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Recovery and Development
in the European Periphery (1945-1960)

edited by

Andrea Bonoldi / Andrea Leonardi

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Introduction

by *Andrea Bonoldi* and *Andrea Leonardi*

Tackling a subject such as the reconstruction of Europe after World War II means taking on a series of questions which economic historiography has already examined from various viewpoints using a multiplicity of sources. Therefore it could seem risky to put oneself to the test, with the intention of supplying a new contribution to understanding, or at least with the objective of widening the range of useful elements towards providing a key enabling an increase of knowledge in a field which has recently been investigated with great competence and authority¹. However, it cannot be ignored that even topics and situations which have been analysed with indisputable efficacy can lend themselves as objects of new research, especially if conducted from a different viewpoint. And taking these considerations as its departure point, the small working group for economic history within the Department of Economics at the Università degli Studi in Trento has given itself the task of adding its own contribution to the evaluation of a page of enormous interest in contemporary economic history.

Indeed, following a long investigation conducted in addition to the historiographic literature also and above all on a mass of documents of diverse provenance, only partially explored up until today, the Trento research group has decided to win the participation of a large community of scholars in its research, with the aim of making a comparative analysis of the results arrived at. This work group, which 15 years ago was the originator of a *Seminario permanente sulla storia dell'economia e dell'imprenditorialità nelle Alpi in età moderna e contemporanea* (*Permanent Seminar on the History of the Economy and Entrepreneurship in the Alps in Modern and Contemporary Times*), with the initiative being taken in

Translation by Joy Avery

¹ Amongst recent works, the following should be considered: P. TEMIN, *The Golden Age of European Growth Reconsidered*, in «European Review of Economic History», 6, 2002, 1, pp. 3-22; B. EICHENGREEN, *The European Economy since 1945: Coordinated Capitalism and Beyond*, Princeton 2008; P. TEMIN - G. TONIOLO, *The World Economy Between the Wars*, Oxford 2008.

2007 and which is brought together in the publication of the current volume, has therefore intended to enter onto a scene of enormous range, crossing the horizons of the Alpine regions.

In effect, the work carried out during the first seven seminar cycles, starting at the Department of Economics in 1994, remained circumscribed within a field which is indubitably interesting, even if only partially able to reflect the dynamics experienced by the wider economic scenario of the European continent. In this manner, the seminar activities developed during these years on the one hand allowed a methodological confrontation between academics from all parts of the Alps and, on the other hand, enabled a more in-depth study of the key topics such as the role of entrepreneurship, of labour and entrepreneurial mobility, of diversification in development, the role played by tourism and the innovative drive deriving from the initiation of the electrification of the Alpine regions². The objective, perhaps somewhat ambitious, which was developed when starting the seminar meetings, was to offer to the increasing number of surveys carried out in the most recent years in the field of economic history a forum for comparison which would result in less fragmentation of the studies. The majority of them, though sustained by correct methodology and backed up by an efficient use of sources and bibliography and, indeed for this reason indisputably useful in terms of the increase of knowledge which they were able to assist, did not always prove to be upheld by a shared methodology, so that a comparative examination was not possible. The efforts undertaken were therefore aimed at defining an adequate conceptual apparatus and analysis instruments involving a type of comparative study between French, Swiss, Italian, Austrian and German scholars.

Therefore, in order to overcome the risk of a simple juxtapositioning of often imposing research, but using a diversified methodology, an

² See also in this regard the «Proceedings» of the first seven seminar sessions: L. TREZZI (ed.), *A che punto è la storia d'impresa? Una riflessione storiografica e due ricerche sul campo*, Trento, Università degli Studi di Trento, 1995; L. TREZZI (ed.), *Imprenditorialità nelle Alpi fra età moderna e contemporanea*, Trento, Università degli Studi di Trento, 1997; G.L. FONTANA - A. LEONARDI - L. TREZZI (eds), *Mobilità imprenditoriale e del lavoro nelle Alpi in età moderna e contemporanea*, Milano 1998; A. LEONARDI - A. BONOLDI (eds), *L'economia della montagna interna italiana: un approccio storiografico*, Trento, Università degli Studi di Trento, 1999; A. LEONARDI (ed.), *Aree forti e deboli nello sviluppo della montagna alpina*, Trento, Università degli Studi di Trento, 2001; A. LEONARDI - H. HEISS, *Tourismus und Entwicklung im Alpenraum. 18.-20. Jb. Turismo e sviluppo in area alpina. Secoli XVIII-XX*, Innsbruck 2003; A. BONOLDI - A. LEONARDI (eds), *Energia e sviluppo in area alpina. Secoli XIX-XX*, Milano 2004.

