

*LIST OF FIGURES* ix  
*LIST OF TABLES* xi  
*PREFACE* xv  
*LIST OF ABBREVIATIONS* xix

ONE

Introduction 1

TWO

Mainsprings of Growth 15  
*Probing Deeper* 20  
*Institutional Foundations of the Golden Age* 31  
*Institutions and History* 40  
*The End of the Golden Age* 47

THREE

The Postwar Situation 52  
*Reconstruction* 54  
*The Transition to Sustained Growth* 59  
*Normalization and the Political Economy of the Marshall Plan* 64  
*German Economic and Monetary Reform* 70  
*Obstacles to Integration* 73  
*The 1949 Devaluations* 77  
*The European Payments Union* 79

FOUR

Dawn of the Golden Age 86  
*Understanding Growth in the 1950s* 89

<i>Germany as Pacesetter</i>	93
<i>Next in Line</i>	97
<i>The Laggards</i>	118
<i>Toward the Golden Age</i>	129

## FIVE

Eastern Europe and the Planned Economy	131
<i>The Strategy of Central Planning</i>	133
<i>Problems of Central Planning</i>	142
<i>Partial Reforms</i>	146
<i>Planning Innovation</i>	154
<i>Regional Integration</i>	155
<i>The End of Reform</i>	160

## SIX

The Integration of Western Europe	163
<i>Initial Steps</i>	167
<i>EFTA and the British Dilemma</i>	176
<i>Economic Effects</i>	178
<i>The Common Agricultural Policy</i>	182
<i>The Luxembourg Compromise</i>	185
<i>Inklings of Monetary Integration</i>	187
<i>The Common Market as an Established Fact</i>	195

## SEVEN

The Apex of the Golden Age	198
<i>The Heyday of Extensive Growth</i>	199
<i>The Incorporation of the European Periphery</i>	204
<i>Wage Explosion and Labor Conflict</i>	216
<i>The End of the Golden Age</i>	223

## EIGHT

Mounting Payments Problems	225
<i>Italy's Crisis</i>	226
<i>Britain's Problems</i>	229
<i>The French Crisis and the German Response</i>	238

*The Collapse of Bretton Woods* 242  
*The European Response* 246

## NINE

Declining Growth, Rising Rigidities 252  
*The Productivity Slowdown* 253  
*Innovation* 257  
*Unemployment* 263  
*Stabilization in Britain* 277  
*The EMS Initiative* 282  
*The EMS in Operation* 286  
*The Legacy* 290

## TEN

The Collapse of Central Planning 294  
*The Survival of Central Planning* 296  
*The Collapse of Communism* 301  
*Recession and Adjustment* 303  
*Dilemmas of Transition* 308  
*Economic Response* 310  
*German Reunification* 318  
*Normalization and Integration* 328

## ELEVEN

Integration and Adjustment 335  
*The Single Market* 336  
*Integration in Practice* 341  
From the Delors Report to the Maastricht Treaty 346  
*The EMS Crisis* 357  
*The Transition to Monetary Union* 366  
*EMU and Its Implications* 370  
*Adjustment and Growth* 377

## TWELVE

Europe at the Turn of the Twenty-first Century 379  
*Employment and Growth* 381

<i>Reducing Unemployment</i>	388
<i>Implications for European Unemployment</i>	393
<i>Productivity Growth</i>	398
<i>Eastern European Prospects and Western European Implications</i>	406
<i>Economic Prospects</i>	412

### THIRTEEN

The Future of the European Model	414
<i>Battle of the Systems</i>	419
<i>The Shadow of History</i>	423

