

The Economic Consequences of the War

The ‘German Question’ dominated much of modern European history. In 1945, Germany was defeated and conquered, yet World War II did not destroy the foundations of her economic power. Dr Tamás Vonyó revisits Germany’s remarkable post-war revival, tracing its roots not to liberal economic reforms and the Marshall Plan, but to the legacies of the war that endowed Germany with an enhanced industrial base and an enlarged labour force. He also shows that Germany’s liberal market economy was in reality an economy of regulated markets, controlled prices, and extensive state intervention. Using quantitative analysis and drawing on a rich historiography that has remained, in large part, unknown outside of Germany, this book reassesses the role of economic policy and the importance of wartime legacies to explain the German growth miracle after 1945 and the sharply contrasting experiences of East and West Germany.

Tamás Vonyó is Assistant Professor of Economic History at Università Commerciale Luigi Bocconi, Milan. He has written extensively on economic growth in post-war Europe and Germany’s economic development during World War II.

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West Germany's Growth Miracle after 1945

Tamás Vonyó

Bocconi University



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Frontmatter
[More Information](#)

To my father, *Édesapámnak*

Contents

<i>List of Figures</i>	<i>page</i> xi
<i>List of Tables</i>	xiii
<i>Preface</i>	xv
<i>List of Abbreviations</i>	xix
Introduction	1
1 The Audit of Defeat: Initial Conditions	19
1.1 Production Capacity	22
1.2 Population and Living Conditions	31
1.3 The Economics of Allied Occupation	41
2 The Economic Geography of Post-War Dislocation	52
2.1 The Urban Housing Shortage and Its Consequences	56
2.2 Data on Regional Economic Development	61
2.3 The Economic Impact of Wartime Destruction	69
2.4 The Economics of Urban Reconstruction	76
3 Growth Accounts for West German Industry	87
3.1 Industrial Output and Factor Inputs	89
3.2 Industrial Labour Productivity	97
3.3 Total Factor Productivity	101
3.4 The Limits of Post-War Growth	107
4 Made in Germany: The Post-War Export Boom	129
4.1 Alternative Explanations	131
4.2 The Geography of German Exports	145
4.3 The Commodity Structure of German Exports	163
4.4 The Export Boom and Industrial Expansion	169
5 Managing the Miracle: Economic Policy	173
5.1 1948 and the Social Market Economy	175
5.2 The Marshall Plan in Germany	190
5.3 Fiscal Policy: From Contraction to Expansion	203
5.4 Monetary Policy: From Expansion to Contraction	211

Cambridge University Press
978-1-107-12843-9 — The Economic Consequences of the War
Tamás Vonyó
Frontmatter
[More Information](#)

x	Contents	
	Conclusions	219
	<i>Appendices</i>	227
	<i>Bibliography</i>	241
	<i>Index</i>	267

Figures

1.1	The territorial losses and division of Germany after World War II	<i>page</i> 21
1.2	The population of the largest West German cities in 1939 and 1946	35
1.3	Indexes of net industrial production in the western occupation zones	43
1.4	The growth of money supply and sovereign debt in Nazi Germany	48
2.1	Gross fixed investment in the West German economy, 1936–1943	53
2.2	Regional levels of industrialisation and unemployment as of 30 December 1950	54
2.3	The rate of unemployment and industrialisation in large cities as of 13 September 1950	55
2.4	Regional variation in housing damage and the settlement of expellees	73
2.5	The share of expellees in non-agricultural employment on 13 September 1950	78
2.6	The share of urban and rural counties in total and industrial turnover	81
2.7	Average hourly wages for male workers in West German industry in 1957	85
2.8	Average weekly working hours for male workers in West German industry	85
3.1	The composition of net industrial production in 1950 prices	93
3.2	The industry origins of labour-productivity growth	102
3.3	Growth potential derived from spare capacities in West German industry	108
3.4	Reconstruction growth in West German industry	111

