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American Economic Growth Post-world war II

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I hereby declare that this submission is my work and that, it contains no material previously published or written by another person nor material which has been accepted for the qualification of any other degree or diploma of a university or other institution.

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Dedication

I dedicate this humble work to my beloved parents, who instilled in me the values of patience and determination,

and who encouraged me to strive for excellence at all times.

I also dedicate it to my two brothers and sister, my best friend and all of my dear relatives, teachers and classmates,

and everyone I know.

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Abstract

The US economy recovered in the 1930s due to government intervention. In 1937, industrial production. The United States had reached a critical juncture in 1929. The federal government abolished gold standards, causing the money supply to expand and thus ending deflationary pressures. the creation of the NFD that guaranteed savings and prevented the further functioning of banks, the creation of public corporations that bought shares in banks where they were in an unsatisfactory state, and the solution the issue that they were subsequently to be bought by profitable banks, the company made a number of significant investments in government projects. The United States was experiencing a major economic crisis due to the collapse of the financial system, business failures, and the effects of the Smoot-Hawley tariff law. Despite flaws, economic growth has recovered on the back of expanded monetary policy that ended deflation, stabilization of the banking system that restored confidence in the system, and income and consumption driven by public investment The company increased and encouraged growth. In 1937, the United States also liberalized trade, laying the groundwork for the resumption of economic integration following World War II.

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List of Abbreviations and Acronyms

GDP: Gross domestic product
AFC: Asian Football Confederation
NWLB: The National War Labor Board
ENIAC: Electronic Numerical Integrator and Computer
NASA: National Aeronautics and Space Administration
TVA: Tennessee Valley Authority Act Of 1933
USMC: the United States Marine Corps
OWI: Operating while intoxicated
NYMEX: The New York Mercantile Exchange
DC: District of Columbia
IMF: International Monetary Fund

General Introduction

General Introduction

The United States became a global force in economic, political, military, cultural, and technological concerns in the decades following World War II.

The post–World War II economic growth, often known as the post-war economic boom or the Golden Age of Capitalism, was a period of global economic prosperity that lasted from 1945 to 1975.

In particular, the United States, the Soviet Union, and Western European and East Asian countries saw extraordinarily strong and sustained growth, as well as full employment. The war had been won, and the forces in the world had been defeated. Rising living standards, expanded possibilities, and a newly developing American culture confident in its future and role in the world replaced the miseries of the previous fifteen years of war and depression.

Middle-class culture became enamoured with consumer goods in the 1950s. Workers increasingly benefited from higher earnings, larger homes, better schools, and more cars and domestic gadgets. In the post-war period, the United States' economy grew at an annual rate of 3.5per cent. Millions of office and manufacturing workers were hoisted into a developing middle class as a result of the significant increase in average family income within a generation.

Between 1946and 1960, there was a huge increase in paid leisure time for working people. By 1960, the 40-hour workweek mandated by the Fair Labor Standards Act in specified industries had become the norm in most workplaces. The majority of workers also had paid vacations, and leisure-related sectors grew in popularity.

Following World War II, the United States established itself as one of the two major superpowers, abandoning its traditional isolationism in favour of greater international involvement.

The purpose of this dissertation is to explore and investigate the intentions and efforts of the US government in imposing its hegemony across all spheres and fields. Moreover, the research will be an integral detailed look at the effects of the war on regimes and the pattern of economic growth, as well as how America resurrected its economy to become the world's most powerful nation.

Therefore, the objective of this study is to draw acceptable findings from the following questions:

1. What factors paved the way to the growth of the US economy after the WWII?

2. What produced the golden years of capitalism in the US economy?

As a result of the study questions stated above, it may be predicted that:

General Introduction

1. Following WWII, the United States owned and built the majority of the ships used to transport goods across the oceans. The nation was by far the most powerful military power. Furthermore, in the years immediately following the war, it was the sole atomic power.

The United States rebuilt Europe and Japan financially through Bretton Woods and the Marshall Plan.

