

## CONVERGENCE OR DIVERGENCE IN EUROPE ? GROWTH AND BUSINESS CYCLES IN FRANCE, GERMANY AND ITALY



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A joint production of Banque de France, the Deutsche Bundesbank and the Banca d'Italia, the book was published in July 2006 by Springer. It is the result of a collaboration between economists of the three Eurosystem central banks. Several articles were drafted in common and summary papers recapitulate the main conclusions of an international conference organised by the Banque de France in June 2005. The book presents the contributions of a joint research group as well as discussions within a panel of European, in particular French, academics participating in the conference.

The Joint Research Project, which was set up in 2004 at the initiative of the Banque de France, investigated the following issues : while the euro area as a whole records weaker growth than its main trading partners – the United States, the emerging Asian economies and China, in particular – there are also disparities between the different countries of the euro area. The existence of growth differentials is however not problematic in itself because differences of the same order of magnitude exist between the various regions of the United States as a result of the regional industrial specialisation. The book shows that growth cycles and short-term fluctuations in France, Germany and Italy are in fact highly correlated: slowdown as from 2001 and recovery since the second half of 2005. The three countries nonetheless present significant differences in terms of medium-term growth. Using sophisticated econometric techniques, the book closely analyses different business cycle measures, the importance of supply and demand factors and lastly, external trade's contribution to these developments.