Burghers into Peasants: Political Economy of City Status in Congress Poland

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1 Introduction

Inclusive political institutions with broad representation in political decision-making, with democracy being the embodiment of that, have been widely argued to have a positive effect on economic outcomes. They foster development by instituting secure property rights and checks and balances, restricting predatory taxation, increasing public goods provision or bringing more stability (e.g. Acemoglu, Johnson, and Robinson 2001; Acemoglu and Robinson 2000b, 2012; Baum and Lake 2003; De Long and Shleifer 1993; Gerring et al. 2005; North 1990; Przeworski et al. 2000).

Historically, however, early expansions of democracy were commonly tantamount to a transfer of power away from traditional landed elites. This creates the possibility that what we attribute to inclusive institutions is, in fact, the result of a relative loss of power of traditional elites and a relative gain of power by other socio-economic groups. If different socio-economic groups promote development to a different extent, then who is included in political decision-making relative to the status quo is what really matters. In fact, a recent body of literature that focuses on city-level institutions paints a more nuanced picture of the effects of inclusiveness of institutions on long-term prosperity, where further expansions of political representation to some groups may not necessarily result in positive outcomes (Minns et al. 2020; Stasavage 2014, 2019; Wahl 2018).

One of the most notable introductions of inclusive institutions in European history began around the 11th century CE amidst the legal revolution of the Middle Ages. It took place in the form of granting towns the status of a ‘city’, with the citizens gaining (greater) control over the government and the judiciary. These improvements in urban self-determination and the rise of city-level democracy were a unique feature of European cities, and are often credited with making Europe the most urbanized region of the world.

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1. An early democracy, as opposed to a modern one, can be characterized by limited suffrage, lack of secret ballot, small population that facilitates a more direct participation, lack of political parties that could mobilize voters, or little political ideology.
by the early modern period—with profound consequences for economic and political development.

I propose a theory that casts new light on the historical role of expansions of inclusive institutions in towns—I argue that ‘city’ status contributed to long-term development of towns not because it brought city-level democracy per se, but because it was an instrument of separating urban and rural jurisdictions, allowing for cities to represent the interests of productive and geographically-sorted urban (burgher) elites as opposed to landed elites. The two groups differed in how their wealth is generated, and the political control of a city by burgher elites resulted in differences in pursued policies, with important spillover effects that positively affected the overall level of economic development.

To empirically assess my theory, I draw on evidence from a natural quasi-experiment in 19th century Kingdom of Poland, a polity controlled by the Russian Empire. In 1869–1870, a reform was undertaken whereas ¾ of the existing 452 cities were deprived of their city status and the separate jurisdiction it has carried. The degraded cities were joined together with the surrounding countryside to form common jurisdictions, giving landed interests the control over urban affairs.

What makes this case particularly interesting is the fact that towns with the status of a city had no representative institutions and were governed by Russian agents, whereas the loss of city status was associated with an introduction of democratic institutions that gave political rights to local landowners, but not the broad urban class. This allows us to unbundle the effect of inclusiveness from that of relative power transfers to urban elites. At the same time, city status did not carry other important consequences, allowing us to isolate the effect of having a separate urban jurisdiction from other confounders that citizenship has historically implied.

Utilizing historical official records, archival materials, and numerous other sources, I collect original city-level data pertaining to the population, public goods provision, the judiciary, industrialization, and more, in all of the 452 cities that existed prior to the reform. I use it to show that over the subsequent forty years towns where democratic institutions were introduced with the reform experienced a 64 percentage points (pp.) lower population growth compared to those that remained as cities and lacked inclusive institutions. Placebo tests show that the results are not driven by pre-existing growth patterns whereby the degraded cities grew slower already prior to the reform. I introduce official government documents demonstrating that the selection of cities was not driven by their future growth prospects. Focusing on the mechanisms, I argue that the landed control over local government and the judiciary resulted in under-providing productive local public goods and having under-performing courts. This led to shifts in the socio-economic composition of towns, with degraded towns becoming relatively more agricultural and being 30 pp. less likely to have industrial activity emerge. Placebo tests demonstrate that the advantage of city status did not apply to industries controlled by landed elites, suggesting that it is the forestallment of other socio-economic groups by landowners which drives the results.

The case of Congress Poland, although set in the 19th century, also provides us with

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2. Kingdom of Poland is also referred to as Congress Poland (after the Congress of Vienna), Russian Poland or Vistula Land (Privislinskiy Kray). These names are used interchangeably.
a greater understanding of the historical experience of European cities in the preceding centuries. Unlike in Western Europe, in the East of the continent feudal institutions were largely retained well into the 19th century, with serfdom being in place in the Kingdom until as late as 1864. The proto-industrial nature of the economy outside of the largest urban centers, the small size of cities and the clear differentiation of socio-economic groups greatly resemble the situation of pre-modern and early modern cities in the West of the continent, while focusing on a more recent case allows us to utilize detailed town-level data unobtainable for earlier periods.

This article contributes to the debate on the role of inclusive political institutions for economic development. I show that early democracy may under some circumstances lead to adverse outcomes, and that to fully grasp the effects of its introduction, we must understand whose interests gain representation relative to the status quo. The effects of early democracy are not simply driven by more inclusiveness, but also by who is being included. Non-inclusive institutions may produce better outcomes when the more inclusive alternative leads to representation of particular interests of the in-group, and partiality toward and the general forestallment of the out-group.

I contribute to the literature on historical factors driving long-term differences in development between cities. Scholars have explained the rise of European cities in terms of trade and commerce (Pirenne, 1925 [2014]), geography and natural endowments (Bosker and Buringh 2017), wars, diseases and other catastrophic events (Dincecco and Onorato 2016; Voigtlander and Voth 2012), or inventions, innovations and technological progress (Andersen, Jensen, and Skovsgaard 2016; Dittmar 2011), among others. Most related to mine are the contributions examining the institutional determinants of urbanization and city growth. Scholars have linked both country-level (Acemoglu, Johnson, and Robinson 2005; De Long and Shleifer 1993) and, more recently, also city-level institutions (Bosker, Buringh, and Zanden 2013; Stasavage 2014; Wahl 2018) with the rise of European cities. My contribution uniquely highlights the role of city-level jurisdiction in the distribution of political power and its consequences for long-term development of cities.

