacerbated the situation by seizing any Czech controlled enterprise and placing it under German authority (Douglas 1953, 74). At first, all of this upheaval led to a decline in industrial production in the former Czech lands (Bohemia and Moravia – including the Sudetenland). However, by1941 industrial production had increased to prewar levels and then briefly surpassed it before it began to decline again towards the end of the war as the Germans retreated and the liberating Armies advanced (Griffith-Jones 1981, 79). Output from the Sudetenland passed through Nazi hands and often fed directly into the war machine: construction plants, car manufacturing factories, etc. were converted to produce armaments.

After the annexation, the Sudetenland became part of Germany proper and many Czechs fled to the agrarian Czech interior, solidifying German ownership in the periphery. In a 1930 census taken in one of the key regions of Northern Bohemia, Usti Nad Labem, 559,000 of the 741,000 residents identified themselves as ethnically German while 182,000 were Czech. According to a census taken ten years later, the population had declined by 81,000 residents overall, but the region had lost 82,000 Czechs (Radvanovksy 2001, 251). Czechs fled the borders from the interiors and ethnic Germans increased control of land and physical capital. This

population displacement, while not substantial in numbers, aggravated the specialization of Czech and German labor.

Bombing and destruction followed the Nazi retreat of 1945, but the Czech lands managed to sustain minimal physical damage. Czech industry was still relatively intact when the Soviet army liberated the territory in May. Meanwhile, bombing had physically devastated all of Germany and most of Poland. This meant that the other regions in Central or Eastern Europe with even a hint of modern, heavy industry were temporarily debilitated and the Sudetenland was the most significant and capable producer of industrial goods and materials west of the Soviet Union. Czechoslovakia in postwar Europe fell under the Soviet sphere of influence; it did not take long for her protector to realize the amplified value of Bohemian and Moravian industry.

Section 3 The Expulsion of the Sudeten Germans

"The victory of the Allies in World War II allowed [us]...to renew the original Czech character of our borderlands." 9

3.1 "Collaborators, Traitors, Germans, and Hungarians"

The Second World War proved to be the end of cooperation between the Germans and Czechs in Czechoslovakia. Before the war had begun, three out of every ten residents of the Bohemian Crown lands considered themselves an ethnic German. By 1950, less than 6% of these same residents claimed such a heritage: the German population of the Crown lands had shrunk to 1.3% of its prewar size in just over ten years (Bryant 2002, 683, 700). In an effort to prevent the horrors of the war from occurring again in any revival of German aggression, the Allies sanctioned the removal of any significant German minority group residing outside of the occupied German state. The Czechs declared all Germans in Czechoslovakia (except those that had clearly demonstrated their anti-fascism) responsible for the crimes of the Nazi regime. Supported by this policy of collective guilt, the Czechoslovak government abroad received Allied approval to expel the ethnic Germans living in Czechoslovakia.

The plans to expel the Sudeten Germans began as murmurs during the last year of the war. The murmurs gained recognition by the Czech government in exile, led by President Eduard Benes, in May 1945 just as Allied armies liberated Central

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⁹ Osidlovani 2, nos. 10 – 11 (October 10, 1947): 210. Quote found in: Glassheim 2006, 74.

and Eastern Europe. The Czech politicians in exile needed the Allied approval and the backing of a legitimate law in convention with the Universal Human Rights of the U.N. to sanction the expropriation of property and the expulsion of people who had been legitimate Czechoslovak citizens. After receiving this support, the official population transfers began in August 1945. The state plans for the property left behind by the transferred populations were outlined, two months later, at the Kosice conference in Slovakia (which also set up the postwar Czechoslovak government).

"The Decree for the Confiscation of Enemy property and the Creation of a Fund for national Renewal," issued at Kosice along with a handful of ancillary declarations, became known as the "Benes Decrees." The statements outlined a vague plan to expel Germans and Hungarians; the lands of the expelled would be confiscated by the state, nationalized, or in some instances sold. The assembly at Kosice declared its right to nationalize any of the "key industries," although it did not specific which industries were "key" (Douglas 1953, 83). The Kosice program did not offer a timeline for the nationalization of these lands; not only was this program vague and impractical – but, it came far too late for hundreds of thousands of Germans who had already been expelled and whose property was already abandoned, looted, or destroyed.

