

ABSTRACT During second half of 1990s the European Union went through substantial change. After fifty years of gradual converging towards the US, in the period from 1995 to 2005 the European productivity growth attained only two thirds of American growth resulting in European productivity level falling from 85 % to 76 % of American level. From the growth accounting perspective the fundamental part of the EU deterioration vis-à-vis the US is on the aggregate level due to decrease of total factor productivity growth. Analysis of industry data reveals that almost the whole difference of the total factor productivity growth between the EU and US is concentrated into the limited number of ICT producing and intensively using industries. On the microeconomic level in the US is visible higher level of market experimentation whereas the workforce is shifting to the most productive firms. Success of American firms in ICT usage is based on lower regulation of American markets, especially labor market, which enables the firms to flexibly change internal organization structure.