This article also speaks well to the literature emphasizing the differential role of various socio-economic groups in city development. Scholars have previously explored the differential roles of craft guilds, Jews, merchants, or Protestants (e.g. Epstein and Prak 2008; Gelderblom 2013; Johnson and Koyama 2017; Cantoni 2015). I take a step back and add to this literature by considering the differential role that the people of broadly defined urban professions may have relative to those deriving their wealth from land. I show that the forestallment of productive minorities may have broad negative consequences for overall levels of development.

Finally, this study speaks to the literature on the origins and consequences of direct versus indirect colonial rule (Iyer 2010; Gerring et al. 2011; Lange 2004; Naseemullah and Staniland 2016). Russian rule carried many features pertinent to that of colonial empires, even if not overseas but contiguous. The governance of degraded cities greatly resembled indirect colonial rule, with local elites being in charge on behalf of the colonial empire. The situation of remaining cities was closer to direct rule, where ethnic Russians would dominate key positions in city government and the judiciary. The insights from my study suggest that the effects of indirect rule will be driven by the economic interests stemming from pre-existing power structures, which could be a plausible explanation for why some
scholars find the effects of direct rule to be superior, while others do not.

2 Theoretical Argument

Historically, states and territories were spanned by multitudes of jurisdictions over land and people. How these jurisdictions were defined was at the heart of political conflict, with consequences for who shall rule and who shall be ruled.

One of the most visible realizations of this conflict came with the rise of urban Europe, beginning around the 10–11th century CE. The inhabitants of Medieval towns began forming communes—communities of mutual defense based on shared custom and interests—that sought self-determination and liberty from violence and abuse. Urban aspirations have at times culminated with the formal recognition of their special place in the feudal hierarchy—the granting of a city charter, turning towns into cities and townsman into citizens. The status of a ‘city’—defined here as a separation of jurisdiction between the town and the country—granted administratively or through a charter, results in the creation of a jurisdiction that concentrates burghers and separates them from landed interests, allowing for the interests and preferences of urban inhabitants to be better represented.

City jurisdiction would be defined in two important areas: as a political jurisdiction, concerned with governance, and as a judicial jurisdiction, concerned with delivering justice. How the jurisdiction is designated defines not only the political community that forms it, but it also defines the position of socio-economic groups within that community. While the countryside stands for landed interests, cities were at the forefront of nascent capitalism. The separation of rural and urban jurisdiction meant that the urban population, otherwise a minority, would be judged and governed separately from the country and with urban interests in mind, creating a relatively favorable environment for cities (and burghers) to thrive. At the same time, towns that were grouped into common jurisdictions with the surrounding countryside would be in a relatively unfavorable position where, if rival, landed interests would trump urban ones.3

Land is a fixed production input, and therefore essentially unaffected by changes in demand. Consequently, creation of a relatively more favorable political and economic environment for landed interests can, only to a very limited extent, result in agricultural expansion through increases in the area under cultivation and concurrently, increases in the number of people involved in agriculture. On the other hand, capital and labor do not face the same sort of constraints as, for practical purposes, these factors are not physically bounded by territory. I anticipate that an environment that favors urban as opposed to landed interests will result in greater economic growth, as reflected by population increases.

HYPOTHESIS 1: Towns with city status have higher population growth than those without it

My theoretical argument is based on two important assumptions. I argue that two types of elites, landed and urban, have preferences over public goods (or more broadly,

3. There existed exceptions to this regularity, e.g. city-states that would assume political control of the hinterland.
policies) that are inputs in their production functions, together with labor. At the same time, urban and landed elites differ in that the agricultural sector exhibits decreasing returns to scale due to land being a fixed resource that constrains output, whereas the urban sector employs a constant returns to scale technology. Since land, labor and public goods are complements, political control by landed elites will result in lesser public goods provision and lower equilibrium labor (population) size. Towns with city status, where urban elites are in control, will experience greater levels of development over time compared to those that are not cities and are controlled by landed elites.

**HYPOTHESIS 2:** Towns with city status provide more public goods than those without it

What is the exact mechanism through which city status operates? In general, how the jurisdiction is defined has consequences for who will judge and govern. In turn, this determines whose interests are being advanced and represented. In societies with clear group hierarchies, in-group solidarity and favoritism are prevalent (Tajfel et al. 1971). With regard to justice, the two primary implications of this are that it would be delivered by a separate authority specific to the city, and that it would be delivered differently (e.g. by adjusting severity of punishment). This allows for justice to be delivered impartially (at least toward urban interests), which should be reflected in the overall effectiveness of courts.4

**HYPOTHESIS 3:** Towns with city status have more effective courts than those without it

The principle of impartiality of law has long been recognized as important in the delivery of justice. Beginning in the 12th century, many cities in present-day northern Italy began appointing or electing as their chief magistrate a podestà—a foreign citizen to whom all executive and judicial powers were delegated for the length of a fixed term contract. Cities were troubled by conflicts of interest between various parties and having an outsider govern them helped to ensure that decisions would not be guided by favor or disfavor, or partiality, toward any party (Born 1927). The problem of partiality may be of even greater concern where different elements of the traditional social hierarchy are involved, i.e. where inter-group differences are more pronounced.

Additionally, separation of jurisdiction that city status introduces allows for the city government to be of citizens and represent urban and not landed interests. I thus anticipate that city status, by making towns into a jurisdiction separate from the country, will allow for the judiciary and the city government to represent urban interests to a greater extent. This should eventually be reflected in the socio-economic structure of towns, whereby urban elites thrive in cities and landed elites are relatively better off in those towns that are not cities.

