Les Trente Glorieuses

Jesús Fernández-Villaverde

University of Pennsylvania

April 11, 2011
The Postwar Arrangement

- End of SWW sees a radically different reordering of the world than the FWW.

- Already in the Atlantic Charter, in August 1941.

- Institutions:

  1. Political: UN, NATO.


  3. Integration: Marshall plan, OECD, EU.
Eight points of the Atlantic Charter

1. No territorial gains were to be sought by the United States or the United Kingdom.

2. Territorial adjustments must be in accord with the wishes of the peoples concerned.

3. All peoples had a right to self-determination.

4. Trade barriers were to be lowered.

5. There was to be global economic cooperation and advancement of social welfare.

6. Freedom from want and fear.

7. Freedom of the seas.

8. Disarmament of aggressor nations, postwar common disarmament.
Bretton Woods

- Why?

- Institutions: IMF, World Bank, GATT.

- Pillars:

  1. U.S. dollar was the reserve currency. Fixed relationship of the dollar to gold ($35 an ounce).

  2. Fixed exchange rates: a peg with a $\pm 1\%$ fluctuation band. Possibility of devaluations/revaluations.

  3. Convertible currencies.

  4. IMF loans for restructuring. World Bank loans for reconstruction and development.
Bretton Woods in Practice

- 1950s: stability and fast growth.


- Era of floating exchange rates.

- IMF and World Bank today.
Whatever the weather
We must move
together
European Union

- Level of international cooperation never seen before.
- Treaties of Rome, 1957: Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany.

- Fours freedom:
  1. Capital.
  2. Labor.
  4. Services.

- Evolution over time.

- Rival institutions: EFTA.
Table 2. Annual rates of growth in Western Europe, 1955–75 (per cent per year).

<table>
<thead>
<tr>
<th>Country</th>
<th>Code</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>AUT</td>
<td>4.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>BEL</td>
<td>3.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>CHE</td>
<td>2.4</td>
</tr>
<tr>
<td>Germany</td>
<td>DEU</td>
<td>3.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>DNK</td>
<td>3.2</td>
</tr>
<tr>
<td>Spain</td>
<td>ESP</td>
<td>5.2</td>
</tr>
<tr>
<td>Finland</td>
<td>FIN</td>
<td>3.8</td>
</tr>
<tr>
<td>France</td>
<td>FRA</td>
<td>3.9</td>
</tr>
<tr>
<td>Great Britain</td>
<td>GBR</td>
<td>2.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>IRL</td>
<td>3.2</td>
</tr>
<tr>
<td>Italy</td>
<td>ITA</td>
<td>4.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>NLD</td>
<td>3.4</td>
</tr>
<tr>
<td>Norway</td>
<td>NOR</td>
<td>3.3</td>
</tr>
<tr>
<td>Portugal</td>
<td>PRT</td>
<td>5.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>SWE</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: Penn World Tables 5.6.
Why?

- Return to stability after 1914-1945.
- Open, democratic institutions.
- Free trade, property rights.
- Peace.
- Catching up with technology.
- Development of modern welfare state.
Death and Transfiguration

- However, inflation had been brewing before.
- Period of monetary instability: only peacetime inflation in the U.S.
- Fiscal problems.
- Increase of structural unemployment in Europe.
- Deep reforms in many countries in the 1980s.
1861–1944 US domestic first purchase price
1945–1985 Arabian Light posted at Ras Tanura
1986–2008 Brent Spot
Source: Energy Information Administration
GREEN FLAG
EVERYONE
WELCOME

YELLOW FLAG
COMMERCIAL
• TRUCKS
• CARS
BURDEN OF PROOF
ON CUSTOMER

RED FLAG
CLOSED
NO GAS
## Data for the US

<table>
<thead>
<tr>
<th>Period</th>
<th>$g_Y$</th>
<th>$s_K g_K$</th>
<th>$s_L g_L$</th>
<th>TFP ($g_A$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929 – 1948</td>
<td>2.54</td>
<td>0.11</td>
<td>1.42</td>
<td>1.01</td>
</tr>
<tr>
<td>1948 – 1973</td>
<td>3.70</td>
<td>1.40</td>
<td>0.77</td>
<td>1.53</td>
</tr>
<tr>
<td>1973 – 1982</td>
<td>1.55</td>
<td>0.69</td>
<td>1.13</td>
<td>−0.27</td>
</tr>
<tr>
<td>1982 – 2004</td>
<td>2.75</td>
<td>0.80</td>
<td>0.96</td>
<td>0.99</td>
</tr>
</tbody>
</table>

- **Key observation:** Productivity Slowdown in the 1970’s.

- **Note:** 1995-2007 look much better.
Reasons for the Productivity Slowdown

1. Sharp increases in the price of oil in 1970’s.

2. Structural changes: more services and less and less manufacturing goods produced.

3. Slowdown in resources spent on R&D in the late 1960’s.

4. TFP was abnormally high in the 1950’s and 1960’s.

5. Information technology (IT) revolution in the 1970’s.