As part of the Marshall Plan following WWII, the United States provided large sums of money to European nations. This money was dedicated to rebuilding these countries' economies, and contracts were typically awarded to US firms. This resulted in the establishment of a long-term export market for the United States.

2. The 1950s and 1960s were regarded as the "Golden Age of Capitalism." Rapid economic and productivity growth occurred during this time period. However, this has changed since the 1970s, and capitalism, particularly in Europe, Japan, and the United States, has approached economic stagnation. It was a time of economic prosperity, with high and consistent levels of economic and productivity growth. However, the primary driver of economic growth is investment. Profitability, in turn, has an impact on investment (higher profit rates lead to higher investment and lower profit rates lead to lower investment).

This dissertation is going to be divided into three chapters. The first one entitled US Economic Recessions post WWII aims to bring up the American's living standards during The Great Depression, and its impact on people's lives. Which many firms failed and unemployment skyrocketed. By 1932, one out of every four workers had lost their jobs. Banks failed, and many Americans lost their life savings, leaving them penniless. Thousands of Americans lost their homes due to a lack of employment and funds.

The second chapter entitled The Renaissance of the US economy. Will introduce the major grounds and efforts that paved the way for the American economy to grow, and a paradigm shift experience to be extended. Will shed light on the period during which the United States established itself as a global power in economic, political, military, cultural, and technological matters.

The third chapter reveals Post-war II reconstruction and development in the Golden Age of Capitalism, will at first place deal with an analysis and various data from historians and economists. Revealing their perspectives and outcomes on the important efforts that led to the US economy's golden years after WWII.

Chapter One

US Economic Recessions post WWII

1. Introduction

The global economic crisis is most likely affecting America more than any other country. The reason for this is that, before to the Great Wall Street Crash of 1929, the entire country was betting on the stock market. Barbers even sold shares, and schoolchildren speculated. Furthermore, the vast majority was speculating with borrowed funds; banks gave credit to customers only for the purpose of speculation. When the crash occurred, the whole middle class was sold out. In the past, the middle class symbolized America's immense spending power. It is now destitute. It has no purchasing power; food, clothing, and shelter are all out of reach.

Money has somehow vanished from the interior of America. The number of bank withdrawals has been astonishing. Depositors withdrew their funds, but they did not appear to reinvest them or transfer them to another bank. It simply vanishes from view. Small provincial banks have been through the most difficult period in their existence. They began by speculating and gambling alongside the rest of America, and in many cases, they used both their reserves and their deposits to do so. Then their clients proceeded to withdraw all of their funds. Bank failures make the news and are covered in newspapers, but the destitution of broad swaths of the populace is ignored. American business believes that "optimism" is the panacea for all ills.

A blind beggar was going down Fifth Avenue with a notice on his back that read: KEEP SMILING. IT IS NOT SO BAD AS ALL THAT.

In the United States, social status is determined more by the dollar than by anything else. If the country's wealth were taken away, it would be nothing more than a smattering of Europe's ignorant with a sprinkling of clever Anglo-Saxons. At the same time, Europe must recognize that America's entire economic fabric is in jeopardy, and that its destruction will have a massive impact on living in every European country.

Though, recessions in the United States is a long-standing and important member of the global business community. A recession is a period when the economy does not grow as fast as it should In 1945, there was a period of stagnation for eight months, the United States has experienced 12 different recessions since World War II, up until the COVID-19 pandemic, which ended the longest period of economic expansion on record. However, the average length of America's post-war recessions has been 10 months, while periods of expansion have lasted 57 months.

Government policies associated with funding these conflicts had a negative impact on the following economic indicators, either during or after the conflicts:

• During times of conflict, government debt and taxation levels tend to increase;

• The percentage of GDP spent on consumption decreased during most conflicts.

• The amount of money invested relative to the size of the economy decreased during most conflicts; and

• Inflation rose as a direct result of or during these conflicts.

Increases in government spending associated with war tend to produce some short-term economic benefits, particularly during periods of conflict spending boom. In contrast, unintended negative consequences occur concurrently or as a result of the war., causing long-term economic harm. Because of the various approaches to financing the additional government spending and the resulting changes in the market economy, the macroeconomic effects differed for each period.

