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Lost in Transition and Ballot Papers:
Four Papers on Economic Policy

Habilitation Thesis

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Introduction

This habilitation thesis introduces my most notable contributions to two areas of economic policy—economic history and voting behavior. Within the first area, I focus mainly on various aspects of Czech¹ economic transition (see, e.g., Coufalová 2019; Coufalová, Mikula, and Žídek 2020; Coufalová and Žídek 2023; Coufalová, Mikula, and Žídek 2023; Coufalová, Kolajtová, and Žídek 2023; Coufalová 2024). The thesis summarizes the results of the two most significant papers—Coufalová and Žídek (2023) and Coufalová (2024)—, which bring conclusions interesting to economists and historians dealing with centrally planned economies (CPEs) and economic transition, policymakers, as well as theorists of oral history.

The second area maps various aspects of voting of Czech populations since the transition period till 2021 (Coufalová, Mikula, and Ševčík 2023; Coufalová and Mikula 2023; Coufalová, Kolajtová, and Žídek 2023). This thesis presents papers authored by Coufalová, Mikula, and Ševčík (2023) and Coufalová and Mikula (2023), that have also relevance for a wider audience, such as literature dealing with presentation order effects.

The first paper by Coufalová and Žídek (2023) is based on a set of more than 100 oral history interviews with entrepreneurs—managers of state-owned enterprises (SOEs) as well as owners of de novo firms—, policymakers, bankers and brokers, and offers a more general perspective of actions of economic agents at the microeconomic level. The previous literature (such as, Sachs 1996; Švejnar and Uvalic 2009; Kučera and Maršál 2015) has primarily focused on changes in the macroeconomic environment, although the actions of individual economic agents have emerged as the crucial factor explaining the relative success of Czech economic transition (Brown 1995; Dillon and Wykoff 2002; Švejnar and Uvalic 2009; Beaulier, Boettke, and Krasnozhan 2012; Kučera and Maršál 2015). This paper presents the personal experiences, frustrations and challenges of the participants of those events, and shows that the road from socialism to the market economy

1. Although the first 3 years of the transition took place in Czechoslovakia, my research is mostly based on data from the Czech part of the former federation and therefore this thesis will refer to *Czech transition*.

was a bumpy one. As a result, our approach fills in the blanks and complements the official written literature and archives.

Coufalová (2024) is based on the same data set of oral history interviews as the previous paper and aims to identify the determinants of the access to loans in the early years of the transition period. Giving voice to direct participants of the events of the time—entrepreneurs, bankers, and policymakers—, I share their personal experience in such a period of huge turmoil. Three general patterns dominated the interviews that help to understand who had easiest access to credit in the early years of transition: (1) pressure from the government; 2) the debts from socialism and other criteria for granting loans; and finally (3) social capital and corruption. The paper also highlights the relevance of oral history to economic historians and shows that this approach is complementary to scholarly written sources and forms an essential part of the historical discourse.

The third paper by Coufalová, Mikula, and Ševčík (2023) deals with the role of homophily in voting behavior. *Homophily* is a strong determinant of many types of human relationships (McPherson, Smith-Lovin, and Cook 2001). It affects, for example, whom we marry (Skopek, Schulz, and Blossfeld 2011), whom we choose as friends (Adida, Laitin, and Valfort 2015) and potentially also whom we vote for (Boutyline and Willer 2017; Huber and Malhotra 2017). It can also act as a cue signalling that a candidate with similar characteristics to the voter's will share his/her interests. In Coufalová, Mikula, and Ševčík (2023), we use data on preferential voting from eight Czech parliamentary elections—held between 1996 and 2021—matched with census and administrative data to identify the effect of homophily on voting behavior. The system of preferential voting in the Czech Republic enables us to filter out preferences for political parties and focus solely on candidates' individual background characteristics. Consequently, it is suited to an analysis of homophilic preferences. We focus on almost seven million observations from small municipalities as they are not likely to be affected by potential electoral list optimization. We find that a one-percent increase in the share of a municipality's population whose education level or age are the same as that of the candidate's increases the number of preferential votes the given candidate receives by 0.5% or 0.2% respectively. Our results also show that there is a strong geographical homophily. Being a resident of a given municipality substantially increases the number of preferential votes a candidate receives.

The last paper that forms this thesis—Coufalová and Mikula (2023)—addresses a more general question about how the order in which information is presented affects the impressions of people who evaluate it. The available literature (for instance Brockington 2003) shows that a lack of information about candidates listed on the electoral list influences the electoral outcomes producing so-called *ballot order* effect that gives an advantage to

candidates in the top electoral list positions. It is, however, difficult to identify the exact cause of the ballot order effect as it is confounded by the *effect of ranking* and the *effect of attention*, both working in the same direction. To separate these effects from one another and identify the effect of attention, we exploit a variation in ballot layout (the quasi-random location of the break between the front and reverse sides of the ballot) in four consecutive (2006–2017) Czech parliamentary open list proportional representation (OLPR) elections. We show that being listed on the reverse side of the ballot paper decreases the number of preferential votes received by at least 40%. Also in this case, using the system of preferential voting allows us to filter out the effect of political party preference.

Chapter 1 deals with the difficulties faced by businesses when pivoting from the CPE to a market-led economy, with special emphasis on legacies of the previous regime, summarizing the main results of Coufalová and Žídek (2023) and Coufalová (2024). At the same time, this chapter highlights the relevance of oral history to economic historians. Chapter 2 discusses papers by Coufalová, Mikula, and Ševčík (2023) and Coufalová and Mikula (2023), that deal both with mechanisms behind the decision-making of voters in a low-information election setting. The last chapter defines my contribution to each paper.

The full versions of the four respective papers can be accessed from the following links:

- Coufalová, Lucie, and Libor Žídek. 2023. “Lost in the Transition: Czech Businesses Pivoting from the Centrally Planned Economy to Capitalism.” *Enterprise & Society*, 1–32. Available at <https://doi.org/10.1017/eso.2023.17>.
- Coufalová, Lucie. 2024. “Access to Bank Loans in Economic Transition: An Oral History Approach.” *Business History*, 1–26. Available at <https://doi.org/10.1080/00076791.2023.2298348>.
- Coufalová, Lucie, Štěpán Mikula, and Michal Ševčík. 2023. “Homophily in Voting Behavior: Evidence from Preferential Voting.” *Kyklos* 76(2), 281–300. Available at <https://doi.org/10.1111/kykl.12328>.
- Coufalová, Lucie, and Štěpán Mikula. 2023. “The Grass is not Greener on the Other Side: the Role of Attention in Voting Behavior.” *Public Choice* 194(1): 205–223. Available at <https://doi.org/10.1007/s11127-022-01030-z>.

They are also included in the Appendix to the non-public version of the thesis.

Chapter 1

Lost in Transition: Czech Enterprises on the Road between Central Planning and Capitalism

Prior to 1989, Czechoslovakia was a CPE ruled by the Communist Party (CP). The country's subsequent transformation towards a market-led economy involved the rapid adoption of several reforms that entailed a total change in the environment in which businesses could operate, disrupting the order of the understood world. Economic agents were thrown into the water from one day to the next and had to learn to swim without any prior training or assistance. This was by no means easy, because post-communism was not a "tabula rasa" (Pop-Eleches and Tucker 2011) and the communist experience definitely shaped the post-communist world (LaPorte and Lussier 2011). This persistence of the previous regime is often referred to as *the communist legacy*.

During the transition period, companies had to deal with huge burdens—inefficiencies and distortions—inherited from the previous command system, as well as with the break-up of Eastern markets (see, e.g., Stark 1992; Sachs 1996; Myant 2003). Moreover, the available literature also shows that several decades under communist rule affected the informal institutions, i.e., the way people think—their morals and values—, and behave. While changing formal institutions like laws can be quick and straightforward, changing informal institutions generally takes an exceedingly long time (Roland 2012). According to Clark and Soulsby (1995, p. 216), "[i]t has proven impossible to erase forty years of state socialism, ideology, institutions and behavioral patterns, and simply inscribe the new values, structures and appropriate conduct of 'market capitalism.'" At the same time, Stark (1992) observes that these legacies of the previous regime impacted the institutional settings of the transforming economies and their approach towards the reform strategies.

Although they followed different paths, the outcome of the reforms was very similar across all countries.

This chapter begins with a brief summary of the literature underlying the two papers that form the first part of this thesis. The history of Czechoslovakia under CP rule, as well as the post-1989 transition period have been extensively studied in the previous literature, which also pointed out to the legacy of the communist past in the transforming countries. Even so, there are still gaps in the knowledge of both periods that Coufalová and Žídek (2023) and Coufalová (2024) seek to fill.