3.2 The National Committees and "Organized Transfers" in Practice

It is clear from the vitriol of accounts written in the decade following the end of the war, the disgust and anger that Czechs held for the Germans who had in many cases, been their neighbors for centuries. When the Soviet army liberated much of Czechoslovakia in May, they placed local control in the hands of the National Committees. These formerly guerilla, anti-fascist groups acted upon the intense anger and resentment of their Czech brethren and forcibly expelled hundreds of thousands of Germans months before the official transfers began. All of the Germans, even those who had not actively participated in fascist organizations, were "collaborators and traitors" and were subject to these informal expulsions (Rado 1947, 798). These National Committees would eventually become the local organs of the Kosice assembly, but in the immediate postwar months, their priority was removal of German "traitors" living in their towns and villages (Douglas 1953, 82). Without the approval of the Allied powers or the government, the National Committees enlisted the help of fellow betrayed Czechs and expelled 600,000 Germans between April and July of 1945. A recent study conducted by a Czech-German commission estimates that somewhere between 19,000 and 30,000 Czechoslovak Germans died during these months: 6,000 from violence and 5,000 from suicide (Bryant 2002, 697). The expulsions offered an opportunity for the Czechs not only to express all of the anger that had been brewing since the betrayal of the Munich agreement, but also to retaliate for what they saw as 300 years of

German oppression.

Even after the legitimate transfer program began, the expulsions remained chaotic. At first, they were so unorganized that Jews who had survived the Holocaust (many of whom spoke German) were expelled along with other German speakers. It took authorities an entire year to realize the mistake they were making with regard to the German Jews (Schechtman 1962, 85). Additionally in the first year, there was no clear policy on mixed marriages. Benjamin Frommer estimates that there were as many as 90,000 Czech-German mixed marriages at the time of the expulsion and 150,000 children of these marriages (Frommer 2000, 382). Many of these families were expelled in the early post-war months. In May of 1946, the government formally announced the end to the expulsion of any part of a mixed family, but reports from the border regions showed that this did not stop local authorities from deporting Czechs who had married a German (Frommer 2000, 392). Members of the National Committees considered ethnic Czechs who had married Germans among the most traitorous and dangerous.

Central control was another key issue of the organized expulsions; even when officials in the Czech interior were able to formulate a clear policy, they had trouble enforcing it among the National Committees. The Sudeten Region had a historically weak relationship with Prague¹⁰ and the German upper and middle classes dominated political affairs (Radvanovsky 2001, 242). The strong minority rights instituted under the First Republic had maintained this regional autonomy and the

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 $^{^{10}}$ After the Kosice Assembly had established the Third Republic of Czechoslovakia in the spring of 1945, the official seat of government returned to Prague.

annexation of the Sudetenland by Hitler had reinforced it. There was a lack of effective communicative ties between the periphery of the Czech lands and Prague. The central government had a difficult time understanding the situation in the Sudeten region and enforcing unified policies of peaceful transfers. The removal of the Sudeten Germans, though officially ended in 1947, continued through the early 1950s. By 1955, there were only 175, 790 Germans left in Czechoslovakia (Schechtman 1962, 93). Of course by then, the fourth and final shock had already swept through the country.

Section 4 The Cold War and Socialization

4.1 Komunisticka Strana Ceskoslovenska: The Evolution of the Communist Party

east: the Czechs understood the Agreement as a betrayal by the Western European powers (France and Britain in particular) that had helped them win their independence twenty years earlier. The government of the First Republic was heavily involved in the national economy. This pre-existing exposure to heavy government intervention, the betrayal at Munich, the upheaval caused by the war, and the general trend of Eastern Europe (where, like in Czechoslovakia, the Soviets had been the liberating army) all contributed to the rise of the Czechoslovak Communist party, KSC (Komunisticka Strana Ceskoslovenska)¹¹. The Communists gained momentum during the War and as mentioned, were often the leaders of the National Committees that acted as postwar administrative units. In Bohemia and Moravia, the Communists were the largest single political group; the Socialists were a close second in size (Douglas 1953, 81). After the War, the right wing political parties, many of whom had cooperated with the German occupiers, were eliminated.