1.2 The Great Depression

Economists are still studying the Great Depression because they are unable to reach an agreement on the cause. Many theories have been advanced over the years, but no single, universally accepted explanation for why the Depression occurred or why the economy eventually recovered has been developed.

In the twentieth century, there were 12 recessions. The Great Depression was technically two of the country's worst recessions in a row. The worst economic crisis in US history was caused by two interconnected recessions. The first downturn lasted from August 1929 to March 1933, with a 12.9 percent contraction in 1932 setting a new record. From May 1937 to June 1938, the economy experienced its second downturn. Unemployment peaked at 24.9 percent in 1933 and remained in the double digits until the outbreak of WWII.

The Great Depression (1929-1939) was the world's worst economic depression. The prior decade, known as the "Roaring Twenties," was a time of relative wealth for many middle- and working-class families. New advancements allowed for greater free time and the formation of a consumer society as the economy grew. However, the economic depression that followed those prosperous years had a significant impact on American families' daily lives, in both great and little ways.

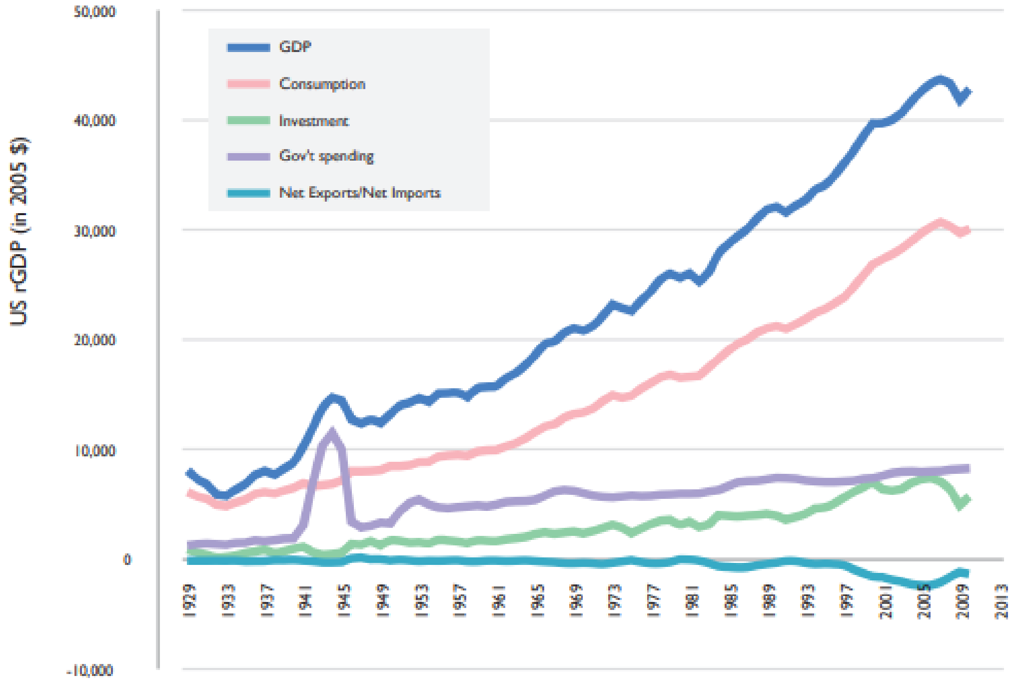
The global economic depression started in 1929 and continued until around 1939. It was the longest and most severe downturn the industrialized Western world had ever known, resulting in major shifts in economic institutions, macroeconomic policy, and economic theory. Despite its origins in the United States the Great Depression caused sharp drops in output, high unemployment, and severe deflation in nearly every country on the planet. Its social and cultural consequences were equally devastating. Especially in the United States, where the Great Depression was the country's worst adversity since the Civil War.

Consequently, the Great Depression was caused by a combination of factors. The Fed began raising interest rates in the spring of 1928 and continued to do so throughout the recession. The 1929 stock market crash wiped out businesses and people's life savings. In that case, the Dust Bowl was caused by a 10-year drought in the Midwest, which devastated farmers. In which, the New Deal brought the first recession to an end, boosting growth by 10.8 percent. Thus, when the drought ended, so did the second recession, and the government increased spending for World War II.