**HYPOTHESIS 4:** Socio-economic structure of towns with city status is more representative of urban elites than in those without it

4. See Greif (2006, 310) for a discussion of how the courts of urban communities were incentivized to deliver impartial justice in the Medieval context.
When in control, landed elites may find it in their interest to block any policies favorable to non-landed groups, even when detrimental to economic development, in order to prevent any challenges to their position (e.g. Acemoglu and Robinson 2000a, 2006). More generally, different socio-economic groups may have varying preferences for public goods and services (Chattopadhyay and Duflo 2004; Alesina, Baqir, and Hoxby 2004), and inter-group conflict or lack of inter-group co-operation may generally undermine public goods provision (Alesina, Baqir, and Easterly 1999; Habyarimana et al. 2007).

3 Historical Background

3.1 Kingdom of Poland: From Congress of Vienna to World War I

[abridged]

3.2 City Reform of 1869–1870

On June 13th, 1869, Emperor and Autocrat of All the Russias, but also Tsar of Poland—Alexander II—signed the ukaz that deprived 336 out of 452 cities in the Kingdom of Poland, some as old as 650 years, of their city status. The deprived cities have become rural hamlets, or effectively, villages where, unlike in cities, democratic institutions were in place. Why did the reform take place? And why was it those particular cities that were degraded?

Preparation of the reform and the selection of cities for degradation were the responsibility of the Constitutive Committee. The multi-volume publication Postanovleniya Uchreditel’nogo Komiteta v Tsarstve Pol’skom (Resolutions of the Constitutive Committee in the Kingdom of Poland) provides us with invaluable information into its inner workings, shedding light on these questions. It is a collection of meeting protocols and resolutions undertaken by the Constitutive Committee that was put together in chronological order and published in print for distribution within the Tsarist bureaucracy.

A Committee member, Active State Councilor Vladimir Trubnikov was appointed in July 1867 to chair an interim committee preparing recommendations. On February 26th, 1869, the Constitutive Committee has met under the chairmanship of the Viceroy of the Kingdom of Poland, General-Field Marshall von Berg, to decide on the final shape of the reform. A forty-five pages long protocol from that meeting provides detailed evidence of the Russians’ considerations. The Constitutive Committee has debated Trubnikov’s recommendations as to the criteria for selecting cities for degradation, considered various alternatives, and discussed comments submitted from St. Petersburg by the Minister of Internal Affairs, Adjutant General Timashev (Uchreditel’nyy Komitet v Tsarstve Pol’skom 1869a, Article 2477).

These deliberations reveal that the largest concern driving the selection of cities for degradation was their ability to self-finance the operations of a magistrate. It was anticipated that propination fees that were a major source of city revenues will be lifted soon due to reforms, and hence a sound financial situation of a city was necessary for a continued maintenance of city administration. Trubnikov has initially proposed the following
criteria, where meeting two out of three would be sufficient for degradation: 1) City population below 3,000 inhabitants, 2) Peasant-burghers constitute at least 50% of all property owners, and 3) Annual city revenues do not exceed 1,500 Rubles. Population as a criterion was important because it was more feasible to defray costs of the administration over more people. Share of peasant-burghers mattered because in cities taxes were based on hearths, and not land, whereas the opposite was true in villages. Finally, city revenues were a direct measure of the ability to finance the operations of a magistrate office.

In his letter, the Minister of Internal Affairs proposed instead a different set of criteria, one that was applied in a draft project for reforming urban governance in the Empire (concurrently under preparation). These were: 1) City population below 5,000 inhabitants, 2) Annual city revenues do not exceed 7,000 Rubles, and 3) The value of real estate in the city is less than 200,000 Rubles. The minister stated that the last criterion is most important because it best reflects the ability of burghers to pay taxes. Since no data existed on the value of property in cities of the Kingdom, an alternative measurement that would proxy for property value was proposed—the value of real estate that was insured against fire.

Another debated criterion was to consider the promise of cities to achieve satisfactory economic development in the future. Three arguments were given for rejecting this criterion: 1) “assumptions about the future are always more or less conjectural and do not coincide with the reality, as has already been proved [by] the long-term fruitless existence of many cities of the Empire”, 2) the conditions for industrial development “seem to be exactly the same, both for cities and for villages”, and 3) if such a need arises, hamlets can be renamed into cities in the future.

The various proposed criteria would leave between 30 and 132 cities in the Kingdom, down from 452. The committee has settled on leaving 116 cities, while degrading the remaining ones. The final selection appears to be based on: 1) population, 2) city revenues and 3) the value of insured buildings. Nevertheless, application of the criteria was not definitive and overall, the reform did not fully take into consideration the actual situation in the affected cities. This is likely a result of constraints that the Committee has faced. I discuss these in more detail in Appendix B.1. Appendix B.2 discusses in detail the reactions of city inhabitants to the reform.

At the same time, the Constitutive Committee was aware that their decision may cause discontent and has undertaken two steps to reduce the potential backlash. At the proposal of a Committee member, Senator Braunschweig, it was decided that the degraded cities should be renamed into hamlets (posad) and not villages. Class and status considerations were important at the time. Not (formally) renaming burghers as peasants was seen as a way of soothing opposition. Appendix B.3 presents a detailed justification.

Secondly, the Committee for the Affairs of the Kingdom of Poland (an advisory body to the Emperor that operated in St. Petersburg) suggested that the list of cities due for degradation should not be published all at once but gradually, at the discretion of the Constitutive Committee, considering local circumstances, because the sudden re-
naming of a large number of cities could be misinterpreted (Uchreditel’nyy Komitet v Tsarstve Pol’skom 1869b, Article 2650). This suggestion was taken into account and which cities were to be degraded was announced in twenty separate executive decisions the announcement of which was spread over a period of one year. The order and the gradualness with which the announcements were to be made was determined based on opinions solicited from provincial governors (Article 2680). [abridged] As a consequence of the reform 336 out of 452 cities have lost their city status, which led to the introduction of democratic institutions in those cities.

3.3 Channels of Transmission

City status affected the relative condition of towns through two related channels of transmission. It determined territorial jurisdiction—both in the area of the judiciary as well as local government—that mattered for the position of landed relative to burgher interests.

Being declared a city restricted the territorial extent of jurisdiction to city limits, important because of the geographic segregation of socio-economic groups. Individuals representing landed interests are more likely to reside outside of towns, where urban interests are concentrated. Moreover, city status created differences in how mayors and judges are selected. Towns with city status lacked political inclusiveness, with officials being appointed by the Russian administration. Towns without city status had democratic institutions in place, and officials were elected from among the local population.