The end of the war shifted the entire political spectrum to the left: remaining parties joined together to form the a coalition government, the National Front, in

 $^{^{11}\,\}mathrm{The}$ Komunisticka Strana Ceskoslovenska will be referenced as the "Communists" or, in some instances, the "Party"

1945. The coalition government was based out of Prague. This political amalgamation of five political parties¹² lasted less than three years. The divergent interests of the parties created a legislative stalemate in a time when action was necessary. In February 1948, the Socialist party dissolved itself to join the Communists. Together, this group had enough might to muscle out the other politicians and seize control. The Communists dissolved the National Front and the Party sprung into action: accelerating a process of nationalization and land reform.

The Communists, now with full power in Czechoslovakia, faced the same jarring issues of postwar reorganization as their predecessor, the National Front. The economy of Czechoslovakia was heavily lopsided, with all of the industry focused in the Northwest and all of the agriculture spread through the South and East. Slovakia was almost exclusively agrarian. The First Republic had tried to balance out the economic situation, but realized the importance of the output from the Northwest industrialized zones and ultimately had to focus investments in that region. The postwar governments found themselves in a similar situation. In fact, the disparity of economic development and the strategic importance of the Northwest had intensified.

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¹² The Communists, Social Democrats, National Socialists, Czech Peoples Party, and Slovak People's Party.

4.2 The Singularity of Northwest Bohemia in the postwar Soviet Zone

In the few years following the war, Czechoslovakia was the most important and developed supplier of industrial goods to Eastern Europe. Germany, which had previously been the largest supplier of industrial goods to Eastern Europe, had been heavily damaged by bombing and was preoccupied by reparation payments until the mid 1950s (Shute 1948, 35). Even before the Communist Party took power and the Cold War began, the Soviets recognized the importance of Czech industry. ¹³

Czechoslovakia fell under the Soviet sphere of influence in the postwar division of Europe. Immediately, the Soviets began to direct investments to the region, even though it had sustained less physical damage than almost any other region in the Soviet zone (Spulber and Gehrels 1958, 142). Moscow directed money and credit from the agrarian economies of South Eastern Europe to Czechoslovakia in order to fortify and maintain her industrial equipment. If the industry of Northwest Bohemia and Moravia was important to Eastern Europe, it was even more important to Czechoslovakia. ¹⁴ For example, the Stalin Works in Northern Bohemia generated synthetic fuels from brown coals and oils: in 1946, this plant produced 96% of domestic fuel consumption for all of Czechoslovakia (Radvanovsky 2001, 248). The output of the industrialized Czech lands was integral to the postwar recovery of Czechoslovakia and her Eastern neighbors.

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¹³ Please reference the second page of the Appendix for an illustration of the zone of Soviet influence in the postwar division of Europe.

¹⁴ Maps 3&4 on the third page of the Appendix demonstrate the distribution of industry and resources in postwar Czechoslovakia.

The Communist coup of February 1948 and the Tito-Cominform split that summer, drew the Communist parties of Eastern Europe together and hardened Soviet hold on Czechoslovakia. A new round of socio-economic reforms began which focused on cooperation and specialization (Douglas 1953, 88-89). Every Soviet satellite was expected to produce industrial goods, but each Republic was to have a focus. Czechoslovakia, the major steel producer, would be responsible for heavy machinery (Wszelaki 1951, 129). While the basis of the Soviet model argued for moderation and cooperation among Communist states, this policy was not realistic in the immediate postwar years. Before 1952, the Soviets and other Communist leaders focused on rapid production of industry and metallurgy (Spulber and Gehrels 1958, 141). By ramping up industrial output from already industrialized areas, the Soviet Empire bought time to solidify her satellite system and institute her grand economic scheme. Meanwhile, the Czech Communists discovered a testing ground for what they hoped would be a brand of Communism unique to Czechoslovakia.

4.3 The State Planning Experiment

Until the mid 1952, Czechoslovakia struggled to follow a unique path to the complete socialization of economic activity. The Party saw, in Northern Bohemia, an opportunity to demonstrate the efficacy of their system of state planning by increasing industrial output to levels above those of the prewar Republic. The region would become a "model and a laboratory for the building of Socialism"

(Glassheim 2006, 78). Northern Bohemia already had the infrastructure and much of the ownership class, the population most likely to protest expropriation by the State, had just been expelled.

