Abstract

The country of Czechoslovakia split in 1993 and the two successor countries of Czech Republic and Slovakia have since chosen their own paths. The literature does not provide an extensive examination of the impact this event had on the economic trajectories on both of the countries, neither does it provide a consensus on the general effect of country secessions. To answer this question, we used the synthetic control method and created a counterfactual Czechoslovakia, the development of which we then compared to the cumulative development of the areas of the Czech Republic and Slovakia.

The results suggest that the split did not have a significant impact on the economic performance of both countries. However, we concluded that the method fails to account for the shocks coming after the treatment and unless the countries of the donor pool have the same reaction to the shock, the results will be biased. Hence why we conclude that the application of this method to cases of comparative economics provides results with limited validity and the role of external shocks in these cases must be assessed.