The latter has favored representation of landed interests because of the larger territorial span of such jurisdictions incorporating geographically-sorted landed socio-economic groups (peasants, landed gentry) and because of a landed property qualification for voting and eligibility for office. In what follows, I discuss the two transmission channels in detail. Appendix B.4 addresses the possibility of alternative factors and explanations, the role of taxation and the discrimination of Jews, showing that they are unlikely to have played a role.

3.3.1 City Government

City status determined the form of local government. Degraded cities were governed by the same rural regulation that applied to villages, and it involved a degree of democratic self-government where municipality/village chiefs would be elected from among the local population.6 There were no inclusive political institutions in cities and mayors were appointed by the Russian government.

In villages, political participation rights were determined by a land census. This was problematic for (former) burghers because land holdings in urban areas tend to be much smaller than in villages and in most cases, former cities were grouped into municipalities with other (truly rural) villages—although an exception applied to 62 of the former 332 cities which constituted a municipality of their own.7 In recognition of this, the Con-

6. To be eligible for office, candidates must have resided in the municipality for at least 3 years (Konic and Olszewski 1883, 17).
7. This was more common in more populated localities where a joint municipality would be deemed too populous. Preferences of inhabitants and provincial governors, as well as geography all played some role.
stitutive Committee has allowed for the requirement to be selectively halved for certain hamlets, to 1.5 morgs of land (1 morg ≈ 0.56ha) for selecting village chiefs (soltys) and to 3 morgs in the case of municipality chiefs (wojt) (Poland 1864, 72–3; 1870, 88–9). Nevertheless, in some towns not even a single inhabitant met the threshold. This has clearly put non-peasant burghers in a relative disadvantage. [abridged]

The administrative tasks of cities and (rural) municipalities were similar. They were responsible for, among others, keeping population registries, documenting civil status for non-Christians, tax collection, administration of infrastructure such as roads and bridges, reporting to county chief, and oversight of health and educational facilities, should any exist. They would also manage their own property. One additional task of cities was in the area of policing, but in practice this applied only to the largest cities. Cities and municipalities would also provide or subsidize local public goods. Examples of typical local public goods are primary schools, doctors and hospitals, slaughterhouses, veterinary inspection, supervision of craft guilds, street lighting or fire brigades.

Presence of a land census has favored local landowners at the expense of non-peasant burghers in degraded cities in two ways. First of all, it gave relatively more political power to peasant-burghers within the hamlet. Second of all, most of the hamlets were joined with other villages to form common municipalities, where relatively more political power would be held by the more agricultural inhabitants of villages, further diluting the political position of not only non-peasants but the whole hamlet in general. The latter channel would not apply to hamlets that had a status of a municipality.

I anticipate that the presence of democratic institutions in degraded towns would result in policies and decisions undertaken by municipalities, municipality chiefs and municipal assemblies that would reflect the priorities of landowners and disregard those of other socio-economic groups not given agency. In cities, I expect the appointed officials to not display the same extent of partiality toward landed interests because these officials would not be vested in local affairs and would not depend on local landowners for obtaining and keeping their position. Table 1 summarizes the most important institutional differences between degraded and remaining cities.

3.3.2 Judiciary

City status in the Kingdom of Poland determined judicial jurisdiction. Since courts in cities operated on a different basis than those outside of them, city status had implications for the justice system in place. As the judicial system was one of the objects of Alexander II’s reforms that coincided in time with the city reform, one must distinguish between two periods: pre-1876 and from 1876 onward. My focus is on the post-1876 period because it had the greatest implication for long-term development following the city reform. Although the details of how the justice system operated before 1876 differed, the main conclusions about the post-1876 system are still largely applicable to the preceding period.

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8. Village chiefs were subordinates of municipality chiefs. The position of a municipality chief was one that carried much more power and control, and I restrict myself to it when discussing self-governance.

as well. See Appendix B.2.
Table 1: Summary of Differences in the Local Government Between Cities and Non-Cities

<table>
<thead>
<tr>
<th>Political Jurisdiction</th>
<th>Retained City Status</th>
<th>Lost City Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Type</td>
<td>City Government</td>
<td>Municipal Government</td>
</tr>
<tr>
<td>Territory</td>
<td>City</td>
<td>Hamlet (62 towns)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hamlet with Villages (274 towns)</td>
</tr>
<tr>
<td>Mayor Selection (S)electorate</td>
<td>Appointment</td>
<td>Election</td>
</tr>
<tr>
<td></td>
<td>County/Provincial Government</td>
<td>Local Landowners</td>
</tr>
<tr>
<td>Residence</td>
<td>No Restriction</td>
<td>Local</td>
</tr>
<tr>
<td>Property Qualification</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The reform finalized in 1875 and effectuated in 1876 was meant to introduce the Russian judicial system being put in place throughout the Empire beginning in 1864.\(^9\) It has restructured the administration of justice by, among others, separating the administrative and judiciary branches and creating a classless jurisdiction, removing the remaining feudal elements. Jurisdiction was divided into two groups of courts separate from each other: the Peace Judiciary and the General Judiciary. The two groups of courts administered both civil and penal law but were distinguished by the weight of tried cases. [abridged]

The Peace Judiciary consisted of Peace Courts and Municipal Courts, which were grouped together into joint peace court districts to form second-instance courts known as Congresses of Justices of the Peace. Peace Courts held jurisdiction over administratively-defined cities and typically their jurisdiction would cover one, but in some instances two cities or a part of a city (e.g. in Warsaw). Municipal Courts held jurisdiction over the countryside (including the degraded cities) and the jurisdiction of a single court was legally capped at 4 municipalities, and in practice covered either 3 or 4 municipalities (Russia 1876, 80). Peace and Municipal Courts both operated as courts of first-instance and will be my primary focus.