1.1 Historical background

Prior to 1989, Czechoslovakia was a predominantly industrial CPE with very low autonomy of individual SOEs, fixed prices, virtually no competition, and almost completely isolated from the global economy. The economy was highly monopolized and dominated by large enterprises, often the only—or one of the very few—producers of a given product on the market (Žídek 2019). When they had problems, they received subsidies and couldn't go bankrupt because there was no bankruptcy legislation. Their utmost goal was not to make profit, it was to fulfill the plan, for the purpose of which the SOEs were perversely motivated to maximize inputs and minimize outputs (Mlčoch 1990). There was very limited motivation to improve efficiency and production quality, which was further exacerbated by the CP's interference in the decision-making processes within and among the SOEs. Despite the official propaganda, the enterprises and the economy as a whole suffered uncountable real problems every day (Clark and Soulsby 1995), such as shortages at all stages of the production chain (Kornai 1980). To assure the plan fulfillment, firms hoarded production resources, including the labor force, which led to overemployment (Malý and Herc 1988).

Exporters were not allowed to trade with foreign partners on their own, and foreign trade was conducted through so-called foreign trade enterprises (FTEs) (Nykryn 1988). The embargo on imports of advanced Western technology further deepened the problems of the inefficient command system, leading to a loss of competitiveness of domestically produced goods (Myant 2003), that were generally not marketable in developed markets (Půlpán 1993).¹ Most trade took place with the countries associated in the Council for Mutual Economic Assistance—COMECON. Since the 1970s, the economy permanently lagged behind the developed Western economies in all aspects (Bálek 2007).

After the fall of the Iron Curtain in 1989, the transition from a CPE to a market-led economy took place. Businesses had to stand on their own two feet overnight, as one of

1. In late 1980s, only 15% of Czechoslovak exports were sold in developed Western markets (FSÚ 1988).

the first reform steps was the elimination of subsidies, and competition was allowed. At the same time, meeting the plan was no longer the objective, having been supplanted by the objective of making a profit (Žídek 2006). However, the road to a market economy was a bumpy one, as all of the aforementioned characteristics of the CPE are diametrically opposed to those of a standard market economy.

The main objective of the reforms at the beginning of the transformation was to create as quickly as possible a market economy that worked. Among the first changes in the domestic economy were the liberalization of prices, the removal of subsidies, and the introduction of a new tax system (Žídek 2006). The reforms also included changes in relations with foreign countries, such as the liberalization of foreign trade and a major currency devaluation. Alongside these changes, there was also a very rapid and significant remodelling of the legal system (Klaus 1999).

One of the first steps was to allow private business, which was followed by the privatization process. Some of those firms nationalized after 1948 were—after long discussions within the government—returned to their previous owners (Zeman 2016). The majority of the almost entirely nationalized economy was transformed to private owners using various methods. Small business units (mostly shops and services) were included in so-called small privatization. Large enterprises were privatized via various different methods, such as direct sales (30.4%), voucher privatization (42.7%), along with other methods (Loužek 2006). There were also companies that were sold to foreign bidders, for example, Škoda Auto to the Volkswagen Group (Pavlínek 2008).

In general, the Czech transition was considered successful (see, e.g., Brown 1995; Dillon and Wykoff 2002; Švejnar and Uvalic 2009; Beaulier, Boettke, and Krasnozhan 2012; Kučera and Maršál 2015).² Thanks to a restrictive fiscal policy in the early years of the transition, the government managed to maintain macroeconomic balance with one of the lowest cumulative drops in GDP (15%) among the former Eastern Bloc, low unemployment (Švejnar and Uvalic 2009) and relatively modest inflation (Sachs 1996).

On the other hand, the Czech economy also had to deal with a number of problems inherited from the command system. Sachs (1996) observes that there was a truly painful structural adjustment. After 1989, the Eastern block countries—the main trading partners of Czechoslovak companies—, suffered huge transformation recession and defaulted. Given the technological lagging behind, domestic products were not competitive in Western markets. Moreover, the political (not economic) decision of the previous regime was to focus on heavy industry, neglecting other sectors like light industry or services (Teichová 2013). These were all burdens preventing the successful functioning of the market economy.

2. Among the most prominent critics of the Czech transition, see, for example, Stiglitz (1999) and Stiglitz (2002).

The quite extensive literature on Czech(oslovak) transformation (for instance, Sachs 1996; Dyba and Švejnar 1997; Mičoch 2000; McDermott 2002; Myant 2003; Kučera and Maršál 2015), mostly deals with macroeconomic adjustments of the Czech economy, even though successful transformation absolutely required changes at the level of individuals and firms. Nevertheless, there are some pieces dealing with the micro-economic sphere worth of mentioning. Clark and Soulsby (see, e.g., Clark and Soulsby 1995; Clark 2000; Clark and Soulsby 2005) realized a longitudinal case study research (from the 1990s till 2022) dealing with post-1989 changes in management and organization. In Clark and Soulsby (1995), they focus on how institutions and privatization affected the behavior of key managers in former SOEs. Clark (2000) highlights the importance of social capital from the previous regime in founding *de novo* firms in the transitional period. Krátká (2019) points to the changes in corporate culture in newly established domestic branches of foreign companies. Last but not least, there are two studies focusing on selected companies in the automotive industry. Pavlíněk (2008) describes the privatization of Škoda Auto, while Soulsby (2022) uses a narrative approach to identify legacies of the past in Czech-German relations.

1.2 Communist legacy

A great body of literature deals with many forms of the communist legacy, which is mostly associated with a negative connotation. LaPorte and Lussier (2011) show that there is not just one unique communist legacy, and because of this, there is no exact definition of this term. Pop-Eleches (2007, p. 910) defines communist legacies as “the structural, cultural, and institutional starting points of ex-communist countries at the outset of the transition.” It is the various attributes—political, economic and social—of the past regime that, in some form, interfere with the functioning of transition economies. Consequently, I understand communist legacy in a broad sense, as any inheritance of the previous regime that hinders economic and social development.

Hansen (2012, p. 235) breaks down the term into four categories: “the ideological legacy, the political legacy, the socioeconomic legacy, and the cultural legacy.”³ The author argues that the hardest thing to overcome is the socio-economic legacy, i.e., the distortions from the previous economic system, with its excessive production capacities, oversized heavy industry, overemployment, lack of skill, environmental issues, infrastructure in a terrible state, unclear property rights and a dysfunctional banking system.⁴

3. However, the boundary between the different aspects is not sharp and individual attributes can be classified into more than one category (Hansen 2012).

4. Nevertheless, each of the transforming economies had its own specific form of central planning, as well as a different historical experience prior to communism. Therefore, not all communist legacies may be

In addition to distortions caused by the command system, a large body of literature also highlights other important vestiges of the previous regime in the transforming societies—their values and behavior—that were evident for a long time after the fall of communism (Roland 2012) and that influenced the economic performance in the transition period, including doing business.

First, many authors see a strong influence of communism on people's preferences regarding the income inequality and the state intervention in the economy (Blanchflower and Freeman 1997). Although there was general support for the transition process, the inhabitants of the former socialist countries in general believed in the prominent role of the state in protecting them (Kluegel, Mason, and Wegener 1999) and assuring their well-being (Sirovátka, Guzi, and Saxonberg 2019). For example, Alesina and Fuchs-Schündeln (2007) focus on the reunification of Germany and observing higher support of the inhabitants of East Germany for the government involvement in the economy and redistribution compared to West Germans.⁵ Fuchs-Schündeln and Schündeln (2020) show that individual support for democracy, redistribution, and the role of government in the economy is conditioned upon the time the person lived under communism, being stronger in older cohorts. This is in accordance with Alesina and Fuchs-Schündeln (2007) and Landier, Thesmar, and Thoenig (2008), who state that younger individuals in general display more pro-capitalist attitudes. Very little change in values and beliefs of the inhabitants of post-socialist countries even twenty years following the fall of the regime was observed by Roland (2012). The author points to very long persistence in informal institutions by comparing the institutional level in the periods before the onset of communism and observes similarities in the post-1989 preferences for democracy and the role of government in the economy in countries that once belonged to the Austro-Hungarian Empire.

Libman and Obydenkova (2019) link past membership in the Communist Party of the Soviet Union (CPSU) with income inequality. They show that Russian regions with higher share of former CPSU members tend to display lower inequality, which they link to the prevalence of informal friendship networks constituting another form of communist legacy identified by the previous literature (Clark 2000; Howard 2003; LaPorte and Lussier 2011). Informal networks continued to be a principle way of acquiring scarce goods and services (LaPorte and Lussier 2011), as well as a principal source of social capital needed to found a new business (Clark 2000). According to Howard (2003) and Pop-Eleches and Tucker (2013), the reliance on these networks went hand in hand with a widespread lack of trust in public institutions.

present in all countries, or these legacies of the past may survive in different forms and acquire different intensities (LaPorte and Lussier 2011).