Indeed, this region was especially amenable to Communism in the early postwar years. With the expulsion of the Germans, the region lost a significant channel for Western influence and the "New Settlers" 15 were ideal candidates for the Communist Party (Abrams 1995, 247). The New Settlers were overwhelmingly agrarian and generally poor. They had moved from the interior of Czechoslovakia, or from Hungary at the request of the government, to repopulate the region. They were dependent on the administration to secure housing and employment. The National Committees that had regulated the expulsion also regulated the repopulation: they issued residence permits, guns, and employment in state-owned enterprise (Frommer 2000, 393). Benjamin Frommer, in his paper on the expulsions and mixed marriages, theorizes that these committees had an incentive to expel as many interethnic families as possible in order to confiscate their property and distribute it to New Settlers as bribes for joining the Party (Frommer 2000, 395). For these reasons among others, the Communist Party won a stronghold in the border regions. In May 1948, the Party received 38% of the vote in Czechoslovakia, but an astounding 75% of the vote in the former Sudetenland (Radvanovsky 2001, 252).

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¹⁵ "New Settlers" is the term used for Czechs or Slovaks that moved from the interior into the border regions after the War, but had not lived or owned property there before. "Old Settlers" is the term used to describe residents of the border regions who had moved to the interior after the Nazi annexation of the Sudetenland, but returned to resettle after the war.

With solid support in the former Sudetenland, the Communists expected to revive economic activity and legitimize their program. The first two-year plan, introduced by the National Front government in 1946, expected one fourth of all mining, chemical and metal output to come from a single territory, the Usti Region, in Northern Bohemia (Radvanovsky 2001, 252). These inflated expectations were quickly checked. The trickle of New Settlers and returning Old Settlers to the border regions was no match for the exodus of ethnic Germans.

4.4 Problems in the Laboratory

It was the National Front's first priority to reintegrate the border regions into the Czechoslovak economy after the war. Still, organized resettlement directed by the state did not begin until 1946 – almost a full year after the expulsion of the Germans started in bulk (Radvanovsky 2001, 244). The first settlers to arrive in the region were the "Gold Diggers," migrants who flocked to the depopulated borderlands to plunder the property left behind by evacuating Germans.

Frequently, these Gold Diggers would stay only for a short time and then return to the interior with their plunder. Those that did stay settled into empty German homes without any approval from the central authorities.

In 1946, the government began to direct organized transfers of non-Germans to the border regions. The resettlement plan included a transfer of ethnic Hungarians living in Slovakia. The Czechs and Slovaks intended to hold ethnic Hungarians responsible for the crimes of the Hungarian Nazi puppet state; they hoped to

repopulate the border regions with the Hungarians in Slovakia. Prague expected 41,640 ethnic Hungarians to move from east to west and to contribute to the repopulation of the Sudetenland. However, this population transfer did not receive support from the Allied powers and the Hungarians were allowed to return to Slovakia after less than a year. By 1947, the government abandoned attempts to enforce involuntary transfers of non-German minorities (Kramer 2001, 15). Prague also attempted to recruit temporary labor from Slovakia, Yugoslavia, and the Soviet Army, but the majority of New Settlers were Czechs from the interior of the country (Radvanovsky 2001, 248). By 1947, more than two million Germans had left the country and they had been replaced by 327,000 New Settlers; 82.5% of these Settlers came from the Czech interior, 9.2% from Slovakia, and 8.3% from expatriated Czechs returning from abroad (Radvanovsky 2001, 253). The incoming Czechs, Slovaks, and foreigners were too few to offset the expulsion.

This failed repopulation program proved to be more disastrous in some regions than in others. The South, which had some of the highest concentrations of Germans, had actually lost the fewest in habitants (numerically). The South was agrarian like the rest of the Czech interior. The plains of the South and the rich soil were suitable for farming and over the centuries, the Germans alongside the Czechs had developed a small, but stable agrarian economy in Southern Bohemia and Moravia. Additionally, this region was less important to the overall Czechoslovak and Soviet economy. It was agrarian, like the rest of Czechoslovakia and had no other distinct specialization. A labor shortage meant less economic activity and

depopulation meant marginalization. However, as the Soviet Bloc turned inward over the course of the Cold War, it was in the best interest of the Czechoslovak Communist Party to curtail development in these regions that bordered the Western, capitalist spheres (Illner and Andrle 1994, 109). New Settlers from the Czech interior came to the Southern plains and began farming again. In the South, the population transfers had a limited long-term impact and Communist lack of interest allowed the region the freedom to develop at its own pace.