xii	List of Figures	
3.5	Rebalancing industrial capacities during the reconstruction phase	113
3.6	The composition of industrial employment in Germany during World War II	117
3.7	The employment structure of East German refugees in West Germany in 1961	125
4.1	The development of export and import prices and the Terms of Trade	135
4.2	The growth of West German exports and imports in current prices	137
4.3	The growth of West German exports and imports in 1962 DM prices	138
4.4	The expansion of the German Empire between 1937 and 1942	147
4.5	The geographical distribution of German/West German exports	148
4.6	The reorientation of German exports within Europe, 1936–1942	155
4.7	The diversion of West German exports after 1950	161
4.8	The share of major product groups in German/West German exports	166
4.9	The share of the federal states in West German exports	168
5.1	Investment programs financed by ERP assets by sector between 1949 and 1952	196
5.2	The value of ERP aid to the main recipient countries in the fiscal year 1949–1950	200
5.3	The overall fiscal surplus and total government spending as a share of GNP	204
5.4	Total housing construction and the share of social housing in the Federal Republic	209

Tables

1.1	Expellees and refugees in the West German population after World War II	<i>page</i> 35
2.1	The wartime destruction of urban housing in West Germany	57
2.2	Population and industrial employment in West Germany and West Berlin	64
2.3	Total turnover in West Germany and West Berlin in million 1950 DM	66
2.4	The development of urban and rural counties in West Germany, 1939–1950	70
2.5	The development of urban and rural counties in West Germany, 1950–1961	80
3.1	Index of net industrial production	90
3.2	Index of gross industrial capital stock	94
3.3	Index of annual labour hours	96
3.4	Index of industrial labour productivity	98
3.5	Decomposing labour-productivity growth in West German industry	101
3.6	Index of capital intensity in West German industry	105
3.7	Growth accounts for West German industry 1938–1970	105
3.8	Annualised growth accounts for West German industry, 1950–1970	106
3.9	The regional distribution of gross value-added in German industry in 1936	109
3.10	Domestic and international trade in industrial products in 1936	110
3.11	The number of skilled workers in West German industry	120
3.12	The skilled-labour ratio of the industrial workforce	122
4.1	German trade with continental Europe during World War II in million RM	154
4.2	Country shares in total German/West German exports	159

xiv	List of Tables	
4.3	Correlations explaining the commodity structure of West German industrial exports	168
4.4	Correlations testing for export-led growth in West German industry	171
5.1	Foreign aid in the Western occupation zones and the Federal Republic	194
5.2	Fiscal stimuli of the federal government and monetary policy in the 1950s	216
A1.1	Estimated average tax rates on total turnover in the federal states	228
A2.1	Estimates of gross capital stock in West German industry at the start of each year: Machinery and equipment	231
A2.2	Estimates of gross capital stock in West German industry at the start of each year: Structures	233
A3.1	Levels of employment in West German industry between 1938 and 1950	236
A4.1	The commodity structure of German/West German exports in million 1950 DM	238

Preface

Werner Abelshauser opened his seminal monograph on the history of the West German economy since the end of World War II with the statement that ‘the history of the Federal Republic of Germany is above all its economic history’ (Abelshauser 1983, 8). This interpretation is reflected in both the national and international historiography of the period. The economic revival of the nascent German state during the 1950s from its devastation a decade earlier has been considered its most remarkable achievement. The earliest contributions Germany made to the rebuilding of Europe and to European integration were fundamentally economic. However, this argument can be easily turned around, for the resurgence of the German economy from the desolate state caused by defeat, destruction, and dislocation was shaped by historical legacies, the long shadows of the war and the conditions it had left behind. As Joel Mokyr (1990) wrote, ‘In economics, history is destiny’.