attempt at synthesis and conceptualisation was proposed to facilitate the inter-relationship between the surveys carried out in different centres. The Alpine zone therefore, and the analysis carried out of the different situations present in this area, thanks to the initiative consolidated over time around the Department of Economics of the University of Trento, has become a zone of experimentation with regard to a new type of relationship between the different economic historiographies.

The area of comparative analysis was consolidated with instruments which gradually became more efficient; therefore, with the 8th seminar cycle, although without abandoning the Alpine regions, it was possible to proceed even further, widening the scope of the surveys on the subject of reconstruction after the war and in the specific role played by the European Recovery Program. In Trento in 2004, in fact, an important historical debate took place on the subject: *La rinascita economica dell'Europa: il Piano Marshall ed i suoi riflessi sull'area alpina* (*The economic renaissance of Europe: The Marshall Plan and its effects on the Alpine zone*). The comparison developed in that meeting³ established the premise of a further in-depth study of a series of unresolved problems around the scenarios which have defined the economic recovery in which the Alpine regions have proved to be co-protagonists in a transformation of enormous importance for the whole of Europe.

Consequently, on the basis of the requests which emerged during the development of the 8th seminar cycle, it was decided to set out the organisation of the 9th cycle in new terms, whilst also making use of the funds made available by the Ministry of Education, University and Research within the framework of a research project of national interest⁴, as well as the collaboration offered by the Centro per gli studi storici italo-germanici / Centre for Italian-German Historical Studies of the Bruno Kessler Foundation of Trento. In view of the wide interest and the coming-together of a number of scholars, it was decided to base the discussion on what had emerged from the comparison on the topic of post-war recovery in the Alpine regions in order to carry out a series of

³ A. BONOLDI - A. LEONARDI (eds), *La rinascita economica dell'Europa. Il Piano Marshall e i suoi riflessi sull'area alpina*, Milano 2006.

⁴ The Prin 2005 (2005137548-005), coordinated at the national level by Alberto Cova and entitled: «Intervento pubblico, dirigismo e programmazione economica in Italia: continuità e cambiamenti (1922-1956)». The research unit of the University of Trento, coordinated by Andrea Leonardi, looked specifically at the topic: «Banking system role: from the functional specialization to the territorial diversification».

considerations of even wider scope. Keeping in mind the particular skills and the terrain of the survey as carried out by the research group under the Department of Economics of the University of Trento, the field in which a profitable comparison was to be developed could not have been identified in the more dynamic areas, but was to focus on those environments, such as the Alpine areas which presented different elements considered to be marginal in the route taken towards the achievement of the most important goals of modern economic development. Therefore, a conference was organised with scholars from all over Europe to compare the results of their research on the topic of economic recovery after World War II in those European areas considered to be marginal.

The point of departure for the research presented at the conference which took place in Trento on the 6th and 7th December 2007 was the examination of the great turbulences which marked the pre-war period. Subsequently, the analysis of post-war reconstruction was looked at and the different routes taken by countries which were able to avail themselves of aid under the Marshall Plan in comparison to those which could not. Specifically, the trajectories of development in the following years were taken into consideration, against the background of the growing confrontation between the Western and Eastern blocks. One of the objectives of this confrontation between economic historians and economists from different fields of study was, thus, to compare the processes of reconstruction and development of the post-war period in countries with differing systems of economic regulation.

In the introductory phase of the conference, over-precise definition of the concept of periphery as in the title was avoided with the aim of allowing the different meanings which this term acquires according to its context to emerge. In general, the contributions referred to the economic marginality of an area, noting the delay in terms of structural transformation, or the less good performance under the profile of the principle economic indicators in comparison with areas which were more developed. Whilst in some cases this was done with specific reference to the national dimension – for example for Poland, ex-Yugoslavia or Hungary – in other contributions the comparison was made more importantly within the states themselves, taking the aggregates as defined according to the different criteria (regions, mountain areas, rural areas) into consideration.