In principle, the Peace Judiciary dealt with criminal proceedings over offenses carrying a maximum of 1 year imprisonment or a fine of up to 300 rubles (Godlewski 1881, 99).\(^10\) Adjudicating civil lawsuits, it would deal with cases where the amount of liabilities or damages does not exceed 250 rubles (115). This was increased to 300 rubles in 1882 (Godlewski 1885, 206–11), with more cases being channeled to the Peace Judiciary. General Judiciary proceeded over cases where these thresholds were exceeded.

These thresholds, although at first impression rather modest, meant that the vast majority of court cases would go through the Peace Judiciary. For example, of all the legal cases brought to courts of first-instance in the Kingdom in 1893, 95% of them would be

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9. Decision to extend the judicial reform to Poland was undertaken already in 1864. The delay in implementation stemmed from disagreements about how to adapt it to the Kingdom and because of political infighting at the highest administrative levels of the Empire (Bereza 2003).
10. For comparison, at the turn of the 19\(^{th}\) and 20\(^{th}\) century an industrial laborer would earn an average of 240 rubles per year (Jezierski and Leszczynska 2010, 161).
filed at Municipal and Peace Courts (see Appendix Table A6). Thus, the Peace Judiciary played a leading role in the country’s justice system.

Apart from their territorial jurisdiction, the primary difference between the two types of courts was how judges were selected. As opposed to Russia proper, justices of the peace in Polish cities were not elected but appointed by the Russian government. This was a political decision that allowed for ethnic Russians to be judges in cities which were centers of the independence movement (Bereza 2010, 605). The primary motivation was to ensure that the judicial system will not provide protection to any “revolutionary elements” (Spasowicz 1892, 348–9) as urban citizens were the most active participants in the 1863 uprising (Głębocki 1894). In the countryside, a judicial system with inclusive institutions that incorporate the peasantry as a social class most disposed favorably toward the Tsardom was seen as more optimal than appointing scarce Russian bureaucrats (Spasowicz 1892, 356–7). Rural municipalities had democratic institutions in place, and Municipal Court judges were elected by local populations eligible to vote, i.e. the landowners but not other property owners.11

Qualifications required from candidates for municipal and peace judges were identical, other than the education minimum being secondary in peace and primary in municipal courts, and most importantly—municipal judges needed to own a sufficient amount of land as to be eligible for being elected chief of municipality, but no such restriction applied to peace court judges (Godlewski 1881, 80–1; 1881, 89; Russia 1867, 37–41). This ensured that in municipal courts both non-landowners and outsiders not vested in local interests could not be appointed as judges. Table 2 summarizes the differences in jurisdiction between cities and hamlets. I draw a parallel and argue that Peace Courts, with their Russian outsiders appointed as judges, were better suited to deliver impartial justice compared to Municipal Courts, where local judges who were landowners elected by

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Retained City Status</th>
<th>Lost City Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Court Type</td>
<td>Peace Court</td>
<td>Municipal Court</td>
</tr>
<tr>
<td>Territory</td>
<td>City</td>
<td>Multiple Municipalities</td>
</tr>
<tr>
<td>Judge Selection</td>
<td>Appointment</td>
<td>Election</td>
</tr>
<tr>
<td>(S)electorate</td>
<td>Minister of Justice</td>
<td>Local Landowners</td>
</tr>
<tr>
<td>Judges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residence</td>
<td>Non-Local (Russians)</td>
<td>(Typically) Local</td>
</tr>
<tr>
<td>Property Qualification</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Education Minimum</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
</tbody>
</table>

11. Several provisions allowed for the Russian state to intervene and either oppose candidates or appoint their own. Although practiced, the majority of judges—e.g. 94% in 1876 and 70% in 1894—were still being elected by local voters; even among those appointed, less than half were ethnic Russians (Głębocki 1894; Korobowicz 1995, 107–8). It was striven for appointed judges to be local as well (Bereza 2002, 26). Interventions were motivated either by political disloyalty (toward the Russian state) or insufficient education of the candidate (Chwalba 1999, 192).
other local landowners would preside. The preeminence of landowners over the municipal judicial system and lack of their accountability to non-landowners would put urban (craft/merchant/industrial) interests in a relatively unfavorable position and consequently, city jurisdiction, with its absence of democratic institutions, would provide for a better environment to conduct non-agricultural economic activity.

4 Empirical Strategy

I argued that the introduction of democratic political institutions that came with city status degradation has privileged landed relative to urban elites, whereas in cities no such privileged position of landed interests existed. This had important consequences for economic development, especially when local interests were rival. It created a relatively more favorable environment to industry, trade and commerce in non-degraded cities, which led to their relatively faster urban growth.

I expect self-interested landed elites to pursue policies that are favorable to them. They impose their preferred policies through their control of the judiciary and city government. Landed elites may find it in their interest to block any policies favorable to non-landed groups, even when they are universally beneficial, as long as that would empower urban elites relative to landed elites.

To test this argument, I look at four types of evidence. First, we are interested in directly identifying whether lack of city status and the presence of democratic institutions were related to economic development (Hypothesis 1). I proxy for economic development with population growth. To get at the proposed mechanism, we then want to verify whether indeed towns with city status differed in their policies (Hypothesis 2) and partiality of the judiciary compared to those without (Hypothesis 3), and I do so by looking at the efficiency of courts and provision of local public goods.

Finally, I want to show that the governance of degraded towns was less favorable to non-landed interests, and that city status had an effect on the social and economic structure of towns (Hypothesis 4). I verify this by looking at the emergence of industry and whether towns with city status were the preferred location of such investments.

4.1 Data

I am interested in the characteristics of the 452 towns that had city status prior to the reform. To ensure that institutional differences can be attributed to city status alone, I exclude Warsaw—it was governed by separate regulation—as well as all other provincial capitals and the city of Łódź—as they were subjected to the control of provincial, not county government. I exclude from analysis two towns that lost city rights at a later time: Góra Kalwaria (in 1883) and Zawichost (1888). I also exclude cities that received city rights in-between, that is, Sosnowiec (1902) and Pulawy (1906). This leaves us with 439 towns, of which 336 were deprived of city status (the treatment group), and 103 remained as cities (the control group). Appendix Table A1 provides summary statistics for key variables. Appendix Table A2 summarizes pre-treatment characteristics of the two groups. Appendix A.3 describes data sources in detail.
4.2 Outcomes of Interest

4.2.1 Population Growth

Constructing a measure capturing different levels of and changes in economic development across time at the city level is challenging in any setting with a historical dimension. I follow Acemoglu, Johnson, and Robinson (2002), Bairoch (1988), De Long and Shleifer (1993), and Stasavage (2014) and use urban population as an (albeit imperfect) indicator of economic development in preindustrial times. I argue that city status and the resulting lack of inclusive institutions was associated with greater levels of economic development and thus, greater population growth.