Alternatively, the Western and Northern borders of the Czech lands seem to have suffered the worst consequences from their postwar experience. At the time of the Sudeten expulsions, Western Bohemia had a robust light industry and was known for producing exquisite glass and textiles. Light industry was severely impacted by the Sudeten expulsions. Large numbers of Germans worked in glass and textile factories, just as large numbers of Germans worked in the heavy industry to the North. Was it this expulsion, though, that is to blame for the deterioration that persists today? The North border region was the focus of government plans for resettlement. Why then did labor shortages persist and economic decay triumph? The shortages were worst in Northern Bohemia even though the Germans had constituted a smaller percentage of the prewar.

The answers lie in the experience and skills of the New Settlers and the labor shortages that these settlers were expected to alleviate. The overwhelming majority of Czechs and Slovaks migrating from the interior were farmers - at best, they had experience in light industry. Heavy industry, the "key industries" of postwar

Czechoslovakia, were contained in Northern Bohemia and New Settlers had no exposure to the work that they were expected to immediately take on (Glassheim 2006, 70). Meanwhile, the planners made no allowance for the adjustment and training period that would be required in order to effectively and safely continue operating the plants and factories of the Northern border. The Czechs had just expelled 44% of their industrial labor class and a disproportionate number of these laborers had been managers and skilled workers (Schechtman 1962, 103). In Northern Bohemia, 90% of the population had been expelled and among those that remained, productivity levels declined (Glassheim 2006, 65). The average production per head in the hard coal mines of Northern Bohemia in 1948 was 60% of what it had been in 1937; in Soft coal, it was a more moderate, but still stunted, 78% of prewar levels (Shute 1948, 43).

Nevertheless, the state planners anticipated surpassing prewar industrial levels amid all of the upheaval; it seemed that they needed to surpass prewar output to prove their new economic model and remain viable as a member of the eastern Bloc. With such high demands and such severe labor shortages the state planners made a choice: to exploit the resources and infrastructure of the Czech lands in order to maintain output levels at the price of the health of the population and environment (Glassheim 2006, 68). The planners were willing to sacrifice the land to maximize industrial output.

As part of this sacrifice to meet output requirements, the central planners prioritized industry in the border regions. There was too much enterprise and not

enough labor. The government ranked business based on statewide importance; if an enterprise was unnecessary for the state or unproductive without German workers, it was closed temporarily or indefinitely. The state directed resources and workers from these closed factories to Northern Bohemia to work in mining and metallurgy (Radvanovsky 2001, 249). This shift of resources had persistent effects. The farming villages of the South lost a higher percentage of their population, but remained economically stable: Southern Bohemia, while under populated, boasts healthy standards of living. Western Bohemia was hit hardest by this prioritization. The government closed much of the light industrial plants and factories and curtailed resources to others. The economy of Western Bohemia dwindled and never revived. Today, it is one of the poorest regions in the Czech Republic.

Northern Bohemia experienced a quick flux of productivity before it also began to deteriorate. A slow decline in living standards and industrial production began in the early 1950s (Staller 1962, 394)¹⁶. This reorganization served the short-term purposes of the central planners. There was no investment in modernization or sustainability and the factories of Northern Bohemia quickly became out-of-date and environmentally hazardous (Illner and Andrle 1994, 110). At around the same time that capacity and sustainability dropped off in Northern Bohemia, the GDR found it's footing as a supplier of industrial goods and Soviet interest in the Czech region declined (Illner and Andrle 1994, 109). By the 1960s, the city of Usti Nad

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¹⁶In his *American Economic Review* paper on "Czechoslovak industrial growth" George Staller reconstructs an index of industrial production based on data he believes is reliable to a Western reader. He attempts to negotiate an accurate figure for output that avoids the manipulated and most likely inflated statistics published by the Communist government during the Cold War.