When talking about periphery in economic-historical terms, accounting for the position of such a concept within a theoretical debate is inevitable. Currently, two principal trends can be identified. The first is a tributary

of the conceptual elaborations by Immanuel Wallerstein, who, within the framework of his postulation of a world-system, identifies a core, a semi-periphery and a periphery which are defined on the basis of a division of labour with a precise hierarchy in favour of the first. The core concentrates production with the highest value added, whilst the periphery essentially supplies raw materials, agricultural products and labour itself. The persistence of this disequilibrium, which translates into evident diversification both in the structure of the economy and in the distribution of income, is for Wallerstein the condition per se for the survival of the system, in which shifts, although they happen, are viscous and cause friction⁵.

The perspective from which the literature on convergence confronts the relationship between the core and the periphery is decidedly different: starting with the neoclassical model of growth, centred on the role of capital, labour and technology, it has postulated the possibility for less developed systems to recuperate the delay in comparison with more advanced countries, in particular thanks to an increase in productivity⁶. This thread of research has produced a notable amount of studies, both methodological and empirical. The latter have highlighted that in reality there does not seem to exist any convergence in terms of rates of growth and output per capita in the poorer countries in relation to the richer. A convergence process exists, but only for determinate groups of countries during determinate historical periods⁷; moreover, the model seems to respond better in reality, when the variables such as human capital, investment in R&D, commercial openness, the quality of the institutions operating within a given system are also taken into consideration⁸. From

⁵ I. WALLERSTEIN, *The Modern World-System*, 3 vols, New York 1974, 1980, 1988. For a recent overview of the works of I. WALLERSTEIN, *World-Systems Analysis: an Introduction*, Durham - London 2004.

⁶ One of the most often quoted articles of all times in the economic literature deals with exactly this topic: M. ABRAMOVITZ, *Catching-up, Forging Ahead and Falling Behind*, in «Journal of Economic History», 46, 1986, pp. 385-406.

⁷ Cf. S.N. BROADBERRY, *Convergence: What the Historical Record Show*, in B. VAN ARK - N. CRAFTS (eds), *Quantitative Aspects of Post-War European Economic Growth*, Cambridge 1996, pp. 327-346.

⁸ In particular, Easterly and Levine suggested that «something else» beside the accumulation of factors of production explains diversity with regard to development processes. The role of this surplus, the total factor productivity, was already identified as crucial by Solow. It is nevertheless important for the efficacy of the models to understand what is and what influences the TFP: for Easterly and Levine, for example, an important role is

an economic historian's viewpoint, one of the most interesting results of the debate is the understanding of the complexity of the variables which influence the development processes.

A diversification of developmental dynamics is also to be noted within single states, with groups of regions which tend to converge in their growth paths in many similar aspects – this being the case both in the Austrian Länder about which Mathis speaks, and also the northern Italian mountain areas discussed by Bonoldi – whilst other situations, such as in southern Italy as illustrated by Ritrovato, phases of convergence alternate with phases of distancing from the national trend⁹.

The common elements which characterise the cases presented in this volume are many, and range from the necessity of reconstructing situations profoundly affected by the war, to the introduction of more or less significant institutional changes¹⁰, to the role played in the development processes by public actors. Obviously the historical context in which these dynamics were played out is different. In particular, the experience of the Eastern European countries is marked on the one hand by a strong impulse towards structural transformation of the economy in a situation which was still profoundly marked by agriculture, and on the other hand, by the consolidation of socialist institutions and the creation of the Soviet political and economic block¹¹ with the partial exception of Yugoslavia, as shown in the contribution by Bicanic. In this period, the inheritance of the war played an extremely important role, not only in the definition of the political destiny of the countries involved, but also in determining conditions for and the necessity of an economic recovery¹². In particu-

also played by economic policies. W. EASTERLY - R. LEVINE, *It's Not Factor Accumulation: Stylized Facts and Growth Models*, in «The World Bank Economic Review», 15, 2001, 2, pp. 177-210. For a comparison with regard to Europe: N. CRAFTS - G. TONIOLO, *Reflections on the Country Study*, in N. CRAFTS - G. TONIOLO (eds), *Economic Growth in Europe Since 1945*, Cambridge 1996, pp. 576-581.