5. The authors predicted that within one or two generations, these preferences would level off.

Many authors (for instance, Fidrmuc 2000; Roberts 2008; Coffey 2013) also observe a strong legacy of communist values in voting behavior across the post-socialist countries. During the communist regime, everybody had the right and the obligation to work, and people had no experience with unemployment. For this reason, unemployment was a very sensitive topic during the early years of transition and as such, a strong determinant of electoral support for incumbents. At the same time, Pop-Eleches and Tucker (2013) point to the influence of communist legacies in civic participation and more recently, they show that having lived under communist rule increases the left-authoritarian attitudes (Pop-Eleches and Tucker 2020). Last but not least, Hrbková and Fellegi (2022) observe reluctance in using some type of legislative or voluntary party quota to increase women's political representation in the Czech Republic.

1.3 Data and Methodology

Both papers are initially based on the same data set realized within a project focused on the transition of Czech businesses from CPE to a market economy (GA20-23131S). The research team members—mostly from Masaryk University or Institute for Contemporary History—conducted a set of 102 oral history interviews between 2020 and 2022.⁶ The participants were people who—during the early years of transition—had worked in senior positions in the government (minister, deputy minister, member of the legislative council of the government), top bureaucratic positions (department head, etc.), the private sector (owners or managers of SOEs and privatized enterprises, as well as owners of *de novo* firms), banking, capital markets and investment privatization funds (IPFs).

When recruiting narrators, we were able to use contact details and commitments from many narrators from our previous project focused on the functioning on Czechoslovak socialist economy (GA15-09404S). Most of them worked in the same SOEs during socialism, often staying with them upon the subsequent transfer into private hands. Some of them became owners. Since they had worked in the enterprises long before the beginning of the transformation, they could offer invaluable insight on the impact of the regime change and the economic paradigm shift on the functioning of the enterprise. In some cases, we contacted selected privatized SOEs (or its surviving part) and requested contact details of those who were in charge during the transition period. Personal contacts were the starting point in the recruitment of narrators from new-born enterprises. We also interviewed well-known figures with publicly available contact details. This group had the highest

6. Due to restrictions associated with the Covid-19 pandemic, some interviews had to be conducted online via MS Teams or another platform.

Table 1.1: The full set of oral history interviews used in Coufalová and Žídek (2023) and Coufalová (2024).

Total interviews		102
Gender	Male	96
	Female	6
Year of birth	1934-1954	69
	1955-1969	29
	1970-	4
Education	Secondary	9
	Tertiary	93
Role	Policymakers and senior civil servants	29
	Banking	11
	Broker	6
	IPF	2
	Business sector	54
	from which Engineering	29
	from which Others	25

rejection rate because it was a politically sensitive period. In the next step, we proceeded with the snowball method.

The full set of narrators can be seen in Table 1.1. However, because each paper answers a different research question, the selection of narrators who are subsequently quoted in each of them slightly varies.

Following Keulen and Kroeze (2012), Krátká (2019) and Vaněk and Mücke (2022), we intended to conduct standard oral history interviews. At the beginning, narrators were always given space to talk freely about their personal and professional lives, which is essential for understanding the context of the events under investigation (Keulen and Kroeze 2012). This was followed by the second part of the interview, in which we asked the narrators questions prepared in advance. All interviews were then discussed among the entire research team and compared with previous interviews, as well as with the available literature on the topic. In the next stage, the audio recordings were transcribed into text form and I coded them all using Atlas.ti. While coding, I followed the methodology described in Gioia, Corley, and Hamilton (2013), Saldaña (2021) or Locke, Feldman, and Golden-Biddle (2022). In the first step, the whole team created a set of codes that were based on our previous knowledge on the topic and the specific themes we were interested in. Then I engaged in manual-open coding, followed by pattern coding, which helped me to refine the data and find recurring motives—similarities and differences—that became the basis for the resulting narratives.

1.4 Summary of lessons learned

The transition from a CPE to a market economy was a complex process for post-communist countries. It involved significant structural adjustments, legal reforms, and the development of new institutions. Both papers show that more than 40 years under communist rule left vestiges on the functioning of the economy during the transition period via visible distortions inherited from the command system, or the way people think and behave.

1.4.1 Results of Coufalová and Žídek (2023)

By adopting an approach based on oral history, in Coufalová and Žídek (2023), we point to several factors that made it difficult for businesses to operate in transition. First, the distortions created by the command economy implied a particularly heavy burden. The official economic system changed virtually overnight, but the adjustment of individual economic actors was not nearly as rapid. The paradigm shift in doing business implied that managers had to start focusing on meeting criteria other than the plan. Their main goal had become making a profit. However, this was made difficult at the outset by the oversized production capacities of the socialist era that resulted from the perverse incentives of the CPE. Excess capacity also affected the workforce. In order to become profitable, companies had to start making redundancies, which was one of the central themes of our interviews. Given the embedded cultural attitude towards unemployment (see 1.2), a common pattern across the interviews was that layoffs—a decision between business efficiency and the human and social aspect of redundancies—were felt as a certain trauma by the narrators even 30 years later.

Second, legacies of communism were also perceived with regards to the informal institutions. With accordance to the previous literature (see, e.g., Clark and Soulsby 1995), we observe strong legacies of communism in the behavior of managers. There was, however, another recurring motif across the interviews, which was the legacy of the previous regime in the work commitment and ethics of employees. On the other hand, most narrators who owned the company they had worked for reminisced that working for their own benefit motivated them to such an extent that their workload was so enormous that in many cases it led to serious issues, mostly in terms of health. Private ownership thus acted as an antidote to the vestiges of communism, at least as far as the managers' workload was concerned.

The third problem lay in the external environment. The transformation to a market economy brought with it renewed competition on the domestic and foreign markets. In addition, supply and demand chains were significantly disrupted. This affected most companies that had previously exported to Eastern markets, which were experiencing an even greater economic downturn than Czechoslovakia. There is a common pattern in oral

testimonies in the heart of Coufalová and Židek (2023) showing that those companies that did not lose their customers from socialism had a much smoother start to the transformation. SOEs exporting to Eastern bloc countries were in a much worse position. Moreover, according to our narrators, what made it even more difficult was the disintegration of FTEs, which had been the only ones with experience with trading on foreign markets. In retrospect, most narrators see this as the biggest mistake of the reforms in this area.

1.4.2 Results of Coufalová (2024)

In Coufalová (2024), I build on previous studies and focus on another problem that businesses—whether privatized or newly established—had to deal with in the transition period—the access to credit. The paper is based on testimonies of narrators from among entrepreneurs, bankers, as well as policymakers, and offers a complex picture of the lending policy in transition.

The available literature (for instance, Neumann and Egan 1999; Simonson et al. 2000; Lízal and Švejnar 2002; Myant 2003; Nollen, Kudrna, and Pazderník 2005) in general emphasizes that large SOEs had easier access to credit. I observe a similar pattern across the interviews. According to most of our narrators, there were differences stemming from the size of the company, its owner, the branch in which it operated, as well as its importance for the functioning of the state. The lack of credit history was reported as another obstacle to getting credit. Nevertheless, contrary to most of the previous literature, the interviews show that the boundary between well-known SOEs and new companies without any history was not sharp, and that some large companies from the socialist era suffered from the same problems. Moreover, according to our narrators from among bankers, there were still possibilities for *de novo* firms.

However, the corporate sector was not the only one that had to deal with major teething problems. That this was not an easy period was also evident from interviews with bankers at the time who lacked experience with the standard capitalist way of creating and lending money. What emerged as the most recurrent motif was political pressure. While the main figure of the Czech economic transformation—Václav Klaus—repeatedly denied that there had been any pressure on banks to lend money at that time (see, e.g., Klaus 2006; Lidovky.cz 2009), our narrators adopted a different narrative strategy. Whereas another policymaker and close collaborator of Klaus—Dušan Tříška—completely rejected use of the term ‘pressure’, the narrators from the banking sector felt compelled to lend, and they associate this coercion with Václav Klaus himself. It is thus at this point where the oral history emerges as an alternative source of information entering into the conflict between the dominant discourse of policy makers and the previous written sources (Neumann and

Egan 1999; Simonson et al. 2000; Lízal and Švejnar 2002; Myant 2003; Nollen, Kudrna, and Pazderník 2005), showing some of the benefits of this approach (see below).

Banks also had to deal with certain legacies of communism. While most authors often criticized them for excessive lending in the early years of transition (see, e.g. Mičoch 2000; Dědek et al. 2000; Lízal and Švejnar 2002; Myant 2003; Czesaný et al. 2005; Nollen, Kudrna, and Pazderník 2005), both bankers as well as policymakers believe that without borrowing, transformation would not have been possible due to what they called “the terrible inheritance” of the previous regime—the credit for permanently revolving stocks—, extricating themselves from any responsibility.

1.5 The relevance of oral history to economic historians

There is often a lack of hard data on historical events, which is especially true for totalitarian regimes—such as the socialist Czechoslovakia—that usually do not offer reliable information, as they publish and preserve only data favorable to them. As a consequence, the extant sources from those periods do not correctly reflect the reality and other types of data, such as oral testimonies of direct participants of those events, may constitute a crucial source of information (see, e.g., Coufalová, Mikula, and Žídek 2020, 2023).