The main period of interest stretches from 1869—the year the city reform was introduced until 1909—the last year before World War I for which data for both degraded and non-degraded cities is available. This 40-year period is long-enough to capture long-term trends and at the same time not being impacted by the massive shock of World War I, together with the subsequent socio-economic and socio-political developments.

To ensure we are not simply picking up the effect of pre-existing trends whereby some towns were growing slower already prior to the city reform, being more likely to become part of the treatment group, I also look at the effect of treatment on pre-treatment population growth as a placebo outcome. Finding a positive association between treatment and pre-treatment population growth would suggest that the outcome of interest is not caused by the treatment but rather, that I am picking up the effect of an unobserved confounder. To capture pre-existing population growth, I look at changes between 1858 and 1869, and 1825 and 1858.

4.2.2 Public Goods

To capture provision of public goods, I focus on the provision of public health. While an individual’s health may seemingly appear to be a personal matter, the context of 19th century Europe where epidemics of contagious diseases were commonplace and where important advances in medicine and epidemiology were made suggests a much broader societal importance of the provision of public health.

In the context of the Russian Empire and the Congress Poland specifically, I focus on the presence of doctors and hospitals as two important public goods in the area of public health that were largely provided or subsidized at a local level. Local provision of public health is a reflection of local wealth, e.g. the population’s ability to pay for medical services either directly or for these to be subsidized through public expenditures or charitable contributions, as well as the need for such services.

The need is generally apparent when comparing the Kingdom relative to the rest of Europe. In 1911, the Kingdom had 1 doctor per 13,500 inhabitants compared to 1 per 2,000 in Prussia and 1 per 1,000 in Austria (Jaworski 1911). A similar shortage existed with regard to hospitals—there were only 5.4 beds per 10,000 inhabitants in the Kingdom, compared to more than 20 in Prussia and Austria (Męczkowski 1900). Moreover, public health provision was especially important wherever industrialization proceeded. Factories and plants in the Russian Empire were a major source of infectious diseases such as cholera, which thrived in crowded and unsanitary conditions of 19th century industrial
enterprises (Poddubny et al. 2014). That is why providing health care was important in places where industry developed. But it was also important for political reasons—to appease the growing labor movement which was to threaten political stability of the Empire (Fijałek 1968).

Already in 1866 attempts were made to make industrialists responsible for the provision of health care to industrial workers. It was stated that large factories should provide 1 hospital bed per 100 workers. These norms were generally not adhered to because no enforcement mechanism was ever put in place, but interestingly, there also existed a practice of “outsourcing” hospital beds to municipal hospitals (Więckowska 2007). This points to an important observation—there existed efficiency gains in the public provision of health care whereby industrialists would either subsidize hospital beds in public hospitals or these would more generally be subsidized through local public expenditures.

We would expect that those towns that move away from agriculture will have both a greater need and a greater capacity to expand public health provision. Since my theory argues that early democratization that came with losing city status will be associated with greater relative agrarianization, I associate city status and a lack of democratic institutions with more public health.

I collect information on doctors from Rossiyskiy Meditsinskiy Spisok (Ministry of Internal Affairs, Russia 1914), a comprehensive government publication listing all doctors in the entire Russian Empire by name and place of residence. I use this information to establish the number of doctors residing in each town in 1914. I then create two variables: a dummy variable coded 1 if there was at least one doctor residing in a town, and a variable for the number of doctors per 1,000 inhabitants in 1914, using 1909 population as a proxy. I also collect information on hospitals from Meczkowski (1900), who lists all hospitals in 1897. I create a binary variable coded as 1 if a town had a hospital, and 0 otherwise.

4.2.3 Effective Judiciary

City status determined how judges were selected and the territorial extent of judicial jurisdiction, creating a difference in who adjudicates and who the judges report to. This should have consequences for impartiality of judges in degraded cities, where due to democratic institutions judges would be chosen by landowners from among landowners. I expect that this would demonstrate itself in cases where one of the parties to a judicial proceeding is a landowner while the other one is not, i.e. where the interests of landowners and non-landowners are rival. This would have been the case with civil law procedures.

To capture this empirically, in an ideal situation we would want to compare court decisions in similar cases but where the plaintiffs and defendants either are or are not landowners, and observe any differences. The empirical setting that I operate in does not provide such detailed evidence, and approximations must thus be used. Taking a step back, in the context of Congress Poland a judge could act partially in one of two ways: 1) by adjusting the proceeding and judgment in favor of one of the parties, or 2) adjusting the date of a hearing, possibly delaying it indefinitely. The former is more direct, but can be ineffective if a party successfully appeals the ruling. Still, we could capture this empirically by observing differences in appeal rates depending on who adjudicates. I consider such evidence in Appendix B.5.
The latter way is indirect (in the sense that the case is still open), but it is highly effective especially in delaying and postponing an unfavorable decision. In fact, this was one of the most common examples of bribery in the judiciary (Chwalba 2001, 93). Corruption notwithstanding, I expect that the rivalry of interests between landed and non-landed individuals would result in landowner judges in degraded cities applying this practice more commonly, resulting in greater delays in civil proceedings in Municipal Courts than in Peace Courts that operated in cities. A backlog of cases in a court is symptomatic of strategic delays in adjudicating cases by judges, but also more broadly reflective of the quality of a judiciary, particularly important for urban elites whom we could expect to more commonly engage in market transactions.