The historic composition of US GDP from 1929 to the post-war period can be used to examine the role that World War II played in ending the Great Depression. In terms of the sheer magnitude of the resources committed to the conflict and the resulting changes in the structure of the market economy, World War II is a one-of-a-kind epoch.

Using data from the Bureau of Economic Analysis, figure 1 depicts the per-capita composition of US GDP in terms of consumption, investment, government spending, and net exports and imports. It can be seen that the war years of 1941 to 1945 saw one of the most significant short-term increases in economic growth in US history. The top line in blue represents GDP, and the rise around World War II is clearly visible. This was fueled by government spending in the color purple.

Figure 1: History of U.S. Growth



Economic consequences of war on the U.S. economy. (n.d.). Retrieved from https://www.economicsandpeace.org/wp-content/uploads/2015/06/The-Economic-Consequences-of-War-on-US-Economy_0.pdf

Growth during this period was clearly driven by government spending and was accompanied by declines in consumption and investment when compared to the pre-war trend. The majority of the war's funding came from government debt and taxation, which increased by 5 and 6 times, respectively, from 1941 to 1945. By 1945, unemployment had dropped to 1.9 percent, as up to 20% of the population was enlisted in the armed forces.

So, while it is true that the war directly caused a decrease in unemployment, the level of consumption did not rise in tandem, despite the fact that the unemployment rate had dropped from 14.6 percent in 1940 to 1.9 percent in 1945. In real terms, per capita consumption in 1945 was lower than in 1941.

During the bleakest period of the Great Depression, four years following the 1929 stock market crash, almost a quarter of the US workforce was unemployed. Those who were fortunate enough to have permanent work found their earnings decreased or their hours reduced to part-time. Even professionals in the upper-middle class, such as doctors and lawyers, saw their earnings plummet by as much as 40%. Families that had previously been financially secure found themselves in a state of financial insecurity or, in some cases, disaster.

Under the circumstances, "Use it up, wear it out, make do or do without," was the Great Depression-era credo for the average American household. Many people sought to keep up appearances and go about their daily lives as normally as possible while adjusting to new economic circumstances. During the time, in everyday life, households adopted a new level of austerity. As they secretly tried to keep ownership of a home or automobile, they kept kitchen gardens, mended worn-out clothes, and passed on excursions to the movies.

However, the norm was potlucks and 'thrift gardens.' Depression-era homemakers learned how to stretch their food budget with casseroles and one-pot dinners from women's periodicals and radio broadcasts. Chili, macaroni and cheese, soups, and chipped beef on toast were also favourites.

All the while, Potlucks, which are frequently hosted by churches, have become a popular method to share food and a low-cost form of social entertainment. Many households attempted self-sufficiency by cultivating tiny vegetable and herb gardens in their kitchens. Vacant lots in some towns and cities were converted into community "thrift gardens" where citizens could grow food. Detroit’s thrift garden initiative fed approximately 20,000 people between 1931 and 1932. Experienced gardeners could be seen assisting former office workers in cultivating their plots, who were still dressed in white button-down shirts and slacks.

During the 1930s, the average American household didn't have much extra money to spend on leisure activities. Going to the movies was a popular hobby before the Great Depression. After the stock market crash, fewer Americans could afford this luxury, and more than one-third of America's cinemas closed between 1929 and 1934.

Often, many people prefer to spend their time at home. Neighbours gathered to play cards, and board games like Scrabble and Monopoly, which were originally launched in the 1930s, grew popular. Radio was also a source of free entertainment. Many middle-class households had a home radio by the early 1930s. Amos 'n' Andy, soap operas, sporting events, and swing music were all used to divert listeners' attention away from their daily troubles.

