

An Economic History of Twentieth-Century Europe

This new edition of Ivan Berend's leading overview of economic regimes and economic performance from the start of the twentieth century to the present is fully updated to incorporate recent events, including the causes and impacts of the 2008 financial-economic crisis. Praised for its clear prose and uncluttered analytical style as well as its use of illustrative case studies, this is an integrated, comparative account of European economic development from the evolution of capitalism to the fascist and communist regimes and their collapse, and Europe's current economic problems. The book examines both successes and failures in responding to the challenges of this crisis-ridden but highly successful age. It introduces the main factors behind economic growth and the various economic regimes that were invented and trialed. It shows how the vast disparity which had existed between the European regions started gradually decreasing as a result of increased integration.

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An Economic History of Twentieth-Century Europe

Economic Regimes from Laissez-Faire to Globalization

Second Edition

IVAN T. BEREND

University of California, Los Angeles



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To my beloved grandchildren,
Benjamin, Daniel, Esther, and Rebecca



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Foreword and acknowledgments

History does not abide by the strict schedule of the calendar. The economic history of twentieth-century Europe begins somewhat earlier than the century itself and certainly does not end by the close of the last calendar year. In the time span from the late nineteenth century to the early twenty-first century – thus about one-third longer than the calendar twentieth century – the history of the European economy was consistent. It was during this time that laissez-faire capitalism was born, challenged and almost defeated by alternative economic regimes, adjusted, and was eventually reborn. This book covers the long twentieth century of economic history in Europe.

This book plays a special role in my long professional career and maintains a distinctive place among the great number of books I have written and published. Its first edition, published in 2006, was translated into more than a dozen languages and was published across Asia and Europe.

Writing an economic history of an entire continent over the course of longer than a century is probably an over-ambitious enterprise. Several inspirations, however, have prompted me to write one. Starting with my very personal historical experience, I lived through and survived more than eight decades of the period I am going to discuss, and closely watched the latter two-thirds of it. I had personal experiences with economic nationalism in the authoritarian state and its war economy in Hungary. Soon after the war, a Soviet-style command economy was introduced. I actively participated both in attempts to reform it, and, in the 1980s, also in the economic regime change. I closely followed the transformation of the centrally planned economy into a private-market system. At last, in the past quarter of a century, I have lived in the globalized, free market economic regime in the United States. I feel fortunate for this unique, motivating experience.

My long career and numerous publications as an economic historian of nineteenth- and twentieth-century Europe also provided personal inspiration to author a new approach to the various economic regimes of the twentieth century. Some of my good friends and colleagues published broad economic histories: David Landes's classic *The Unbound Prometheus* and Sidney Pollard's *Peaceful Conquest* on the industrialization of Europe covered roughly two centuries between 1760 and 1970. Derek Aldcroft pioneered his *The European Economy, 1914–1970*, and then

expanded it to the end of the century in 2001. Stephen Broadberry and Kevin O'Rourke edited the two-volume *Cambridge Economic History of Modern Europe*, covering the period from 1700 to the present in 2010. Several excellent works covered the interwar period – among others, the thin but essential *The European Economy Between the Wars* by Charles Feinstein, Peter Temin, and Gianni Toniolo. Even more works were published on the unique prosperity after World War II and its sudden end in the 1970s; Barry Eichengreen's important studies, the edited volumes of Nicholas Crafts and Gianni Toniolo, and Andrea Boltho deserve special attention among them. Herman Van der Wee published a world economic history on the post-World War II prosperous third of a century. My most inspiring late friend, Eric Hobsbawm, produced a gigantic opus on the complex world history of the entire twentieth century.

I cannot cease this fragmentary list without mentioning Angus Maddison's excellent historical statistics, which offer a unique source for comparative figures. These works and experiences encouraged me to make my own contribution. They also enabled me to bypass several aspects of the twentieth-century economic history of Europe. In this volume, I will not discuss the various factors of economic growth and the major cyclical pulsation of the economy they vividly discussed and analyzed. I will concentrate on a much less discussed aspect of the century's political economy: the rise and fall of various economic regimes, their interrelations, and impacts. It may also help in understanding the political economy of the process of economic homogenization, which gained momentum in the second half of the century. The European peripheries in the South and East of the continent remained much less industrialized and developed than the advanced core countries in the West until the mid-twentieth century. Tremendous attempts were made and new economic models and policies introduced to catch up with the West. These efforts failed for a long time but, at least in certain peripheral areas, gained momentum during the second half of the century. The failure and the progress of convergence and catching-up with the more advanced regions is an important aspect of the analysis.

I am very grateful to all of my friends and colleagues who provided encouragement and made it possible for me to find a new focus to investigate the century. I include in this list the anonymous reviewers of Cambridge University Press who gave valuable advice to enlarge and finalize the manuscript of this second edition.

As always in my life, research and writing are closely connected with teaching. The courses I have taught over the past twenty-five years at the University of California Los Angeles on the economic history of nineteenth- and twentieth-century Europe, and on the European Union, helped me in working on and thinking about this project for years. I am very grateful to my colleagues and thousands of my students over those years, who created an inspiring intellectual environment for my work. UCLA's Young Research Library, with its unique

collections and superb services, offered the best possible resources. The grants from UCLA's Academic Senate helped me manage the immense statistical work. I am especially grateful to David Summers for his excellent work in copyediting my manuscript, and for the most professional staff of Cambridge University Press who took special care preparing the publication. I am grateful for Michael Watson, executive publisher of History and Area Studies at Cambridge University Press, with whom I have worked for two decades, and who initiated this expanded second edition, based on the first edition's continued success. Last but not least, I want to mention my wife, Kati, for her invaluable contributions, from library research and chart composition to critical reading and commenting on several versions of the manuscript. I accomplished this book with her collaboration.

Ivan T. Berend