I utilize an official reference yearbook for the judiciary in the Kingdom, *Pamyatnaya Knizhka Varshavskogo Sudebnago Okruga* (Commemorative Book of the Warsaw Judicial District) (Varshavska Sudebnaya Palata 1899). For each Municipal and Peace Court, it reports the number of cases that were brought to court and that were adjudicated in 1898, as well as the number of cases that remained unadjudicated from previous year. The numbers are reported separately for civil and criminal law cases. To capture the delay in proceedings, for each court I calculate the ratio of civil cases remaining from previous year to the number of civil cases that were adjudicated in 1898. I then match each town in my sample with its respective court.

To ensure that any differences in the backlog of cases are not driven by unobserved differences in the quality of courts and judges, or their corruptibility, I consider the backlog of criminal law cases as a placebo outcome. We would expect many similarities in how these factors affect both criminal and civil procedures, but one important difference is that, in principle, the interests of town dwellers are not rival in criminal cases. If there are no systematic differences in courts and judges, we would expect to see no difference in the placebo outcome between degraded towns and cities.

4.2.4 Socio-economic Structure

City status, through its lack of inclusive institutions that favor landowners, affects local policies, creating a more favorable environment for urban vis-à-vis landed interests. If that is indeed the case, we would expect the structure of the local economy in towns with and without city status to diverge. Since the studied period coincided with early industrialization which picked up after the 1864 abolition of serfdom,12 we would like to see whether industry was more likely to emerge in towns with city status.

For data on industry, I use the two-volume gazetteer of Bobiński and Bazewicz (1901-1902) containing a list of all cities, towns and villages in the Kingdom in 1900. Besides information on the location of each settlement, it also contains information on the presence of any industrial plants. I use this information to create a binary variable equal to 1 if a town had at least one industrial plant (see Appendix Table A3 for details).

The emergence of industry could be driven by pre-reform proto-industrialization. To account for that, I utilize an 1866 archival document (RGIA 1866, F. 1290 Op. 4 D. 759) containing the list of all cities in the Kingdom, specifying the presence of industries, if

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12. For example, Załęski (1901, 138) writes that industry has only picked up after 1871.
any. Using this information I create a binary variable equal to 1 if the town had at least one (proto-)industrial enterprise in 1866.

One may be concerned that my coding for the presence of industry groups into the same category industrial plants of vastly different nature, e.g. steam-engine-powered weaving plants and sawmills, resulting in a comparison of “apples to oranges”. As an alternative, I consider information on whether the town was connected to the telegraph (or telephone) by 1900. The telegraph revolutionized long distance communications by allowing for near-instantaneous transmission of information across space. I anticipate that its development is symptomatic of industrialization and commerce, which were to benefit the most from its use. For this reason, I expect the telegraph to first emerge in the non-agricultural towns where the demand for telegraphic services would be greatest.

To provide additional evidence that the emergence of industrial plants is forestalled by local elites, I look at the presence of breweries and distilleries as a placebo outcome. Breweries and distilleries are similar to other industrial plants in many respects, but they differed in two important ways. First of all, their presence precedes early industrialization and the time of treatment, meaning that whatever breweries and distilleries were established, their owners would have been or become part of the local elite. Secondly, propotion laws have limited any market competition because they granted local monopolies for the production and sales of alcohol. These have been gradually lifted since 1866 starting with an excise tax reform which lifted consumption taxes on alcohol levied by towns (Poland 1866a, 6–91) and a reform which allowed for free purchase of alcohol from elsewhere (Poland 1866b, 30–1). As a consequence of those reforms, brewing and distilling have undergone a significant transformation where the number of plants has decreased but overall production has risen. The number of breweries decreased from 427 in 1870 to 194 in 1913, despite a nearly five-fold increase in total beer production (Puš 1984, 222). The number of distilleries has fallen from 1,144 in 1870 to 487 in 1912, while production increased almost four-fold (218).

Finding a positive effect of the treatment variable on the placebo outcome would suggest that differences in the presence of industry between towns may be driven by local market conditions that may or may not be related to city status. If, however, we establish that the treatment affects the presence of industry controlled by urban elites but not that controlled by landed elites, this would provide strong evidence in support of the proposed mechanism whereas landed elites forestall development.

4.3 Model Specification and Identification Strategy

I am interested in the effect of losing city status and the resulting introduction of inclusive political institutions—the treatment ($W = 1$)—on future development outcomes in towns ($Y$). Formally, the quantity of interest is the average treatment effect on the treated (ATT), defined as: $\tau_{ATT} = E[Y_i(1) - Y_i(0)|W_i = 1]$.  

13. Propotion laws granted the town owner (in private towns) or the citizens (in government towns) a monopoly on the production of beer and spirits. Thus, owners of breweries or distilleries must have been of the elites or in an arrangement profitable to the elites. Puš (2016) shows that 65.9% of distilleries in 1879 were controlled by landowners.
As shown in Appendix Table A1, cities that lost their status in the reform were, on average, smaller and poorer. Because their pre-treatment characteristics differed so much, we cannot simply attribute differences in outcomes to treatment status. This is particularly important because I expect the criteria used to select cities into treatment to be directly related to our outcomes of interest—resulting in confounding. This can be addressed by identifying cities in the treatment and control groups that are comparable along the relevant characteristics, but one lost its city status while the other one did not, and drawing inference based on the observed differences in outcomes. If the two groups of cities are balanced in terms of the observed confounders, then any differences in outcome cannot be a result of those confounders.

To that end, I use propensity score methods. Their use allows for comparing observations that are comparable in their characteristics other than treatment status, helping alleviate the issue of confounding. [abridged]

Fortunately, the Constitutive Committee meeting protocols provide ample evidence on all the information that was available to the Committee and on what criteria were used in selecting cities for degradation. This allowed me to identify the factors that determined treatment status, minimizing the chance that the unconfoundedness assumption is violated. The following three variables are used to estimate the propensity score: 1) ln(Population) (1869), 2) ln(City Revenues) (1858), 3) ln(Building Insurance Value) (1858). Appendix Table A10 considers sensitivity of my results to alternative propensity score specifications.