Labem, one of the most industrialized cities in the region, had the highest mortality rate in all of Czechoslovakia (Glassheim 2006, 65). The government stopped efforts to repopulate the dilapidated mining towns and the labor shortages worsened. Factories and plants closed as they became obsolete and the technology of those that remained opened lagged behind production quotas and modernization as they continued to pollute the environment. The centers of mining and heavy industry along the Northern border have yet to recover from their experience in the decade following WWII.¹⁷

A Polish diplomat, writing in 1951, predicted an "industrial revolution" in the Soviet bloc. A Soviet optimist, Jan Wszelaki believed that the region would be rapidly brought up to Western European industrial standards and that the West should be ready for the full industrial autarky of the East. He then qualifies, that the only regions that has already undergone an "industrial revolution" are the "Czech lands and the German areas," which he fears will be caught up in the race and "over-industrialized" to the detriment of their populations and environments (Wszelaki 1951, 133). Only a few years after Wszelaki penned this paper, his prediction came true. The industrialized region of Northwest Czechoslovakia was "over-industrialized" by the Communist Party and its residents suffered the consequence, as they continue to suffer today.

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 $^{^{17}}$ Maps on pages four and five of the Appendix show the pollution problems that developed in Northern Bohemia after the advent of Socialism.

Section 5 Conclusion

Under the First Republic, Czechoslovakia developed her first national economy, driven by the industrialization of Northern Bohemia and the collaboration of Czechs and Germans in the border regions. The industrialization of the 1920s furthered the specialization of the German workers in Czechoslovakia: ethnic Germans gained control either directly or through investments over the vast majority of industrial enterprise. When the Nazis annexed the Sudetenland in 1938, they reinforced this pattern of economic specialization. Czechs left managerial posts to move to the interior of what had become the Protectorate of Bohemia-Moravia. Other ethnic Czechs chose to identify themselves as Germans in order to receive protection and ownership rights under the Nazi Regime. These two different political systems (the First Republic and the Nazi administration) created and fortified a pattern in the working and middle classes of Czechoslovakia. Ethnic Germans developed the skills, capital and experience to manage the new industrial enterprise of Northern Bohemia. Czechs continued on in or returned to agricultural labor and light industry, textiles and glass. After the war, when the reinstated Czech government expelled the Sudeten German population, this pattern of specialization became painfully apparent.

However, the Communist Party that soon dominated the country did not make allowances for the major demographic shift that had occurred and the transition period that surely needed to follow. The demands of Czechoslovakia and other states in the eastern zone were urgent: there was no other industrial economy

to satisfy these demands. The state planners exploited the industry of Northern Bohemia to satisfy these short-term needs; the long-term fate of residents and the environment were ignored. The environmental and demographic problems that resulted continue today.

Was the expulsion of the Sudeten Germans enough to create the differentiated economic conditions that exsist in the border regions of the Czech Republic today? If the political and institutional changes that occurred in the years following the expulsions been any different, would the impact of this demographic change be so variegated? Or, had the pattern of specialization that had been so hardened by the pre-socialist administrations not existed, would the expulsions themselves have been so critical? This study shows that the ways in which different regions were impacted by the human capital changes of the postwar years were determined by the specialization of the expelled regional population and the goals of the state planners in the region.

After the fall of the Iron Curtain, circumstances changed dramatically in the territories of the former Soviet zone. Czechoslovakia, in the Velvet Revolution, overthrew the Communist Party, instituted a democratic government, and set about recreating a market economy. The Southern and Western Czech lands, previously marginalized because of their proximity to the West, were now considered valuable for the same reason. The Czech state coddles the infant tourist industry of Western Bohemia and encourages foreign investment in the South. The Germans as well have been reaching out to these regions in order to establish closer cultural and

economic ties. Familiarly, some Czechs fear that these German efforts are a disguise for German attempts to regain influence in the former Sudetenland (Illner and Andrle 1994, 122). Clearly, this centuries-old distrust of the Germans has not completely died. Nonetheless, in most arenas collaboration has begun again. The Germans are the most frequent patrons of Western Bohemian tourist spots and among the largest importers of Czech goods. The textile and glass industries of Western Bohemia have begun to revive and the Southern Czech lands are capitalizing on their relatively well-maintained countryside. Northern Bohemia, on the other hand, continues to suffer the effects of Communism. As the Czech Republic grows into a fully modern market economy, investors and privatization officials have cut back on heavy industry and coal production in favor of building tourism and service industries.