However, the available literature shows that oral history has its place even in democratic regimes. For whenever it is true that he/she who writes history has a strong instrument of power, the author has control over the process of signification (Lipartito 1995; Hansen 2012), as he/she can emphasize some pieces of information while silencing others, depending on his/her political purposes. According to Mordhorst and Schwarzkopf (2017, p. 1168), “political movements and states can become the ‘winners’ of political struggles by writing history. To lend themselves as a weapon in political conflict, historical narratives often throw overboard nuances, inconsistencies and contingencies.” By questioning the official discourse, oral testimonies help us learn about the silenced part of history. It gives space to a “bottom-up perspective that shines new light on unexplained sides of the daily life of the non-hegemonic classes.” (Maclean, Harvey, and Stringfellow 2017, p. 1218)

At the same time, there is no reason to believe that oral history must necessarily refute written history. It is simply another layer, a minority view. It fills in the gaps in the written sources and offers the human dimension of historical events (Hammond and Sikka 1996). The two versions complement each other, giving rise to a more complex picture of a given historical period (Jones and Comunale 2019).

As described in section 1.1, previous literature on Czech economic transition mostly offers macroeconomic perspective, and for the sake of brevity leaves aside the individual standpoints of each actor. Narrators' testimonies presented in Coufalová and Žídek (2023) and Coufalová (2024) uncover personal experiences of many aspects of economic activity in the period under review and show the human dimensions of change at that time. They enrich the economic and business history by bringing to light how difficult it was for all the participants to navigate in an environment of a widespread lack of knowledge so characteristic for the transition period, and to overcome the deeply rooted bad habits from the previous regime. They highlight the frustrations and challenges of economic agents involved in those changes, answer different questions and offer alternative points of view to written sources. These personal experiences thus show how we can expand the traditional perception of economic transformation by means of economic and social science methods.

1.6 Limitation of the research

The previous section showed that oral history has its undeniable benefits. There are, however, also some pitfalls associated with this method.

1.6.1 Memory issues and subjectivity

First, oral history is based on the narrator's memory, which can be selective and contaminated by his/her experiences occurring after the reported event, as well as political opinions and current situation (Weick 1995; Bernstein, Nourkova, and Loftus 2008; Beard 2017). This happens especially when the reported events are very distant in time.⁷

Second, according to Abrams (2016, p. 55), "there is no such thing as an unmediated narrative – a pure or transparent oral representation of past experience. (...) [O]ral history is a dialogic process; it is a conversation in real time between the interviewer and the narrator, and then between the narrator and what we might call external discourses or culture." As the interview is an interaction between two subjectivities—the narrator and the interviewer—who "cooperate to create a shared narrative" (p. 54), its outcome, as well as its interpretation, is influenced by the impression that both participants form of the other based on their respective social identities. This may influence the accuracy of the result (Beard 2017) and the approach to oral testimonies that cannot be taken as an objective truth (Hansen 2012; Jones and Comunale 2019).

7. However, the time gap can also have some advantages. For example, it can increase the willingness of narrators to talk about certain events that are politically sensitive (Maclean, Harvey, and Stringfellow 2017; Soulsby 2022). In our case, more than 30 years have passed after the transition and a great part of the narrators no longer have any political or business ambitions.

Notwithstanding, the main goal of oral history is not to find facts; it is especially appreciated because it helps to understand “how people make sense of the past” (Thiessen 2019, p. 62). It is not a contradiction to written sources or archives; rather, it complements them answering a different question. There is not only one and correct history, as it “can be re-framed by remembering some things and forgetting others” (Hansen 2012, p. 701). Consequently, oral testimonies can enrich the previous economic literature, as the participants’ personal experiences can contextualize the described events and give them meaning.

On the other hand, the relationship between oral history and written literature is bidirectional, as the written sources influence the narrators’ opinions as well (Maclean, Harvey, and Stringfellow 2017). The collective memory and the prevailing ideology also affect how we make sense of the past (S. Berger 2009; Beard 2017).

1.6.2 Snowball sampling and data biases

Another drawback concerns the snowball sampling, which can be very useful, as personal recommendations provide trust, especially when it comes to interviewing working elites (Bailey 2019), but at the same time, it does not provide a representative sample that could be applied to the whole population. Nevertheless, this was not our goal. We aimed to complement the written literature and archives, offering the human side of the story with first hand experiences of direct participants of the given events. At the same time, the last interviews brought virtually no new information from which we conclude that we have reached a saturation point.

Our data are also biased in some ways. First of all, the set of oral history interviews is biased towards highly educated men. The educational bias is a consequence of the fact that we interviewed very capable people with some power to decide. The bias in gender is the result of the corporate culture of the time, as there were very few women in leadership positions prior to 1989, as well as during the transition period. Another bias was due to the focus of the projects, which dealt mainly with enterprises in transition, so that the data was dominated by narrators from the corporate sphere (53%), even though there were also participants from other sectors of the economy. Moreover, there is an observable, so-called survival bias within the interviewed entrepreneurs, because we interviewed primarily managers or owners from SOEs, as well as new-born companies that survived the transition period.

Last but not least, there may be a certain degree of self-selection bias. All participants could oppose the publication of the results of the interviews. Nevertheless, they knew that the information would be accessible for the whole research team. In the Czech environment, the transition period is known as the “wild 90s” (Pehe 2019) and is often

linked to corruption (Lízal and Kočenda 2001; Lízal and Švejnar 2002). Consequently, I follow Giacomini and Jones (2021) and Giacomini, Jones, and Salvaj (2021) and hypothesize that the data suffers from this bias due to the fact that potential participants who were involved in some sensitive practices, such as corruption or other illegal activities, might refuse to participate in our research, in light of the especially high rejection rate from the group of public figures.

1.7 Future research opportunities

There are still many aspects of economic transition that have not yet been sufficiently explored. One of them is the role played by the bureaucracy in the whole process. The existing literature on the subject (see 1.1) deals with the reforms themselves, and the names of the reformers who headed the various bureaus are well known to the public. However, one of the recurring topics in the interviews was the extremely important role played by senior civil servants in the whole process. This is another area where the oral history approach can make a significant contribution to the understanding of economic transformation in the Czech Republic, as well as to the general literature on the role of bureaucrats in times of huge economic and political turmoils (for instance, Van de Walle 1989; Suleiman 1999; Nemeč 2001).

Second, the Czech Republic was not the only country to go through the harsh changes from a CPE to a market-driven economy. However, the individual economies of the former Eastern bloc differed significantly in terms of the position of enterprises during socialism and in terms of macroeconomic stability in both periods. Consequently, the impact of the communist legacy on the economy varies across different countries based on their specific historical, political, and institutional contexts. Thus research focusing on the functioning of the business sector—as well as other aspects of the transition process—in other former CPEs could be a promising avenue for future research. Conducting case studies based on oral history in specific post-communist countries can provide a more in-depth understanding of the economic challenges and transformations they faced.

Third, economic transitions certainly do not have to be explored only through oral testimonies. There are many doors opened to statistical analysis. The text mentions that the liberalisation of foreign trade was an integral part of the transformation. The fall of the Iron Curtain led to an exogenous shock to the market access of border regions, which is supposed to have affected the location decisions of economic actors. The economic activity and residents used to move towards regions with higher market access—usually measured by market potential—and leave regions with poor market opportunities (Davis and Weinstein 2002; Brülhart, Crozet, and Koenig 2004; Brülhart and Koenig 2006;

Redding and Sturm 2008; Ahlfeldt et al. 2015; Cosar and Fajgelbaum 2016; Brühlhart, Carrère, and Robert-Nicoud 2018; Eberhard-Ruiz and Moradi 2019). The unexpected fall of the Iron Curtain and the subsequent liberalization of foreign trade with Austria thus offer the perfect opportunity to explore the impact of market access on population location and economic activity.

Fourth, the command system characteristic for socialist economies required certain simplifications to make it manageable, which resulted in monopolization of the economy and a high concentration of scarce resources (see 1.1). As a consequence, education and research, management of state conglomerates, as well as foreign trade, were localized in large cities. It can be hypothesized that this high concentration formed another communist legacy, which affected the economic and entrepreneurial activity in the subsequent periods (Davis and Weinstein 2002, 2008; Bleakley and Lin 2012; Ahlfeldt et al. 2015), forming yet another promising area for future research.

Last but not least, another opportunity is to link this economic activity to the voting behaviour of the inhabitants of the regions in question, contributing both to the literature on voting behavior in transition countries (see 1.2), as well as to the general economic voting literature (Lewis-Beck and Paldam 2000; Evans and Pickup 2010; Ansolabehere, Meredith, and Snowberg 2014; Chzhen, Evans, and Pickup 2014; Hansford and Gomez 2015).

