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Regional GDP Disparities in the Interwar Lithuania

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The research on economic cross-regional inequalities in the European Union (EU) countries serves to inform the EU cohesion policy. Recently, it was enlarged by research on the long-run trends in the changes in crossregional inequalities. Rosés JR & Wolf N (eds) The Economic Development of Europe's Regions. A Quantitative History since 1900 (Routledge, 2019)). However, this research covers only older EU member countries. We apply the same methodology of the real GDP estimation, invented by Frank Geary and Tom Stark, to the investigation of long-run trends in the cross-regional economic productivity disparities in Lithuania. Among the three Baltic countries, Lithuania is the most challenging case for research of this kind because of the instability of its interwar borders. Poland seized by force the Vilnius region from 1920 to 1939. Lithuania was compensated in 1923 by the Klaipėda (Memel) region, ceded by Germany. In March 1939, it recaptured Klaipėda, but in October 1939, Lithuania regained Vilnius. Therefore, interwar and contemporary Lithuania are not strictly comparable as territorial units. Another challenge is that Geary and Stark's methodology best applies to census data. However, Lithuania during the interwar period had only one census in 1923. To evaluate the regional disparities during the interwar period, we apply the RAS methodology to obtain the working population by region and sector. Finally, we estimated the σ-convergence coefficients. Comparing the ratio of regional GDP per capita to the national GDP per capita, Klaipėda (Memel) was in the leading position. Still, surprisingly, Šiauliai was in second place, and the capital region, Kaunas, was only in third place. We also noted that during the last years of interwar Lithuania,

nearly at the time when the prolonged economic depression related to the global Great Interwar Recession 1929-1933 ended, divergence started to increase dramatically.

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