In the light of this, Women are increasingly entering the workforce. By adding a second wage earner, some families were able to preserve a middle-class income. During the Great Depression, despite widespread unemployment, the number of married women in the workforce grew. Some individuals chastised married women for working when so many men were unemployed, even though women frequently worked in clerical or service industry jobs that were not considered socially acceptable for men at the time. Secretaries, teachers, telephone operators, and nurses were among the jobs available to women. Employers, on the other hand, frequently paid women workers less than their male counterparts.

In 1941, government spending accounted for roughly 30% of GDP, or nearly US$408 billion. This had risen to over US$1.6 trillion, or 79 percent of total GDP, at its peak in 1944, rising by 394 percent in just three years. Consumption fell from 67 percent to 46 percent of GDP during the same period, while investment fell from 11 percent to 3 percent of GDP.

By this point, price controls and rationing played a significant role in stifling consumption. Households found it difficult to purchase items such as washing machines, irons, and water heaters because the raw materials and manufacturing capabilities required to produce these items were needed for the war effort. The War Production Board and the Office of Price Administration were established as new administrative bodies. The War Production Board was able to assign priorities to scarce materials such as rubber, steel, and aluminum, ensuring that they went to military production rather than civilian goods. Furthermore, wages were controlled and personal savings were encouraged through the purchase of war bonds, limiting the size of individuals' disposable income even further.

Afterward, the Great Depression occurred at different times and in different ways for various countries. In the United States and Europe, the Depression was exceptionally lengthy and severe; in Japan and much of Latin America, it was gentler.

The world economy's worst depression in history was caused by a variety of factors, which is perhaps unsurprising. Therefore, Consumer demand declines, financial panics, and misguided government policies all contributed to a drop in economic output while the gold standard, which linked nearly all of the world's currencies, was abandoned in the United States, countries in a network of fixed currency exchange rates, played a key role in spreading the American downturn to other nations. Moreover, the collapse of the gold standard and subsequent monetary expansion were critical factors in the recovery from the Great Depression.. The Great Depression had a massive economic impact, resulting in both great human suffering and significant changes in economic policy.

1.3 World War II

A conflict that involved virtually every part of the world during the years 1939–45, the primary combatants were the Axis powers (Germany, Italy, and Japan) and the Allies (France, the United Kingdom, the United States, the Soviet Union, and, to a lesser extent, China). In many ways, the war was a continuation of unresolved issues from World War I. after an uneasy 20-year hiatus. World War II was the bloodiest and largest war in history, with an estimated 40,000,000–50,000,000 deaths. Along with World War I, World War II was a watershed moment in the geopolitical history of the twentieth century. It resulted in the Soviet

Union extending its power to nations in Eastern Europe, allowing a communist movement to eventually gain power in China, and marking a decisive shift in global power away from Western European states and toward the US and the Soviet Union.

Subsequently, World War II was financed through debt and higher taxes; by the end of the war, the United States' gross debt had risen to more than 120 percent of GDP, while tax revenue had increased more than threefold to more than 20 percent of GDP. Despite GDP growth of more than 17% in 1942, both consumption and investment experienced significant contractions. One of the primary causes was government control over raw materials and resources. Trend lines taken before the war and dating from 1933 onwards clearly show that there was no increase in the trend lines for investment, consumption, and GDP growth after the war ended. While unemployment was virtually eliminated, recovery was well underway prior to the war, and the key counterfactual is whether similar public-works spending would have resulted in even more growth. The stock market initially fell, but once victory was assured, it rose to levels higher than at the start of the war.

1.3.1 Financing The War

Because of the magnitude of World War II-related spending, the government used all four funding methods. Despite the goverment's record size as a percentage of GDP, non-military government spending by the end of the war was less than half of what it was before the war. Budget deficits exceeded 30% of GDP at their peak during and after the war. In 1946, the public debt reached 108.6 percent of GDP. Without government controls over private spending and investment decisions, as well as the patriotism generated by a major war, this would have been impossible.

The decision by the Treasury and Federal Reserve to keep the yield on US Treasuries artificially low in order to ease the debt financing burden was central to this policy. (Because rapid money creation was required in order to keep inflation low, this policy decision necessitated the use of price controls.) The war bond program, which sold small-denomination, non-marketable bonds to private citizens, accounted for roughly one-quarter of World War II debt financing.