⁹ Cf. V. DANIELE - P. MALANIMA, *Il prodotto delle regioni e il divario Nord-Sud in Italia (1861-2004)*, in «Rivista di Politica Economica», 97, 2007, 3-4, pp. 267-315, in particular pp. 287-289.

¹⁰ This observation could also be valid for Spain, if instead of World War II, the effects of the Civil War are taken into consideration.

¹¹ Cf. I.T. BEREND, *Central and Eastern Europe 1944-1993: Detour from the Periphery to the Periphery*, Cambridge 1996; B. EICHENGREEN, *The European Economy*, pp. 131-162.

¹² Cf. B.F. ABRAMS, *The Second World War and the East European Revolution*, in «East European Politics & Societies», 16, 2002, pp. 623-664, and E.A. RADICE, *The Collapse of*

lar, the destruction of capital in the Eastern European countries was hugely important, most importantly in Poland, Yugoslavia and Hungary. Keeping this in mind, in terms of the radical transformation in step with the rapid conversion to planned economies, massive nationalisations and the limited assistance given by the Soviet Union, the capacity of these countries in terms of recovery during the post-war era seems surprising for a number of reasons¹³.

Convergence, which as we have seen, does not seem to hold up empirically as a general rule, seems however to be notable among the European countries during the post-war «Golden Age» (1950-1973)¹⁴. In this period, the impulses generated by the process of reallocation of resources were determining after the distortions resulting from the thirty-year period of contraction in international trade¹⁵, and for Western Europe, the Marshall Plan¹⁶ and the establishment of a favourable institutional context had a relevant role, as is demonstrated by the contribution by Vera Zamagni¹⁷ in this volume. If, as already seen, the economies of the «periphery» of Eastern Europe rapidly recovered after the war, the Western countries grew more quickly in the following decades, succeeding in gradually integrating even the countries in their own southern «periphery» such as Spain, Portugal and Greece¹⁸. The difficulty in this sense for the Eastern

German Hegemony and its Economic Consequences, in M.C. KASES - E.A. RADICE (eds), *The Economic History of Eastern Europe 1919-1975*, vol. 2: *Interwar Policy, the War and Reconstruction*, Oxford 1986, pp. 495-519.

¹³ Cf. D. ALDCROFT - S. MOREWOOD, *Economic Change in Eastern Europe since 1918*, Aldershot 1995, pp. 100-104; W. BRUS, *Postwar Reconstruction and Socio-economic Transformation*, in M.C. KASES - E.A. RADICE (eds), *The Economic History*, pp. 564-641.

¹⁴ B. EICHENGREEN, *The European Economy*, pp. 87-93, 198-204.

¹⁵ P. TEMIN, *The Golden Age*, p. 19. A recent empirical study on this subject in T. VONYÓ, *Post-War Reconstruction and the Golden Age of Economic Growth*, in «European Review of Economic History», 12, 2008, pp. 221-241.

¹⁶ B. EICHENGREEN - M. UZAN, *The Marshall Plan: Economic Effects and Implications for Eastern Europe and the USSR*, in «Economic Policy», 14, 1992, pp. 14-75; J. BRADFORD DE LONG - B. EICHENGREEN, *The Marshall Plan: History's Most Successful Structural Adjustment Program*, in R. DORNBUSCH et al. (eds), *Postwar Economic Reconstruction and Lessons for the East Today*, Cambridge MA 1993, pp. 189-230.

¹⁷ Cf. B. EICHENGREEN, *Institutions and Economic Growth in Europe after World War II*, in N. CRAFTS - G. TONILOLO (eds), *Economic Growth*, pp. 38-70.