Chapter 2

Voting under Information Constraint

Previous literature identifies several key factors behind voting behavior, which can be subdivided into three broad groups: (1) *the social factors*, such as social class, gender and race (Lazarsfeld, Berelson, and Gaudet 1968; Andersen and Heath 2003; Adjei 2013); (2) *the psychological or psycho-social factors*, which comprises partisanship or party identification (Campbell et al. 1980; Harder and Krosnick 2008; Strijbis 2014; Bakker, Rooduijn, and Schumacher 2016); and finally (3) *the economic*—often called *rational-choice—determinants*, which emphasizes the role of rationality, uncertainty and information, and assumes that voters remunerate or punish the incumbents depending on the economic performance (see, for example, Downs 1957; Lewis-Beck and Paldam 2000; Lewis-Beck and Stegmaier 2000; Evans and Pickup 2010; Ansolabehere, Meredith, and Snowberg 2014; Rogers 2014; Hansford and Gomez 2015; Dippel et al. 2022; Gabriel, Klein, and Pessoa 2022).

According to Stone (2017), voters choose candidates who they think are best prepared for holding the office. However, to make the right choice, the voter must have information about the candidates. Brockington (2003) shows that voters usually do not know most of the candidates on the ballot at all. This is especially true for ballot papers with long lists of names or many voting decisions to be made (Augenblick and Nicholson 2016; Seib 2016). So, how do voters make their decision facing such information constraint?

The electoral system for the Parliament of the Czech Republic creates an environment akin to a natural experiment enabling us to identify several factors influencing voters' decisions. Czech Parliament consists of two chambers: the lower house known as the Chamber of Deputies and the upper house known as the Senate. We use data from the elections to the former. For the purpose of these elections, the country is, since 2000, divided into 14 constituencies¹, which match the country's administrative regions ("kraj").

1. There were only 8 constituencies in the 1996 and 1998 elections.

The elections are based on the OLPR system. Voters cast votes for a given party and at the same time, they can—if they wish—cast up to four preferential votes² affecting the order of candidates established by the party. Czech political parties can nominate up to 343 candidates in the whole country with up to 36 candidates per constituency.³ It is thus unlikely that voters know them all. In such a situation, they may abstain from voting—producing an effect known as *roll off* or *drop off*—or use available simplifying heuristics and cues (Brockington 2003).

The empirical literature (for instance King and Leigh 2009; Carnes and Lupu 2016; Portmann and Stojanović 2019) shows that under information constraint, voters often assess candidates' abilities on the basis of their characteristics and stereotypes associated with them. At the same time, they can also give preference votes to candidates who share their own socio-demographic or attitudinal characteristics (McPherson, Smith-Lovin, and Cook 2001), which is known as *homophily*. In Coufalová, Mikula, and Ševčík (2023), we use data on preferential voting from 1996 to 2021 Czech parliamentary elections matched with 2001 and 2011 Census data and identify the effect of homophily on voting behavior.

Another strand of literature shows that candidates and parties listed in the top positions on the ballot paper are more likely to win voters' support by virtue of their position; this is known as the *ballot order effect* (see, e.g., Miller and Krosnick 1998; Geys and Heyndels 2003; Lutz 2010; Chen et al. 2014; Kim, Krosnick, and Casasanto 2015; Marcinkiewicz and Stegmaier 2015; Blom-Hansen et al. 2016; Van Erkel and Thijssen 2016; Däubler and Rudolph 2020; Flis and Kaminski 2022). One of its possible reasons is so-called *effect of attention*. In Coufalová and Mikula (2023), we use combined data on preferential voting in Czech parliamentary elections with data on ballot layouts to show that checking the other side of the ballot requires additional use of cognitive abilities—attention—by voters, who already suffer from mental fatigue. This effect of attention *per se* affects electoral outcomes.

2. Before 2010, it was only possible to cast 2 preferential votes.

3. In 1996 and 1998 elections, parties could nominate up to 60 candidates in some constituencies. Since 2000, the constituencies (regions) and their maximum numbers of candidates as set by law are: Prague (36), Moravian-Silesian (36), Central Bohemian (34), South Moravian (34), Ústí nad Labem (26), Olomouc (23), South Bohemian (22), Zlín (22), Plzeň (20), Hradec Králové (20), Vysočina (20), Pardubice (19), Liberec (17), and Karlovy Vary (14).

2.1 Homophily in Voting Behavior: Evidence from Preferential Voting

Given the large electoral lists with up to 36 candidates, voters do not know most of them. However, they can use rich secondary information about candidates' background characteristic, which is available on the ballot (see Figure 2.1 for an example of an annotated ballot) to assess their suitability for the office.

We hypothesize that voters are more likely to give their preferential vote to candidates who are similar to them in these socio-demographic characteristics, as these candidates may understand better their problems, while candidates from other social classes and groups may prioritize other topics.

2.1.1 Data and methodology

The estimation sample contains all free elections to the Chamber of Deputies that took place in the independent Czech Republic—from 1996 to 2021. The primary data set used in our empirical analysis is an electoral database⁴, which contains the secondary information on candidates also available to voters on the ballot (name, age, political party affiliation, occupation, municipality of residency), together with the electoral outcomes, including the number of preferential votes received. The data was aggregated at the level of municipalities. As a result, we have a rich data set with one observation for each candidate, municipality and election.

The electoral database contains exact data on candidates' ages that was then classified into seven categories. Candidates also list one or more occupations⁵ on the ballot that was/were then manually encoded into various categories according to the ISCO (level 1) classification.

Information on education and gender was inferred from the name and candidate description. Tertiary education is signaled by the presence of academic titles. The candidates' genders were inferred from their names—matching them with a database published by the Ministry of the Interior of the Czech Republic, which includes the frequency of each name for each gender⁶. We assign each candidate the gender that is more frequent for his/her name.

4. The electoral database for 2006–2021 elections is publicly available at <https://volby.cz/.opendata/opendata.htm>. Data that cannot be found at <https://volby.cz/> was requested from the Czech Statistical Office (infoservis@czso.cz).

5. When a candidate listed more than one occupation, the first one was used

6. This database is not available any more due to GDPR. We use the version that was released in 2015.

Table 2.1: Similarity between candidates and municipalities' populations

	Municipalities	
	All	Small
	(1)	(2)
Share of population with the same education level as the candidate (%)	51.046 (43.762)	49.351 (44.603)
Share of population with the same occupation as the candidate (%)	9.703 (6.290)	8.985 (6.533)
Share of population of the same age as the candidate (%)	13.472 (3.185)	13.432 (3.616)
Share of population of the same gender as the candidate (%)	49.941 (2.460)	50.066 (3.090)
Candidate lives in the municipality (= 1)	0.002 (0.044)	0.0002 (0.015)

Note: “Small municipalities” are defined as municipalities with populations below the median in the respective constituency and election. Municipalities that met this condition at least once are included in Column 2. The table contains means of similarity measures. Standard deviations are reported in parentheses. Values are calculated using data from the 1996, 1998, 2002, 2006, 2010, 2013, 2017, and 2021 parliamentary elections; 2001 and 2011 censuses and annual data on municipal-level demographic structure.

In order to estimate the effect of homophily, we define four similarity measures as the percentage of the adult population that shares the specific variant of the given characteristic with the candidate. These are continuous measures for each of these characteristics that can theoretically range from 0 to 100%. An additional dummy variable was defined that takes the value one for the municipality in which the candidate lives (Table 2.1 describes the variables measuring the similarities between the candidates and the municipalities' population). Two municipality-level data sources were used to construct these variables—annual data compiled by the Czech Statistical Office from census and administrative records (age and gender), and 2001 and 2011 population censuses (education and occupation).

Given that the nomination processes are—to a large extent—closed-door procedures, we do not know whether the political parties are aware of the possible homophilic preferences and do actually optimize the composition of their electoral list in order to match the population characteristics in the given constituency. Nevertheless, if this were true, it would lead to an endogeneity problem, and would present a challenge to identifying the causal effects of homophily. This is why we restrict the estimation sample to populations below the median, which are an unattractive target for parties and thus such optimization is unlikely there. In 2011, the median municipality population was 426 inhabitants, and in the

whole period under observation, only 7.1% of the total population lived in municipalities below the median.

We estimate the effect of homophily using the following empirical specification:

$$\log(E(pv_{cpme})) = \boldsymbol{\gamma}\mathbf{H}_{cme} + \log(v_{pme}) + \theta_m + \theta_{ce} \quad (2.1)$$

where pv is the number of preferential votes received by candidate c running for party p in municipality m and election e . The vector \mathbf{H} contains variables of interest: an indicator variable for the candidate being a resident in the given municipality and four continuous variables defined as the percentages of the municipality's population that share the candidate's education level (tertiary, lower than tertiary), occupation (ISCO1 or unclassified), age group (18–29, 30–39, 40–49, 50–59, 60–69, 70–79, 80–89), and gender.

Variable v is an offset variable that controls for the number of votes cast for the respective party. It effectively expresses the maximum number of preferential votes a given candidate can receive. θ_m is the municipality fixed effect that controls for time-invariant municipality characteristics that may affect residents' propensity to use preferential votes—such as education level or other unobserved characteristics. θ_{ce} is a full set of candidate fixed effects (including constant) that controls for the candidate's individual characteristics, the popularity of the party he/she is running for, and his/her position on the ballot list. These candidate fixed effects ensure that the homophily effect is estimated within the candidate.