The war effort was large enough to keep the economy running at a rate far above its sustainable rate for the duration of the war. Furthermore, unemployment was high prior to the war, standing at 14.6 percent in 1940. As a result, the economy most likely had idle resources to enlist in the war effort, allowing growth to exceed its sustainable rate while those resources were put to use. Because economic growth was so strong during the war, the standard contraction following the war was also severe, as the economy adjusted to a drop in government spending from around 40% of GDP to around 15% of GDP.

The contraction ended in 1948 and had no long-term effect on growth in the 1950s. To finance the increase in government spending from 9.8 percent of GDP in 1940 to 43.6 percent of GDP in 1943 solely through tax increases would have required impossibly large tax increases, with corresponding disincentives to work and save. Nonetheless, the government did raise taxes to fund a portion of the war effort. The Revenue Act of 1942, the Current Tax

Payment Act of 1943, the Revenue Act of 1943, and the Individual Income Tax Act of 1944 were all tax measures enacted during the war.

The Revenue Act of 1942 included provisions that made the individual income tax a "mass tax" for the first time, raised the corporate tax, increased excise taxes, increased the excess profits tax to 90%, and established a 5% Victory tax that would be repaid through a post-war tax credit. The Current Tax Payment Act of 1943 established tax withholding, which made it easier for the Treasury to finance day-to-day expenditures. The purpose of the Revenue Act of 1943 was to change the distribution of taxation. It was the first vetoed tax bill, and Congress overrode it.

Therefore, the Individual Income Tax Act of 1944 was enacted to simplify the income tax system and to repeal the Victory Tax. The act is estimated to have reduced tax revenues by 0.2 percent of GDP. 8 Following the end of the war, tax rates were drastically reduced.

If possible, economists prefer to avoid using the money creation method. They argue that the "inflation tax" is the most arbitrary of all taxes because the government cannot specify its incidence democratically. It is also a financing method that quickly results in large efficiency losses because it reduces the useful functions of money in a market economy. It also reduces the effectiveness of monetary policy as a tool for macroeconomic stabilization.

Economists also believe that the benefits of widespread price controls are mostly fictitious. Even if price controls successfully reduce recorded inflation, they cause significant efficiency and welfare losses, frequently lead to shortages, limit individual choice, and encourage participation in illegal markets.

1.3.2 Taxation

The "confiscatory" top rates of the federal income tax enacted after World War II, which the Eisenhower Administration maintained into the 1960s. During the war, the top "marginal rate" was 94 percent, but income tax rates rose at different rates. Consider a 15% rate up to $25,000, a 21% rate from $25,000 to $50,000, and a 25% rate over $50,000 in this fictitious example. Those earning $50,000 or more will not pay a quarter of their total income, but rather 15% of the first $25,000, 21% of the next $25,000, and 25% of everything above $50,000. That is why the system is referred to as progressive: the percentage rate increases with income, but the higher percentage applies only to new (marginal) income above each break point. During 1944-45.

In 1944-45, "the most progressive tax years in U.S. history," the 94 percent rate was applied to any income above $200,000 ($2.4 million in 2009 dollars, adjusted for inflation. In 1944, the average income tax rate reached 20.9 per cent.

In contrast, these agencies were frequently quite successful in achieving their respective, narrower goals. The Treasury Department, for example, was remarkably successful in raising funds for the war, including the first general income tax in American history and the well-known "war bonds" sold to the general public. Beginning in 1940, the government extended the income tax to almost all Americans and began collecting the tax through the now-famous method of continuous withholdings from paychecks (rather than lump-sum payments after the fact). The number of Americans required to pay federal taxes increased from 4 million in 1939 to 43 million in 1945. With such a sizable tax base the US received $45 billion in 1945, up from $8.7 billion in 1941 but still far short of the $83 billion spent on the war in 1945. During the same period, federal tax revenue increased from about 8% of GDP to more than 20%. Americans earning less than $500 per year paid only 23% of their income taxes, while those earning more than $1 million paid 94%.