¹⁸ B. EICHENGREEN, *The European Economy*, summary table on p. 17 (partially reproduced in the text by Aleksander Surdej in this volume) and pp. 204-216. Although initially the trend of productivity in Spain and Portugal tends to diverge from that of Eastern Europe,

countries was also connected – as pointed out by Surdej with regard to Poland – to problems of microeconomic efficiency within the system, which planned economies were not able to resolve¹⁹. These problems are also referred to by Peter Csillik and Tamas Tarjan to explain the lack of convergence towards the respective potential growth path of planned economies. Their text, although methodologically eccentric in comparison with the rest of the volume, constitutes a useful reference also because it takes into account the latest methodological developments in the debate about convergence as mentioned above.

The topic of the role of public intervention is still important in various respects, therefore, to facilitate understanding of light and shadow in the development processes both on a national and regional level²⁰. In the case of rural Spain, as discussed by Ernesto Clar and Fernando Collantes, the typical trends of a modernisation process – increase of agricultural productivity and reduction of rural population – appear to have manifested themselves along a different path from that which was foreseen by the interventionist politics of the Franco regime, which prevalently aimed at the maintenance of traditional countryside social structures. In the case of Bavaria, as analysed by Maximiliane Rieder, however, the mix between local politics endowed with efficient instruments for intervention and a strong orientation towards development and innovation and a dynamic economic environment have led to outstanding results.

The question of development highlights very well how the pendulum of research uniting history and economics tends to oscillate continually between elegant theoretical suggestions for syntheses and the force of the

analogously, with regard to that seen in Czechoslovakia and East Germany, over a long period the presence of major foreign investments and structures more easily assimilated in the market economy, despite the continuance of more authoritarian regimes, enabled the creation of conditions conducive to recovery. Cf. B. VAN ARK, *Convergence and Divergence in the European Periphery: Productivity in Eastern and Southern Europe in Retrospect*, in B. VAN ARK - N. CRAFTS (eds), *Quantitative Aspects*, pp. 271-326, in particular pp. 300-303.

¹⁹ See also on this topic J. KORNAI, *The Socialist System. The Political Economy of Communism*, Oxford 1992, in particular pp. 228-301.

²⁰ Andrea Boltho maintains that in some ways the European «Golden Age» was the result of the impulse to deploy the forces of a market economy on one hand, and the ordering function, the stimulus and the redistribution resulting from public intervention, at least in the creation of positive expectations on the other. A. BOLTHO, *Reconstruction after Two World Wars: Why the Differences?*, in «The Journal of European Economic History», 30, 2001, 1, pp. 429-456, in particular pp. 452-453.

argument on the one hand, and the precise analysis of real cases which often do not or hardly respond to theoretical expectations on the other. This is also valid, although in a different measure, for both the approaches to the core-periphery relationship as mentioned above. Different studies on convergence seem, for example, to assign a relative relevance to the processes of accumulation of production factors. But the historical reality underlying the concept of «capital» tends to escape these generalisations, and in various national cases the modalities, also qualitative, of formation of capital appear important for the definition of the possibility of growth of the economic system. It does not seem coincidental that a notable aspect of public intervention in favour of diffusion of development processes should be in relation to the politics of credit²¹. As already mentioned, in Italy a research project of national interest has recently come to its conclusion, which looked at public interventions between 1922 and 1956, in the framework of which the research unit at the University of Trento examined the topic *Banking system role: from the functional specialization to the territorial diversification*. In the inter-war period, the restructuring of the bank system appreciably increased public presence in this sector, whilst the legal provisions dating from the years 1936-37 decreed the end of mixed banking, imposing a clear specialisation on banks. If comprehensive stability of the system was thus guaranteed, it is also true that the rigidity introduced was not always conducive to satisfaction of requests for credit from the economy. Starting from the 1950s, and in order to fulfil these demands, the system of regional Mediocrediti was created; institutes of a public nature which were obliged to facilitate financing for businesses in their area. In this volume, Andrea Leonardi has portrayed the general structure of the special credit institutes in Italy in the post-war period, whilst Cafaro and Locatelli have analysed the motivation for and general structure of the Mediocrediti system. Cinzia Lorandini, meanwhile, has focussed her attention on the business of the Mediocredito in the Trento region, from where arise, although not only, the connections between the institute's activity and local politics. And this is one of the aspects of the critical analysis which Silvio Goglio carried out on local credit institutes and their incentivising function with regard to production activities in the Italian experience.

