

# **The Economics of Wartime Destruction and Post-War Dislocation**

Factor accumulation and productivity growth in West German industry between 1939 and 1950

By

**Tamás Vonyó**

Balliol College, Oxford

**The paper is still work in progress, so please do not circulate it beyond your seminar group and consult the author prior to making reference to it in published material.**

## **ABSTRACT**

The paper reinvestigates the role of wartime destruction and post-war dislocation in the development of West German industry in the period 1939-50 and tests an underlying assumption of the reconstruction thesis as formulated by Ferenc Jánosy. I aim to show that large-scale industry, which subsequently served as the engine of the economic miracle, faced labour scarcity, not capital shortage, in 1950, contrary to the mainstream view in the German literature. Based on a dataset of industrial branches that I constructed with comparable figures on value-added, employment and capital stock, I demonstrate that capital intensity even increased between 1939 and 1950 – and increased significantly in heavy industry. Hence, labour-supply constraints constituted the most important bottleneck to post-war recovery. Sectoral labour shortage, in turn, resulted from a temporary geographic dislocation of labour reverses due to wartime destruction in urban housing. Finally, I compute branch-specific growth rates of TFP, which strongly indicate that the productivity meltdown in West German industry after the war was not the result of declining capital intensity, but of exceptionally low levels of capacity utilisation and, therefore, of capital productivity.