1.4 Timing and Severity

The downturn became significantly worse in late 1929 and lasted until early 1933. Real output and prices both plummeted. Industrial production in the United States plunged 47 per cent between the peak and the trough of the downturn, while the real gross domestic product (GDP) fell 30 per cent. The wholesale price index dropped by 33%. (such declines in the price level are referred to as deflation).

Although there is considerable disagreement over the accuracy of the data, it is largely acknowledged that the unemployment rate topped 20% at its peak. When compared to America's second-worst recession, the Great Recession of 2007–09, during which the country's real GDP fell about 4.3 per cent and the unemployment rate peaked at less than 10%, the severity of the Great Depression in the United States becomes especially obvious.

The Great Depression had an impact on almost every country on the planet. In the meantime, the magnitude and timing of the decline varied greatly across countries. Toward the end of the twentieth century, Great Britain battled with sluggish growth and recession. However, the country did not enter a severe depression until early 1930, and its peak-to-trough industrial production fall was around one-third that of the US.

In the early 1930s, France likewise experienced a brief depression. However, the French comeback in 1932 and 1933 was just temporary. Between 1933 and 1936, both industrial production and prices in France plummeted. Early in 1928, Germany's economy experienced a slump, which was followed by a period of stabilization before the economy began to decline again in the third quarter of 1929. German industrial production fell at a similar rate to that of the United States.

In late 1928 and early 1929, a number of Latin American countries experienced depression, just ahead of the United States' drop in output. While some developing countries, including Argentina and Brazil, experienced severe depressions, others did not went through relatively minor downturns. Japan likewise went through a modest downturn that started late and ended early.

Through these forms of depression.

Other countries experienced the same general price deflation as the United States. Between 1929 and 1933, wholesale prices fell by 30 per cent or more in almost every industrialized country. Deflation in Japan was unusually quick in 1930 and 1931 due to the increased flexibility of the Japanese price structure. This quick deflation may have aided in the mildness of the decrease in Japanese productivity.

During this time, the prices of main commodities traded on global markets fell even more significantly. For example, between September 1929 and December 1930, the prices of coffee, cotton, silk, and rubber were cut in half. As a result, the terms of trade for producers of primary commodities plummeted.

1.4.1 Poverty

During the Great Depression, a large number of Americans were impoverished. Poverty-stricken people had been denied an income sufficient to meet their basic needs. Over 12 million Americans lost their jobs, and at its peak, more than 12,000 people were laid off every single day. Prior to 1935, there were few welfare or relief systems.

Poverty is defined as the absence of an income sufficient to meet one's basic needs. Food, water, clothing, and shelter are examples of 'Basic Needs.' In Great Depression Poverty, there was widespread unemployment, debt, and homelessness.

The United States was a very different country than it is now. Nearly one-third of all Americans were impoverished. A third of the country's homes did not have running water, two-fifths did not have flushing toilets, and three-fifths did not have central heating. More than half of the farm dwellings in the country lacked electricity. The majority of African Americans still lived in the South, where racial segregation in schools and public places was still the law. Because of immigration quotas enacted in the 1920s, the number of immigrants was limited. Shopping malls had yet to be invented.

Despite the fact that the number of jobs increased during World War II, wages were artificially kept low during the same period. As a result, 25% of all American workers earned $64 or less per hour. Because of the low wage levels, more than 20 million Americans were forced to live on subsistence wages during the war. When combined with the government's simultaneous reduction in New Deal programs, the ability of the poor to obtain assistance was drastically reduced.

Since the government provided no unemployment insurance, job loss quickly translated into homelessness and extreme poverty. Tent camps and shack towns first appeared in 1931. One large encampment grew in the mudflats south of downtown Seattle near Elliott Bay, which residents dubbed "Hooverville" in honor of the President whom they blamed for the Depression. The site was ordered burned down by city officials, but it was quickly rebuilt, eventually becoming a nearly all-male community of over a thousand residents. It was tolerated by authorities and remained occupied until 1941, when it was demolished by the city.