The data contains a large share of zeros (82.5%) in the dependent variable. Consequently, we estimate the regression (2.1) using Poisson Pseudo-Maximum Likelihood (PPML) estimator as suggested by Silva and Tenreyro (2011). We use robust standard errors clustered by ballot—i.e. one cluster for each party, election, and constituency/region—and municipality.

2.1.2 Results

The results contained in Table 2.2 indicate the presence of homophily in voting behavior, as candidates receive more preferential votes in municipalities with a larger share of the population sharing their personal characteristics. The coefficients of similarity measures for education and age are statistically significant suggesting the positive effect of homophily. A one percent increase in the share of the municipality's population whose education level or age are the same as the candidate's increases the number of preferential votes that the candidate receives by 0.5% and 0.2% respectively. The heterogeneity analysis⁷ shows that these effects are especially driven by young and tertiary-educated candidates.

7. The results of the heterogeneity analysis can be seen in the full version of the paper in the appendix ??.

Table 2.2: Effect of homophily on voting behavior in small municipalities

	Dependent variable: Number of preferential votes received					
	(1)	(2)	(3)	(4)	(5)	(6)
Share of population with the same education level as the candidate (%)	0.0047*** (0.0009)					0.0050*** (0.0009)
Share of population with the same occupation as the candidate (%)		0.0013** (0.0006)				0.0008 (0.0006)
Share of population of the same age as the candidate (%)			0.0021*** (0.0006)			0.0017*** (0.0006)
Share of population of the same gender as the candidate (%)				0.0005 (0.0008)		0.0004 (0.0008)
Candidate lives in the municipality (= 1)					3.0339*** (0.0559)	3.0248*** (0.0568)
Candidate fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Municipality fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,844,538	6,466,865	6,844,538	6,844,538	6,844,538	6,466,865

Notes: The table contains estimates of coefficients γ from Equation (2.2). The sample is limited to municipalities with population below the constituency and election median. Standard errors clustered by ballot and municipality are reported in parentheses: *, ** and *** denote statistical significance at 10%, 5%, and 1%. 438,373 observations in Columns 1, 3, 4, and 5, and 368,784 observations in Columns 2 and 6 were excluded due to having a fixed effect with perfect fit.

Moreover, our results also point to the potential presence of occupational homophily, although this effect is lower in magnitude—a one percent increase in the share of the municipality’s population working in the same occupation group as the candidate increases the number of preferential votes that candidate receives by 0.13%—and is statistically significant only at 5%.

Last but not least, our results also show that being a resident of the given municipality significantly increases the number of preferential votes an observed candidate receives, thus indicating the presence of geographical homophily. In other words, running for seats in their place of residence makes candidates obtain significantly more preferential votes. The reason may be that voters believe that if their neighbor is elected, the prestige of their community will grow and the interests of its residents will be better protected, which is in accordance with the available literature, such as Önder, Portmann, and Stadelmann (2018) who observed an increased responsiveness of Swiss deputies to referendum results in their municipalities of residence than in the rest of municipalities.

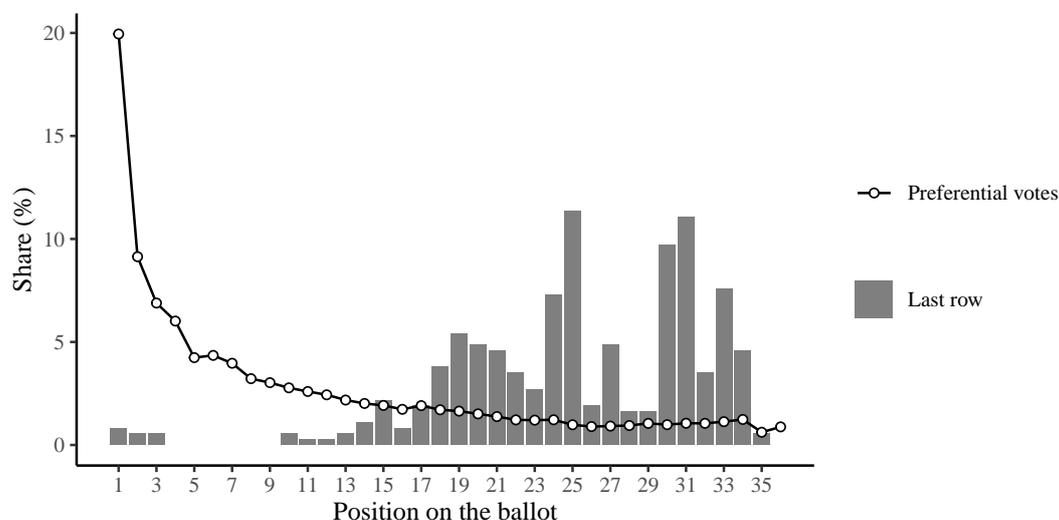
These findings have an important implication for the political marketing and campaigns’ optimization. We show that candidates—and the heterogeneity analysis identifies that this especially concerns those who are young and educated—should focus their individual campaign on groups that are similar to themselves.

2.2 The Grass is not Greener on the Other Side: the Role of Attention in Voting Behavior

Reading large electoral lists also poses great cognitive demands on voters making the decision-making process enormously complex (Brockington 2003; Kim, Krosnick, and Casasanto 2015; Van Erkel and Thijssen 2016; Augenblick and Nicholson 2016; Seib 2016). This may lead voters to base their decisions on another cue available to them—the candidate’s position on the ballot (Brockington 2003), producing so-called *ballot order effect* (see, e.g., Miller and Krosnick 1998; Geys and Heyndels 2003; Lutz 2010; Chen et al. 2014; Kim, Krosnick, and Casasanto 2015; Marcinkiewicz and Stegmaier 2015; Blom-Hansen et al. 2016; Van Erkel and Thijssen 2016; Däubler and Rudolph 2020; Flis and Kaminski 2022). The available literature mostly highlights the strong preference for candidates in top positions (Miller and Krosnick 1998; Ho and Imai 2008; Lutz 2010; Marcinkiewicz and Stegmaier 2015; Van Erkel and Thijssen 2016; Flis and Kaminski 2022).

There are two possible explanations for this phenomenon: *the effect of ranking* and *the effect of attention*. The effect of ranking consists of the believe of less informed voters that parties list their best candidates on the top positions of the ballot. At the same time, however, reading electoral lists is cognitively demanding. In general, when reading a list of items, there is a tendency to remember and process the information presented at the start of the list better than information in the middle or at the end. This cognitive limitation is applicable also to voting behavior (Kim, Krosnick, and Casasanto 2015). Voters who lack information about the candidates must expend cognitive and other resources to make their decision (Van Erkel and Thijssen 2016). Nevertheless, as their mental abilities and cognitive effort are limited, the lower down the list they read, the less attention they pay to the listed names. They are, therefore, less likely to support candidates placed lower on electoral lists (Miller and Krosnick 1998; Lutz 2010). Both these effects jointly lead to the number of preferential votes being non-increasing in position on the candidate list (see Figure 2.2).

Figure 2.2: Distribution of preferential votes and last row number on the front side of the ballot



Note: Sample contains only double-sided ballots from the 2006, 2010, 2013, 2017 parliamentary elections with at least one candidate listed on each side of the ballot.

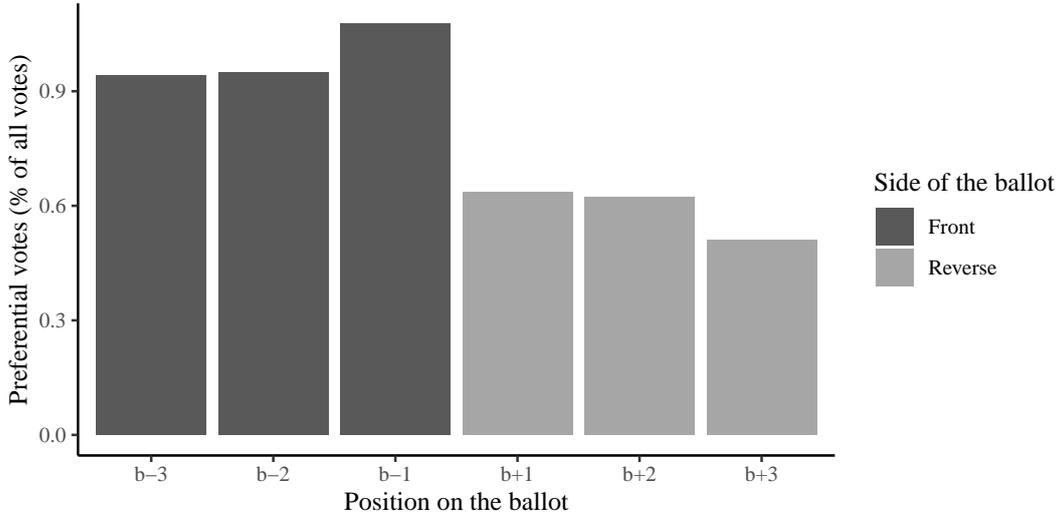
2.2.1 Data and methodology

As the attention and ranking effects both work in the same direction, it is challenging to disentangle them. Nevertheless, the setting of Czech Parliamentary elections offers a unique opportunity to separate one from the other.