An interesting extension of this thesis would be the investigation of postwar population transfers and their economic consequences in Poland and Hungary. By the same declaration that sanctioned the Czechoslovak population transers, Poland and Hungary also received permission to expell millions of ethnic Germans from within their borders. The case of Poland is especially pertinent and most relevant to this thesis. The Poles expelled more than 6 million ethnic Germans from the former eastern German provinces that they acquired after the war. These provinces were almost entirely evacuated and then repopulated by new settlers who poured in from the Polish interior and the Soviet Union. Poland then underwent a process of socialization and industrialization. It would be an interesting comparison to impose

similar economic divisions on these Polish provinces (heavy industry, light industry, and agriculture) and trace economic development during and after Communist control.

The environmental devastation that occurred in Northern Bohemia is a widespread problem among former Soviet Satellites and in Russia itself, but in the Czechoslovak case (and perhaps in the Polish case), would the exploitation have been so rapid and severe had the social situation been different? Had the Germans not been expelled, removing the most vocal members of the capitalist and ownership classes, could the Communists have had the same sort of efficacy in their economic manipulation? Would they still have considered Northern Bohemia an ideal "laboratory?" This thesis proposes that the situation without the transfers would have been markedly different. The population upheaval together with the needs of the Communist parties of Eastern Europe, the adaptability of New Settlers, and the methods of central planners determined the path of economic change in the border regions of Socialist Czechoslovakia.

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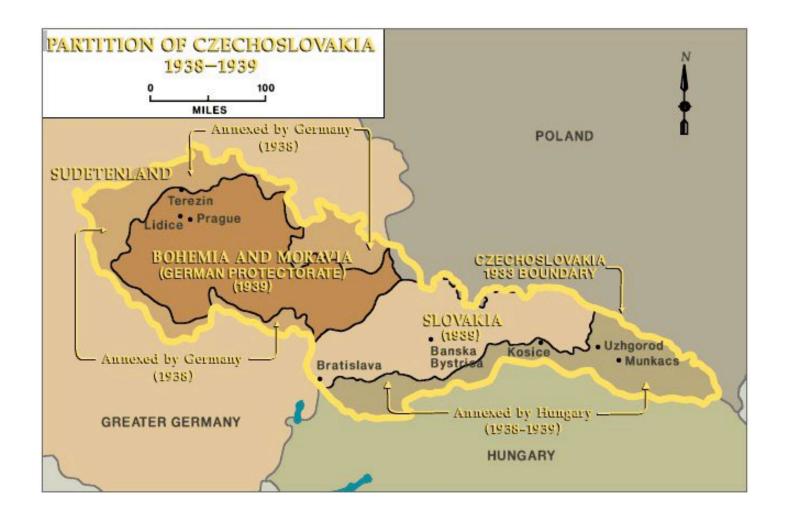
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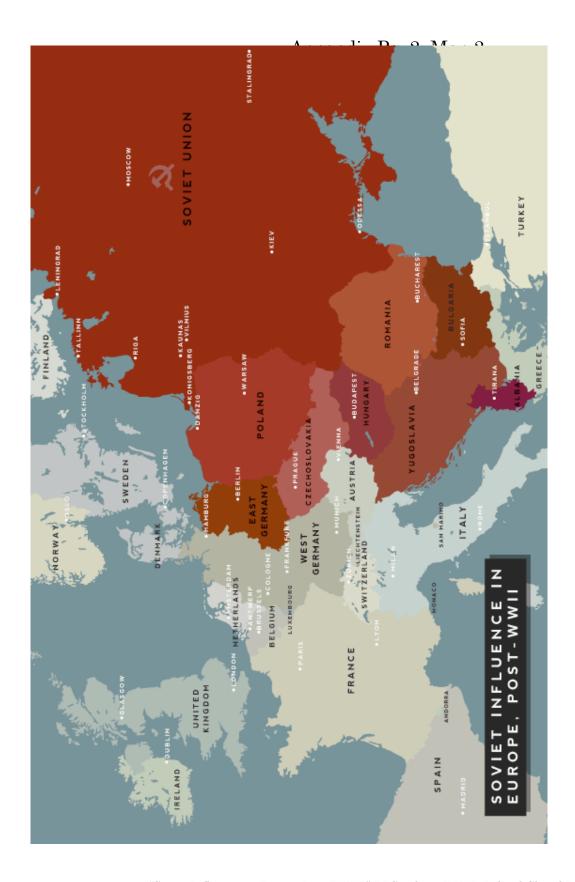
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7. Appendix