As highlighted by Alberto Cova in his concluding remarks, an important added achievement of this conference was the possibility of a comparison

²¹ A. LEONARDI, *Il sistema bancario nella ricostruzione del Paese: tra vecchi e nuovi equilibri*, in A. COVA - S. LA FRANCESCA - A. MOIOLI - C. BERMOND (eds), *La banca* (Storia d'Italia. Annali, 23), Torino 2008, pp. 605-660.

on the question of reconstruction after World War II between the reality of a market economy and that of a planned economy. Recently, Albert Carreras underlined the comparison in precise terms of the paths taken by different European zones in their post-war reconstruction as seemingly not possible, given the current stand of studies, also because «the data on GDP, output of the so-called 'Eastern European countries' (those which were included in the zone under Soviet influence) are not comparable for those years with the rest of the continent (i.e. the part of Europe which had a market economy)»²². By means of the contributions of the scholars who met in Trento from Germany, Austria, Hungary, Poland, Croatia, Spain and Italy it was possible to open up a first chink in the wall which divided two historiographies and two different methods of investigation. The result of this opening will be the ability to present some fruits of the work, still considered by some to be unripe, such as those which arise from a first comparison, but undoubtedly it will also open up a route which, if entered into with conviction, could prove to be a path leading to undeniably positive results.

²² A. CARRERAS, *Presentazione*, in P. BATTILANI - F. FAURI, *Mezzo secolo di economia italiana 1945-2008*, Bologna 2008, pp. VII-VIII.

Institutional Innovations and Economic Growth in Europe in the Post-World War II Era

by Vera Zamagni

The 1950s and 1960s were a true «golden age» for European economic growth¹, both for the West and the East, as can be seen in Table 1. Never before had rates of growth been so substantial in Europe² and this performance lasted long enough not to be simply explained by the «recovery» after a major and destructive war. This paper aims at revisiting the major causes of such a brilliant performance, with particular focus on the differences between East and West and with an eye on the legacy left to the subsequent period.

1. *Similarities*

The first point to be made derives from the time-honoured but still valid conceptualisation by Alexander Gerschenkron and other scholars pointing to the «advantages of backwardness» that could accrue to Europe in view of its retardation with reference to the world leader, clearly represented by the USA. Europe had started to lose its leadership already with WWI and the disastrous settlement of it that crippled Germany and dislocated all the European economies; then it was further weakened by the 1929 crisis, receiving the final blow by WWII. There was a lot of room for «catching up» with the technological frontier through massive investments. Indeed, such investments were very high in Western Europe, but even higher in Eastern Europe, where – according to the statistical accounts – they reached incredible levels, sometimes beyond 50% of GDP.

¹ P. TEMIN, *The Golden Age of European Growth: a Review Essay*, in «European Review of Economic History», 1997, 1, part 1.

² The best comprehensive surveys have been produced in the twin volumes N. CRAFTS - G. TONIOLO (eds), *Economic Growth in Europe Since 1945*, Cambridge 1996 and B. VAN ARK - N. CRAFTS (eds), *Quantitative Aspects of Post-war European Economic Growth*, Cambridge 1996.

Table 1. *Rates of growth of per capita GDP 1950-1973*

	Per capita GDP level in 1950 (USA=100)	Rates of growth 1950-1973	Per capita GDP level in 1950 (USA=100)	Rates of growth 1950-1973
Austria	39	4.94	Albania	3.59
Belgium	57	3.55	Bulgaria	5.19
Denmark	73	3.08	Cecoslovakia	3.08
Finland	44	4.25	Hungary	3.60
France	55	4.05	Poland	3.45
West Germany	41	5.02	Rumania	4.80
Italy	37	4.95	Yugoslavia	4.49
Netherlands	63	3.45	Eastern Europe	3.79
Norway	57	3.19		
Sweden	70	3.07	Soviet Union	3.36
Switzerland	95	3.08		
United Kingdom	72	2.44	USA	2.45
Ireland	36	3.04		
Greece	20	6.21	Japan	8.05
Portugal	32	5.66		
Spain	25	5.79		
Western Europe		4.08		

Source: A. MADDISON, *The World Economy. A Millennial Perspective*, Paris 2001.