The Economic Consequences of the War revisits a major debate in German historiography and the economic history of modern Europe. It reveals the wartime origins of the post-war economic success that stunned contemporaries in Germany and captivated so many economists and historians. It is a comprehensive study of the quantitative evidence on both the domestic and external determinants of industrial development in West Germany in the quarter century that followed the most decimating war in modern history. That the German growth miracle, the *Wirtschaftswunder*, was a reconstruction phenomenon is not a novel proposition. It was pioneered by the Hungarian economist Ferenc Jánosy (1969) and brought to the attention of economic historians by Matthias Manz (1985) and Werner Abelshauser (1975, 1983). My aim has been to add quantitative substance to this literature and to synthesise the findings of a rich scholarship that has remained, in large part, unknown to international and non-specialist audiences. The study of detailed regional and industry statistics will demonstrate to the reader that one cannot explain the dynamics of post-war economies without understanding the role of economic geography and production structure, which have been neglected

in the historiography. By filling in these gaps, my work supports an interpretation of the reconstruction theory that is more compatible with the historical evidence, and which also places the role that economic policy played in the *Wirtschaftswunder* into a new context.

After 1945, Germany was no longer the primary source of military threat in Europe but soon re-emerged as the leading industrial power on the continent. Since the economic foundations of German power are commonly believed to be rooted in a uniquely German approach to economic management, which many continue to see as the product of the post-war consensus, a renewed look at this era is highly topical in times when Germany is once more looked up to as the leader of Europe and the beacon of stability on a continent in crisis. In such a light, this monograph shall be of interest to a wider public, even though it focuses on a specific episode of post-war history and even though the aim of the enquiry was to provide an in-depth introspection into the dynamics of post-war economic growth.

The Economic Consequences of the War has been my long-term project and is the outcome of a decade of research. It builds on two dissertations that I wrote in the course of my graduate and doctoral studies. Both have received acclaim; they were awarded the Feinstein Prize for the best graduate dissertation in economic and social history at the University of Oxford in 2008 and the dissertation prize of the International Economic History Association in 2012 respectively. Part of the material presented and discussed in the chapters has been used in research papers published in peer-reviewed international journals, including three articles in the *European Review of Economic History* between 2008 and 2014 and a contribution to the German economic history yearbook, the *Jahrbuch für Wirtschaftsgeschichte*, in 2014. The findings of these analytical investigations are integrated into Chapters 2 and 3, but the book is much more than the reprint of my thesis or the collection of my articles. It is the synthesis of the research I have conducted for many years and describes, in great detail, the contribution of this research to the vast literature that has emerged on the topic.

The monograph is the work of not just a scholar but also a pupil of economic history. Therefore, an exhaustive list of acknowledgements and expressions of due gratitude would be almost as voluminous as the book itself. Most certainly, it could not have been written without the benefit of my former supervisor, Oliver Grant, to whom I am indebted for his astute guidance, his informed comments, and his unwavering personal support. I must thank my Oxford professors, especially Avner Offer, Jane Humphries, and Knick Harley, for they were a constant source of inspiration and my guides into the art of economic history. Mark Spoerer

provided vital support during my first lengthy fieldwork in Berlin in 2008, which was financed by a Scattered European Scholarship from Oxford. Matthias Beer hosted me in Tübingen twice and helped me understand the complexities of post-war displacement in Germany. My examiners, Nicholas Dimsdale and Albrecht Ritschl, offered invaluable advice, worth a great deal throughout my postdoctoral career. Albrecht has become one of my best colleagues and collaborators in the profession. Material from our joint work is included in this monograph, in the final section of Chapter 3. Herman de Jong, who gave me my first job and supervised my postdoctoral research at Groningen University, and other distinguished colleagues of the Groningen Growth and Development Centre helped me expand my skills in quantitative analytical methods, in the fields of both productivity analysis and growth accounting. My research on the theme of this book has been presented at conferences of the Economic History Association, the Economic History Society, the European Historical Economics Society, and the European Social Science History Conference, as well as on congresses of the International Economic History Association, and at numerous research seminars. I must express my most sincere gratitude to all of my colleagues who have shown interest in my work and made constructive comments on how to enhance the fruits of my efforts.