Appendix Pg. 1, Map 1

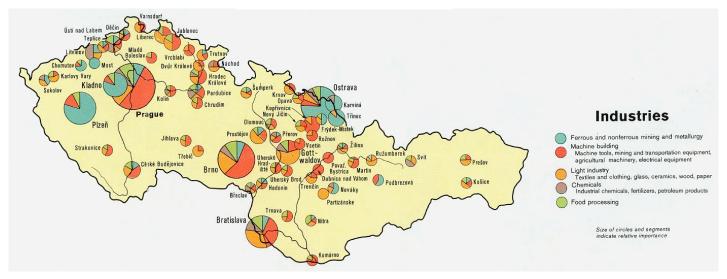


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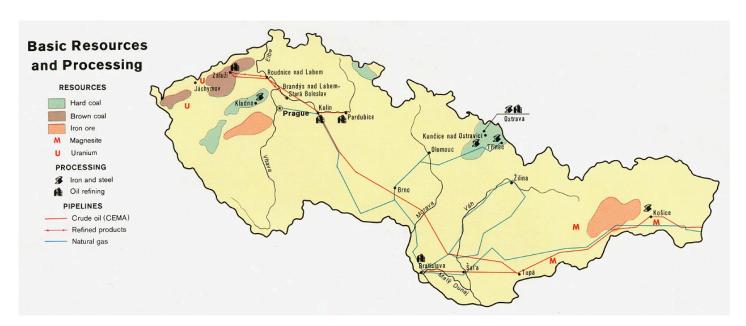


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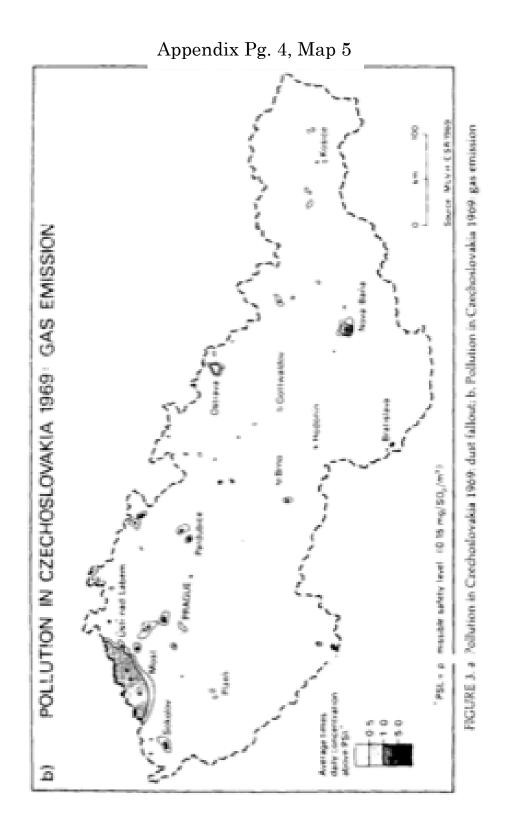
Appendix Pg. 3, Map 3



Appendix Pg. 3, Map 4



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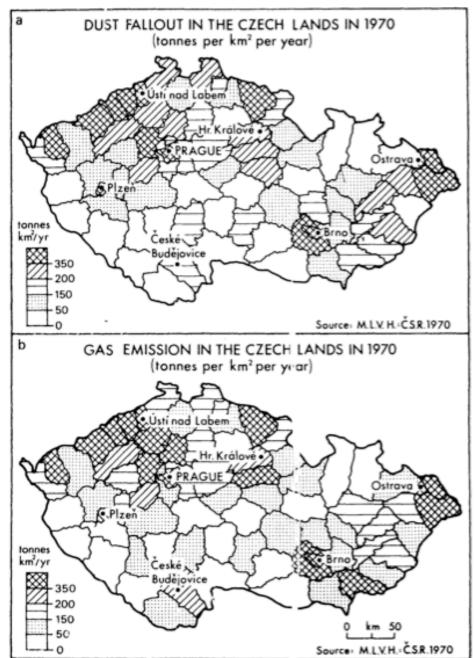


FIGURE 2. a. Dust - Bout in the Czech lands in 1970; b. Gas + vission in the Czech Lands in 1970

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