### APPENDIX

Sources of Growth	427
-------------------	-----

REFERENCES	433
------------	-----

<i>INDEX</i>	461
--------------	-----

## FIGURES

2.1 Capital-labor and output-capital ratios, 1955-1970	49
3.1 Organisation for European Economic Cooperation (OEEC) production and trade, 1947-1955	82
3.2 Change in intra-OEEC exports from selected European countries, 1950-1952	82
4.1 The starting point and growth in the 1950s	91
4.2 Official and black-market exchange rates in France, 1950-1960	102
4.3 Unit labor cost indexes in U.S. dollars	103
7.1 The starting point and growth in the 1960s	203
7.2 Nominal wage changes, 1966-1970	217
7.3 Unemployment and vacancies in West Germany, 1950-1969	219
7.4 Profit shares in selected Western European countries, 1955-1975	221
8.1 Profit share and growth of money wage rates in Italy, 1954-1975	226
9.1 Real commodity prices (including oil), 1950-2005	256
9.2 Average annual growth rate of gross domestic product per employed worker, 1973-1979	262
9.3 Unemployment rates in Europe and the United States, 1973-1993	265
9.4 Inflation and unemployment in Europe, 1959-1982	266
10.1 Political coalitions and economic reform	316
11.1 Inflation rates in Italy and Germany, 1980-1992	361
11.2 Deficit of general government, EU-15, 1989-2004	369
12.1 Gross domestic product per hour worked, 1970-2003	383

12.2 Tax rates versus average annual working hours per employed person	386
12.3 Control of corruption, 2002	410
A.1 Real gross domestic product per worker relative to the United States, 1950-2000	431

## TABLES

2.1	Growth of gross domestic product, 1820-2000	16
2.2	Growth of real gross domestic product per capita, 1820-2000	17
2.3	Gross domestic product per capita and per hour, 1913-2003	18
2.4	Average annual growth rate of output per worker and its determinants, 1950-2000	21
2.5	Growth of intraregional and total exports, 1950-2002	25
2.6	Research and development indicators	26
2.7	Output and inflation stability, 1961-2000	30
2.8	Cost competitiveness after exchange-rate changes, 1947-1955	39
3.1	Production in Western Europe	57
4.1	Annual growth rate of output per worker and its determinants, 1950-1960	88
4.2	Output per person in agriculture, manufacturing, and services in Western countries, 1959	89
4.3	Growth of gross domestic product and its components in the Netherlands, 1951-1973	99
4.4	Central government budgetary expenditures and receipts, France, 1945-1954	111
4.5	Gross fixed nonresidential investment as a percentage of gross domestic product, 1951-2000	128
5.1	Sectoral composition of investment in Eastern Europe, 1953-1956	137
5.2	Average annual growth of net material product and gross industrial output, 1951-1960	140

6.1	Intraregional exports as a percentage of total exports, 1955-1970	179
6.2	Average tariff rates in the European Community before and after integration	181
7.1	Contribution of different supply sources to dependent nonagricultural employment growth in the European Economic Community	218
8.1	Italian current account, 1959-1965, selected years	228
9.1	Average annual rate of growth of output per worker and its determinants, 1960-2000, various subperiods	255
9.2	Gross expenditures on research and development by principal sources of funds as a percentage of gross national product, 1963-1971, selected years	258
9.3	Unemployment rates, 1960-2004	264
9.4	Coordination indexes, 1960-1995	269
9.5	Unemployment benefit replacement rates, 1960-2001	271
9.6	Employment protection, 1960-1999 and 2003	273
9.7	Total tax rate on labor, 1960-2000	274
10.1	Transition economies: Output performance, 1989-2004	304
10.2	East Germany-West Germany comparison of basic labor market indicators, 1991-2000, selected years	320
10.3	Productivity trends in East Germany, 1992-2000	323
10.4	Trade between CEEC-10 and EU-15	331
11.1	Indicators of cumulative competitiveness changes	362
12.1	Employment rates by gender and age group, 1970-2003, selected years	382
12.2	Sources of labor productivity growth, United States and EU-15, 1980-2001	399
12.3	Information and communications technology investment as a percentage of gross domestic product, 1980-2001	404
12.4	Labor productivity by sector in the euro area and the United States, 1986-2000	405
12.5	Income disparities in the enlarged European Union, 2004	408

A.1	Convergence decomposition relative to the United States, 1950-2000	430
A.2	Convergence decomposition relative to the United States, 1950-2000, various subperiods	432