Table 2. *Percentage labour force in agriculture*

	1950	1973
Soviet Union	48	26
Czechoslovakia	40	18
Hungary	53	24
Romania	74	53
Bulgaria	82	32

Source: I. BEREND, *An Economic History of Twentieth-Century Europe*, p. 170.

In the West, a substantial support to this catching up was intentionally offered by the USA³ through the Marshall Plan and the other intensive economic relations that were developed by the multinationals⁴, by the defence industry and by cultural exchanges, so much so that we can speak of a process of «Americanisation» of Europe. This role of «facilitator» played by the USA was unknown in history and made the European imitation more rapid. In the East, there was another model – central planning – that had been developed in the 1930s in the USSR and, although over the long run it proved unsustainable, in the early stages it gave good results in terms of rapid industrialisation, as had happened in USSR in the 1930s⁵.

Besides the help coming from established models to be copied, there were at least three other causes at work to explain the rapidity of the European catching-up process, two of which are common to West and East, while the third is the one marking the differences. First, we have to

³ See H.G. SCHRÖTER, *Americanization of the European Economy: A Compact Survey of American Economic Influence in Europe since the 1880s*, Dordrecht 2005, when he writes: «After the Second World War [the Americans] definitely wanted to transfer their ... more efficient and superior solutions to Europe», p. 58.

⁴ «American foreign direct investment in Europe played a direct and indirect role in the transfer process ... A massive, direct transfer of American technology took place in connection with large issues, such as nuclear power generation or the assembly of advanced aircraft, but at the same time incremental transfers of a less spectacular nature occurred in all industries», *ibidem*, p. 61. See M. WILKINS, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, Cambridge MA 1974.

⁵ See for the results of the initial five-year plans in USSR, R.W. DAVIES - M. HARRISON - S.G. WHEATCROFT (eds), *The Economic Transformation of the Soviet Union, 1913-1945*, Cambridge 1994. However, the USSR could only win WWII with the determining support of the USA, which provided substantial amounts of armaments and other commodities through the Lend Lease scheme, as was demonstrated by M. HARRISON (ed.), *The Economics of World War II*, Cambridge 1998.

mention the large reservoir of under-employed labour existing in Europe, most of which was to be found in agriculture⁶, ready to move to cities without great expectations in terms of wages, given the very precarious starting positions. This produced a vast flow of internal migration from the countryside to the cities, which is a well-known phenomenon for the West, but it is to be found in the East as well, as can be seen in Table 2. The second common cause is the reconstruction of the German economy, divided in two parts, one belonging to the West and the other to the East. Both parts played major roles in their respective areas in leading Europe in technological advancements and provided the stronghold for the new wave of European industrialisation.

But all these factors could not have been fully exploited without an institutional context shaped in such a way as to be conducive to coherent and sustained efforts. As Barry Eichengreen wrote: «Growth requires more than just markets ... It requires institutions capable of addressing coordination problems that cannot be solved at arm's length»⁷. The importance of this issue and the large differences between West and East impose a separate treatment of the type of institutions on which the European economies could rely.

2. *A new era in the West*

In the West the immediate post-war years witnessed the creation of coordinating institutions at various levels – national, European and world wide – which radically discontinued past routines. At the national level, the problem was how to avoid conflicts and uncooperative behaviour among classes and lack of coherence between State policies and private initiatives. The institutions put in place to face the issue of conflicts were of three types: a) a generalisation of the welfare state in such a way as to avoid the most common uncertainties and cushion the negative implications of migration, changing jobs and restructuring of enterprises; b) the effort to win the support of strong trade unions, offering them participation in the shaping of growth strategies (this implied the adoption of

⁶ This mechanism was first underlined by Lewis 1954 and systematised in the book by C. KINDLEBERGER, *Europe's Postwar Growth*, New York 1967.

⁷ B. EICHENGREEN, *The European Economy Since 1945. Coordinated Capitalism and Beyond*, Princeton NJ 2007, p. 40. Today institutional economics is a thriving branch of economics, led by various scholars, among them the economic historian D. NORTH, *Understanding the Process of Economic Change*, Princeton NJ 2005.