I use a propensity score weighting technique, Inverse Probability of Treatment Weighting (IPTW), to establish causality. Propensity score weighting is a procedure that uses the estimated probability of receiving treatment to create sampling weights used for creating a pseudo-population of observations that are balanced between the treatment and control groups. The weights are defined as $\hat{\omega}_{ATT} = W + (1 - W) \cdot \frac{\hat{p}(x)}{1 - \hat{p}(x)}$, where $\hat{p}(x)$ is the estimated propensity score. IPTW is an alternative to another popular set of propensity score techniques, matching, which has a couple of important advantages. First of all, as opposed to many matching procedures, weighting does not require us to discard any data that is unmatched. We can use all observations but assign them a different weight depending on the probability of treatment. Secondly, weighting is a flexible method that can be incorporated into the regression framework, allowing for easy implementation.

5 Results

5.1 Propensity Scores Estimation and Assessment of Identifying Assumptions

[abridged]

5.1.1 Estimation Results

Figure 1 presents estimation results for the effect of treatment and the resulting introduction of democratic institutions on population growth (this and subsequent figures include 95% confidence intervals). The first model looks at the percentage population change be-
tween 1869 and 1909. I find the loss of city status to reduce population growth over the subsequent 40 year period by 64.2 percentage points.

Figure 1: Treatment Effects—Population Growth

To ensure the results are not driven by unobserved trends, I consider two placebo outcomes: population growth between 1858 and 1869, and between 1825 and 1858. The effect is statistically insignificant at conventional levels for both placebo outcomes, providing evidence that population growth did not diverge between the treatment and control groups until after the city status reform. See Appendix Table A7 for details.

Table 3 presents results for public health outcomes. The first model contains OLS estimates for the ATT on the number of doctors per 1,000 inhabitants. I find that democratization that came with treatment is associated with having approximately 0.5 fewer doctors per 1,000 inhabitants, or about the mean number of doctors in the pseudo-population created by propensity score weighting. Model 2 considers an alternative measurement—a dummy variable for whether the town had at least one doctor. In this and subsequent probit models I present both the probit coefficient ($\beta$) and the marginal effect of treatment ($Mfx$). I find that loss of city status was associated with an approximately 22 pp. decrease in the probability of having a doctor by 1914. Model 3 looks at whether loss of city status had an effect on the probability of having a hospital by 1897. I find the treatment to be associated with a 6.5 pp. decrease in the probability of having a hospital, but this effect is statistically insignificant at conventional levels.

This result may be driven by relative path dependence in the existence of hospitals over time, which once built, cannot be relocated as easily as individual doctors can relocate. Moreover, there existed few hospitals to begin with. We do possess qualitative evidence on the role of public expenditures for the establishment and operation of hospitals. Męczkowski (1900) presents information pertaining the establishment of individual
Table 3: Treatment Effects—Public Health

<table>
<thead>
<tr>
<th></th>
<th>Doctors per 1000 inh.</th>
<th>Doctors (Yes= 1)</th>
<th>Hospitals (Yes= 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>β</strong></td>
<td><strong>β</strong></td>
<td>Mfx</td>
<td><strong>β</strong></td>
</tr>
<tr>
<td>ATT</td>
<td>-0.522**</td>
<td>-1.240**</td>
<td>-0.218***</td>
</tr>
<tr>
<td></td>
<td>(0.176)</td>
<td>(0.425)</td>
<td>(0.064)</td>
</tr>
<tr>
<td>(Pseudo) R²</td>
<td>0.333</td>
<td>0.160</td>
<td>0.030</td>
</tr>
<tr>
<td>Observations</td>
<td>155</td>
<td>155</td>
<td>155</td>
</tr>
</tbody>
</table>

Note: Model 1: OLS. Models 2 and 3: Probit. Robust SEs in parentheses. * p<0.05, ** p<0.01, *** p<0.001

hospitals that (at times) also informs us about their funding. Six hospitals that opened since 1867, all of them in towns with city status, are reported to have obtained some sort of financial support from local government, from local industrialists and citizens, or both. One hospital that closed is reported to have closed because of a lack of funding, and that was in the degraded town of Koniecpol (Męczkowski 1900, 3).

Figure 2 plots treatment effects on the effectiveness of the judiciary. I consider three types of models. The first is a baseline model estimated by OLS. One may be concerned that the results of this model are driven by differences in the volume of cases that the courts consider, and that judges may need to prioritize criminal over civil cases. To account for that, the second model additionally controls for the log of the total number of cases that entered court in 1898. There are instances in which more than one town belongs
to the jurisdiction of the same court, which violates the assumption of independence between observations. To account for that, the third model is estimated as a random effects model. Across the models, I find that the loss of city status is associated with an increase in a backlog of civil cases equal to 12.1-12.7% off all civil cases adjudicated in 1898. At the same time, the effect on the placebo outcome is close to zero and statistically insignificant. Democratically-elected judges in Municipal Courts serving degraded cities delay adjudicating civil cases at a substantially higher rate than judges in Peace Courts serving remaining cities, while no significant difference exists with respect to criminal cases. Appendix Table A8 presents these results in full.

Figure 3: Treatment Effects—Socio-economic Structure

Figure 3 shows whether introduction of inclusive political institutions impacted the economic structure of towns (see Appendix Table A9 for complete results). Model 1 estimates the effect of treatment on the presence of industrial enterprises by 1900. Towns with democratic institutions were 30.2 pp. less likely to have at least one industrial plant. To ensure that this is not driven by pre-treatment proto-industrialization, Model 2 controls for proto-industry in 1866. Treatment reduces probability of industrialization by 26 pp. As an alternative variable, I consider the presence of a telegraph (or telephone) by 1900. Receiving treatment is associated with a 37.5 pp. decrease in the probability of having the telegraph. Models 4 and 5 consider two placebo outcomes, the presence of breweries and of distilleries. I find the marginal effect of treatment on the placebo outcome to be small, positive, and statistically insignificant, providing additional evidence for the proposed mechanism whereby landed elites forestall developments favorable to urban elites.

[The conclusion, references, and appendix were removed to meet the page limit. The unabridged version of the paper may be accessed at https://drive.google.com/file/d/1cBBDUGaq0EBpyOojc9luST5phIw73T_/view.]