We use constituency-level data for elections to the Chamber of Deputies that took place in 2006–2017. The Czech electoral lists are printed on A5-sized ballots. In numerous cases—one third of the observations—the electoral list overflows to the reverse side of the ballot. Since the margins of the ballot, the length of the party name, or the description of individual candidate characteristics may vary across parties and constituencies, the location of the break can be considered as quasi-random. Moreover, by showing that candidates listed in the proximity of the break do not differ in observable characteristics such as age, gender, education, or occupation (see Table 2.3), we can consider that there is no electoral list optimization by the parties in the close proximity of the break.

Last but not least, no candidate running from the position in the close proximity of the page break was elected in any of the 2006–2017 elections, which reinforces the validity of our assumption. Figure 2.2.1 also shows that the number of preferential votes between neighbouring positions on the same side of the ballot list is very small, which suggests that there is no ranking effect in the proximity of the break.

Figure 2.2.1: Position of the front side's last row on the ballot



Note: Sample contains only double-sided ballots from the 2006, 2010, 2013, 2017 parliamentary elections with at least one candidate listed on each side of the ballot. The percentage of preferential votes is calculated as the number of preferential votes received divided by the total number of votes cast for all parties.

As a first step, we drop the ballots with only one side and estimate the effect of attention using data on candidates listed in positions immediately before and after the page break in the following empirical specification:

$$\log(E(pv_{cB})) = \gamma r s_{cB} + \beta \mathbf{X}_{cB} + \log(v_B) + \theta_B + \kappa_B \quad (2.2)$$

where pv is the number of preferential votes received by candidate c running on ballot B . Coefficient γ is an indicator variable for the reverse side of the ballot rs that identifies the effect of attention. \mathbf{X} is a vector of individual characteristics of the candidate that may affect electoral support: age, occupation, education, and gender. v is an offset variable which controls for the number of ballots cast for the respective party and consequently for the maximum number of preferential votes the candidate can receive. κ_B is the fixed effect for the number of candidates on the ballot list, because the lower the number of candidates, the higher the probability of any single candidate receiving a preferential vote. θ_B represents the full set of ballot fixed effects including a constant that controls for the popularity and characteristics of the party in question and of the election in question. It ensures that the attention effect is estimated within the ballot.

The regression (2.2) was estimated using the PPML estimator, due to potential overdispersion. We use robust standard errors, which are clustered by ballot.

Table 2.3: Descriptive statistics and balance tests at the page break

	Candidate		Difference in in means (2) – (1)
	last on the front side	first on the reverse side	
	(1)	(2)	(3)
Age (years)	45.042 (13.060)	45.665 (14.084)	0.623
Male (= 1)	0.689 (0.464)	0.718 (0.451)	0.029
Education (ISCED 5, = 1) <i>Short-cycle tertiary education</i>	0.011 (0.102)	0.016 (0.125)	0.005
Education (ISCED 6, = 1) <i>Bachelor's or equivalent</i>	0.045 (0.207)	0.050 (0.219)	0.005
Education (ISCED 7, = 1) <i>Master's or equivalent</i>	0.354 (0.479)	0.317 (0.466)	-0.037
Education (ISCED 8, = 1) <i>Doctorate or equivalent</i>	0.024 (0.152)	0.032 (0.175)	0.008
Education (other tertiary, = 1)	0.018 (0.135)	0.005 (0.073)	-0.013*
Occupation (ISCO 1, = 1) <i>Managers</i>	0.206 (0.405)	0.211 (0.409)	0.005
Occupation (ISCO 2, = 1) <i>Professionals</i>	0.230 (0.421)	0.206 (0.405)	-0.024
Occupation (ISCO 3, = 1) <i>Technicians and associate professionals</i>	0.187 (0.391)	0.203 (0.403)	0.016
Occupation (ISCO 4, = 1) <i>Clerical support workers</i>	0.063 (0.244)	0.045 (0.207)	-0.018
Occupation (ISCO 5, = 1) <i>Service and sales workers</i>	0.026 (0.160)	0.045 (0.207)	0.018
Occupation (ISCO 6, = 1) <i>Skilled agricultural, forestry and fishery workers</i>	0.008 (0.089)	0.016 (0.125)	0.008
Occupation (ISCO 7, = 1) <i>Craft and related trades workers</i>	0.055 (0.229)	0.055 (0.229)	0.000
Occupation (ISCO 8, = 1) <i>Plant and machine operators, and assemblers</i>	0.042 (0.201)	0.037 (0.189)	-0.005
Occupation (ISCO 9, = 1) <i>Elementary occupations</i>	0.005 (0.073)	0.000 (0.000)	-0.005
Occupation (Unclassified in ISCO, = 1)	0.177 (0.382)	0.182 (0.386)	0.005
Observations	379	379	

Notes: Columns (1) and (2) contain means and standard errors in parentheses. Column (3) reports differences in means and p -values from the t -test: *, ** and *** denote statistical significance at 10%, 5% and 1%. Sample is limited to the baseline estimation sample.

2.2.2 Results

Table 2.4: Effect of attention on electoral support

	Dependent variable: Number of preferential votes (log)					
	Specification					
	Baseline ($b - 1$ vs $b + 1$)			Adjusted ($b - 2$ vs $b + 1$)		
	(1)	(2)	(3)	(4)	(5)	(6)
Reverse side (= 1)	-0.526*** (0.085)	-0.514*** (0.090)	-0.546*** (0.096)	-0.405*** (0.075)	-0.439*** (0.063)	-0.474*** (0.058)
Ballot FE	Yes	Yes	Yes	Yes	Yes	Yes
Education category		Yes	Yes		Yes	Yes
Age category		Yes	Yes		Yes	Yes
Gender (male)		Yes	Yes		Yes	Yes
Ballot length FE		Yes	Yes		Yes	Yes
Occupation			Yes			Yes
Observations	758	758	758	750	750	750

Notes: The table contains estimates of the coefficient of interest (γ) from Equation (2.2). Standard errors clustered by ballot are in parentheses: *, ** and *** denote statistical significance at 10%, 5%, and 1%. The sample contains only double-sided ballots with at least one candidate listed on each side of the ballot paper. Observations for which a fixed effect with perfect fit was identified are excluded from the sample.

Our results (see Table 2.4) indicate that being listed on the reverse side leads to the drop in the number of received preferential votes by at least 40%. These results are robust across specifications and are comparable in magnitude to those by Ho and Imai (2006) who focus on a 2003 California recall election based on a single member district (SMD) system. They find that minor candidates—those who received no votes in many districts—placed on the second page of the ballot paper receive 40% less votes just because of being listed on the reverse side. Consequently, we provide evidence that the effect of attention is robust across electoral systems.

To confirm the assumption that there is no ranking effect in the close proximity of the break, we performed placebo tests where we artificially shifted the break position by one to two positions up and down and re-estimated equation (2.2). The estimates⁸ were close to zero and statistically insignificant, thus corroborating the absence of ranking in the close proximity of the break. The only exception was the placebo shift by one position up. Indeed, comparing the number of preferential votes received by the last two candidates on the (true) front side of the ballot, we observed that the last candidate ($b - 1$) receives more votes than the penultimate one ($b - 2$), which is in accordance with the literature on ballot

8. For the complete set of results of placebo tests, see Table 3 in the full version of the paper.

layout, such as Marcinkiewicz and Stegmaier (2015) and Blom-Hansen et al. (2016) who have found that people tend to prefer candidates listed on the last row of the ballot paper or ballot column.⁹ Thus, although we focus on candidates whose chances of being elected are very low, our results add to the literature on ballot design (see, e.g., Geys and Heyndels 2003; Ho and Imai 2006; Blom-Hansen et al. 2016; Pierzgalski, Górecki, and Stępień 2020; Flis and Kaminski 2022), which can have serious consequences for the election results (Pierzgalski, Górecki, and Stępień 2020; Flis and Kaminski 2022). In the case of the 2014 Polish election, it even led to accusations of electoral fraud (Flis and Kaminski 2022).

2.3 Contribution to the literature

This chapter adds to various strands of literature on voting behavior. Within the sociological model, Lazarsfeld, Berelson, and Gaudet (1968) show that swing voters are affected by their social environment. Socio-economic status, religion and area of residence emerge as strong factors behind voting decisions. Undecided voters are often influenced by the opinions of those around them who are similar to themselves. We contribute to the debate by showing that these factors also play a role in the voter-candidate relationship. Although the literature highlights that candidate personality can only sway voters from one party to another in less than 10% of cases (Van Holsteyn and Andeweg 2010), in OLPR systems, the electoral outcome is often very close and the effect of homophily identified by Coufalová, Mikula, and Ševčík (2023) emerges as a relevant cue for uninformed voters and can thus be a decisive factor.