The monograph itself could not have been completed without the help of others. My editor at Cambridge University Press, Michael Watson, provided professional guidance throughout the process. The series editors and the external reviewer helped me improve the manuscript. Their scholarly input is very much part of this book. The chapters that I wrote last were completed in Berlin and London, where invitations from Nikolaus Wolf and Albrecht Ritschl gave me access to libraries and archival resources that I still had to consult. Jaap Sleifer and Jonas Scherner kindly let me use the data they had compiled in their earlier work at the Bundesarchiv in Berlin-Lichterfelde. Tobias Vogelgsang has offered to let me read and cite his yet unpublished dissertation. Throughout my work, I have been assisted by the endowments and financial support of Bocconi University and the Dondena Centre for Research on Social Dynamics and Public Policy. Lastly, and most importantly, I must thank my father, to whom I dedicate this book. Born on the very day when World War II ended in my native Hungary and growing up in the misery that characterised post-war life throughout Europe, he became a professor of history and a passionate educator. Without his love and support, I would not be half the man or the scholar that I am today.

Abbreviations

ASE	Amt für Stahl und Eisen (Verwaltung für Wirtschaft des Vereinigten Wirtschaftsgebiets)
Außenhandel	<i>Der Außenhandel der Bundesrepublik Deutschland</i>
BArch	Bundesarchiv
BDI	Bundesverband der Deutschen Industrie
BdL	Bank deutscher Länder
BW	Baden-Württemberg
CAP	Common Agricultural Policy
COCOM	Coordinating Committee for East–West Trade
DGB	Deutscher Gewerkschaftsbund
DIW	Deutsches Institut für Wirtschaftsforschung
DM	Deutsche Mark
DQP	Differentiated Quality Product
ECA	European Cooperation Act
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Agreement
EPA	European Payments Agreement
EPU	European Payments Union
ERP	European Recovery Program
EStG	Einkommensteuergesetz
FDI	Foreign Direct Investment
FSE	Fachstelle Stahl und Eisen der Verwaltung für Wirtschaft des Vereinigten Wirtschaftsgebiets
GARIOA	Government and Relief in Occupied Areas
GATT	General Agreement in Tariffs and Trade
GDR	German Democratic Republic
IARA	Inter-Allied Reparation Agency
IndBRD	<i>Die Industrie der Bundesrepublik Deutschland</i>
JEIA	Joint Export–Import Agency
KfW	Kreditanstalt für Wiederaufbau

xx Abbreviations

Kultusminister- konferenz	Ständige Konferenz der Kultusminister der Länder in der Bundesrepublik Deutschland
Länderrat	Länderrat des Amerikanischen Besatzungsgebiets
MCC	Ministerial Collecting Center
NRW	North Rhine-Westphalia
OEEC	Organisation for European Economic Cooperation
OEED	Overall Economic Effects Division (OMGUS)
OMGUS	Office of Military Government for Germany (US)
POW	Prisoner of war
Reichsamt	Reichsamt für Wehrwirtschaftliche Planung
RM	Reichsmark
RP	Rhineland-Palatinate
Sachverständigenrat	Sachverständigenrat für Begutachtung der gesamtwirtschaftlichen Entwicklung
SchH	Schleswig-Holstein
SME	Social Market Economy
StatBRD	<i>Statistik der Bundesrepublik Deutschland</i>
StatDR	<i>Statistik des Deutschen Reichs</i>
TFP	Total Factor Productivity
UNRRA	United Nations Relief and Rehabilitation Administration
USSBS	United States Strategic Bombing Survey
Wissenschaftlicher Beirat	Wissenschaftlicher Beirat beim Bundesminis- terium für Wirtschaft