While the social model is more concerned with factors of a long-term nature, it does not explain why some individuals belonging to one social group decide as if they pertained to another social group. This is because short-term factors that are specific to each election also come into play. These are addressed by the psycho-social model of voting behavior, which is based on the idea of partisanship, understood as psychological affinity to some party. Moreover, the mechanisms behind the social model are often psychological in nature, so the line between both models of voting behavior is often blurred (Antunes 2010). To make it even more complicated, authors defending the third—rational choice—model introduced by Downs (1957) argue that voters do not make decisions based on psychological factors, but rather on the information available to them and rationality (see, e.g., Antunes 2010).

9. In columns (4)–(6) in Table 2.4, we replace the baseline control group with candidates listed in the position ($b - 2$). The effect is lower in magnitude—33.3–37.7%—, but still substantial and statistically significant, suggesting that the page break lowers the number of votes a candidate receives.

Focusing on preferential votes allows us to filter out the effect of political party preference and the effect of economic performance. Decoupling these influences makes it possible to fully compare our results to those of other countries with different historical experience. There is thus no reason to suspect that the effects of homophily and attention are an exclusively Czech phenomena. The Czech electoral system and ballot design offer a unique opportunity to study the impact of both effects on voting behavior, but the results apply also to other countries because preferential voting is—with its nuances—very common in Europe as well as in other countries. Moreover, in countries where giving preferential votes is compulsory, these effects may be even stronger.¹⁰

Last but not least, in Coufalová and Mikula (2023), we describe an important psychological aspect of voting, which is its cognitive complexity. However, the results obtained are relevant to a much wider audience. They also contribute to the general literature examining how the presentation order affects choice (see, e.g., Kim, Krosnick, and Casasanto 2015), which was observed in relation to the vertical position of an item in internet surveys (Tourangeau, Couper, and Conrad 2013), as well as in preference judgment in horizontal ordering (Englund and Hellström 2012). The ordering effect was identified also by J. Berger (2016), who shows that the position of an article in a journal issue can—due to our limited cognitive abilities—affect the number of citations the article receives. And finally, the results of product taste tests—such as those of wines—are conditioned by the order of testing as well (Dean 1980; Mantonakis et al. 2009).

2.4 Limitations

Of course, the use of observational data also has some limitations. The first issue relates to our research on homophily, as we do not see the characteristics of people who actually go out to vote. This is even more striking in the case of gender homophily, where we did not obtain robust results, partly due to the fact that both genders are almost equally represented across municipalities. In our ongoing research, we will investigate the presence of gender homophily using a different method—survey experiment.

10. Preferential voting is optional in the Czech Republic or Switzerland (Portmann and Stojanović 2019) and mandatory, for example, in Poland and Finland. The different systems also differ in the number of votes that voters can (or must) cast. While in some countries or states (Finland, Poland and Bavaria), voters cast just one preferential vote (Marcinkiewicz and Stegmaier 2015; Söderlund, Schoultz, and Papageorgiou 2021), in others (Czech Republic, Luxembourg, Lithuania, Greece, Slovakia and Switzerland), they may select multiple candidates, with or without a threshold (Marcinkiewicz and Stegmaier 2015). In some countries (for instance, Switzerland), they can also cast negative votes or even choose candidates from more than one ballot list, which is known as *panachage* (Portmann and Stojanović 2019).

A certain limitation in the methodology used in Coufalová and Mikula (2023) is that the order of candidates on the ballot is not randomized. However, we show that there is no difference in observable characteristics of candidates' neighbouring with the break and that the break varies within party as well as within constituency, which makes it difficult for parties and individual candidates to guess the location of the break in advance. Moreover, no candidate running on a position neighbouring with the break was elected in any of the elections we've examined. We provide several reasons to believe that political parties do not optimize the composition of the electoral list with respect to the location of the break and thus the location of the break can be considered quasi-random.

2.5 Future research avenues

Our findings may have important implications for candidate list optimization, opening doors for future research in several areas. First, some population groups—such as women, less educated people, or blue-collar workers—are poorly represented on the electoral lists. Esteve Del Valle, Broersma, and Ponsioen (2022) employ exponential random graph models on tweets to describe network parameters and individual characteristics that facilitate communication among members of Dutch parliament. They show that if voters can feel that there is no one who defends their interest, it could lead them to adopt extreme political positions. If homophily drives voters' decision as we showed in Coufalová, Mikula, and Ševčík (2023), parties could attract more voters by diminishing the under-representation of these groups on the electoral list. This could help reduce polarisation in society.

Moreover, Gerber, Henry, and Lubell (2013) show that similarities reduce the transaction costs of engaging in collective action which increases the probability of collaboration in regional planning networks. Thus, the existence of homophily can affect the distribution of political resources and consequently the policy outcome. The extent to which this is true could be a promising area for future research.

Third, Van Holsteyn and Andeweg (2010) observe that some candidates' characteristics can attract voters to another party. With regards to the page placement, Ho and Imai (2006) focus on the SMD system and find that while the electoral results of high-profile candidates—those with high chance of being elected and interesting for the media matches—are not affected by their position on the ballot, the minor candidates listed on the reverse side of the ballot receive substantially less votes than candidates on the first page. In Coufalová and Mikula (2023), we show that the same occurs in the OLPR system. Candidates placed lower on the ballot paper attract substantially fewer votes. Most voters do not pay attention directly to candidates placed on the reverse side of the ballot. Thus, in order to attract more votes, parties should place candidates who could attract voters' attention on top positions

of the ballot list. Although this was out of the scope of the second paper presented here, the efficacy of such a strategy could also be an avenue to pursue in future voting behavior research.

Furthermore, there are also many opportunities for future research arising from the rich secondary information available on Czech ballots. One possibility is to focus on candidates' first names. The available literature shows that the given first names can be understood as an informative signal of the candidate's characteristics, such as his/her individualism (Ogihara et al. 2015; Ogihara 2023) or nationalist sentiment (Jurajda and Kovač 2021). Individualism is often seen as a strong determinant of individual preferences for redistribution (Bazzi, Fiszbein, and Gebresilasse 2020, 2021). Other authors point to the discrimination of immigrant-origin candidates, being the origin signalled by their last names. Last names that are common abroad may in turn evoke negative sentiment towards these candidates (Guzi and Mikula 2021).

Last but not least, the Czech historical context offers many quasi-natural experiments. One of them was the exposure to foreign media during the socialist period. We expect the access to information provided by the Western media to have an impact on voting, migration, FDI or location of foreign companies. Studying the subsequent economic transition from a centrally planned system to a market economy may be an opportunity to expand the economic voting literature by exploring support for economic transformation, as outlined in the previous chapter (see 1.7)

Chapter 3

Authorship contribution statements

The authors are listed in alphabetical order.

Lost in the Transition: Czech Businesses Pivoting from the Centrally Planned Economy to Capitalism (Coufalová and Žídek 2023)

- Author's contribution share: 70% (corresponding author)
- Author's relevant contribution: Data curation and analysis; Literature review; Conceptualization and methodology; Writing (original draft and review).

Access to Bank Loans in Economic Transition: An Oral History Approach (Coufalová 2024)

- Author's contribution share: 100% (corresponding author)
- Author's relevant contribution: Data curation and analysis; Literature review; Conceptualization and methodology; Writing (original draft and review).

Homophily in Voting Behavior: Evidence from Preferential Voting (Coufalová, Mikula, and Ševčík 2023)

- Author's contribution share: 40%
- Author's relevant contribution: Literature review; Conceptualization and methodology; Writing (original draft and review).

The Grass is not Greener on the Other Side: the Role of Attention in Voting Behavior (Coufalová and Mikula 2023)

- Author's contribution share: 50%
- Author's relevant contribution: Literature review; Conceptualization and methodology; Writing (original draft and review).

Concluding remarks

This habilitation thesis presents selected papers that together contribute to the literature on economic policy. The two papers included in the first chapter uncover the main problems of Czech enterprises (and to a lesser extent banks) during the Czech transition period. Their main contribution is showing the relevance of the oral history method for economic historians. Oral testimonies emerge as complementary to scholarly written sources and form an essential part of the historical discourse.

The second chapter presents two papers dealing with voting behavior in the Czech Republic and some of the specific features of the Czech electoral system. Preferential voting allows us to filter out the influence of political party and economic performance. The ability to separate these effects creates an important foundation for further research.

The two subsections on future research avenues indicate the paths my research will largely take in the future. Historical experience in the form of the fall of the Iron Curtain offers a number of unexplored natural experiments related to both areas of research presented here. For instance, in our ongoing studies, we hypothesize that the high concentration of scarce resources prior to 1989 affected economic activity in the transition period or that the spatial variation in access to Western television stations has influenced the accumulation of human capital and the subsequent socio-economic development of regions in the post-1989 period.

Another promising area for future research, building on both chapters, is economic voting, specifically the support for economic transformation.

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