Until 1933, when federal assistance became available, it was up to local governments to assist unemployed residents. Counties and cities did their best, establishing work programs rather than direct relief, but declining tax revenues made it difficult to do much. Even as the need for assistance increased in 1931 and 1932, Seattle, like many other cities, cut welfare budgets as businesses closed and homeowners failed to pay their taxes. Churches and charities also played a role, as more affluent residents frequently gave generously to feed and clothe the poor.

The Unemployed Citizen's League, founded in mid-1931, demanded more funds and various types of programs for the unemployed and forced city officials to leave Hooverville alone. The UCL advocated self-help production, establishing cooperatives to exchange products and services, with clubs in most neighborhoods of Seattle, Tacoma, and several other cities. Farmers gave food in exchange for labor, while carpenters, dentists, and seamstresses traded one skill for another. UCL was so popular and influential in Seattle that the city's relief office used it to distribute public resources to the poor. For two years, as the economy deteriorated, the UCL assisted some of the unemployed in staying afloat.

1.4.2 Crimes and Corruption

The Great Depression's economy had an impact on rising crime rates in the late 1920s and 1930s, although it was not the primary cause of the rise in crime rates. The terrible economy, coupled with organized crime, prohibition, and reduced enforcement, was not the main cause of rising crime rates in the United States; crime rates increased as a result of the bad economy, organized crime, prohibition, and inadequate policing.

During the Great Depression, much of the United States was mired in grinding poverty and unemployment, some Americans saw increased opportunities in criminal activities such as bootlegging, robbing banks, loan-sharking, and even murder.

The passage of the 18th Amendment and the implementation of Prohibition in 1920 fueled the rise of organized crime, with gangsters becoming wealthy from bootleg liquor profits—often with the assistance of corrupt local policemen and politicians.

According to the FBI, by the mid-1920s, Chicago alone had an estimated 1,300 gangs, which resulted in turf wars and other violent activities between rival gangs.

Prohibition was unpopular with the general public, and bootleggers were regarded as heroes by many for supplying illegal alcohol during difficult times. Hollywood portrayed gangsters as champions of individualism and self-made men surviving in difficult economic times in hit films such as Little Caesar and The Public Enemy (both released in 1931).

Not to mention, the kidnapping and murder of Charles Lindbergh's infant son in 1931 heightened the Depression-era sense of lawlessness. The Lindbergh Law, passed in 1932 amid a media frenzy, expanded the jurisdiction of the relatively new Federal Bureau of Investigation (FBI) and its hard-charging director, J. Edgar Hoover.

Simultaneously, colorful figures such as John Dillinger, Charles "Pretty Boy" Floyd, George "Machine Gun" Kelly, Clyde Barrow and Bonnie Parker, "Baby Face" Nelson, and "Ma" Barker and her sons committed a wave of bank robberies and other crimes across the country. Many Americans who had lost faith in their government, particularly their banks, viewed these daring figures as outlaw heroes, despite the FBI's inclusion of them on its new "Public Enemies" list.

However, following the so-called Kansas City Massacre in June 1933, in which three gunmen ambushed a group of unarmed police officers and FBI agents escorting bank robber Frank Nash back to prison, the public appeared to welcome a full-fledged war on crime.

Evidence shows that the Great Depression's economy played only a minor effect on the period's rising crime rates. However, before discussing the causes for this limited involvement, it is necessary to explain why people generally commit crimes in order to understand why the depression's economics did not play a big role in the rise in crime. It is said, “a person will commit a crime if the expected utility exceeds that of using his time and other resources in pursuit of alternative activities” (2011).

When people are thrown into poverty due to economic hardship, as many were during the Great Depression, there are few opportunities for them to obtain usefulness. When a person loses their job and is expected to remain unemployed for an extended period of time, the likelihood of them turning to crime rises.

Bonnie and Clyde were famed outlaws who embarked on a two-year bank robbery rampage throughout America, while Charles Lindbergh's toddler son was taken, held for ransom, and finally murdered in New Jersey.

High-profile acts like these, which were carried on radio and in newspaper headlines, fueled suspicions of anarchy and crime during the Great Depression, fueling fears that bad times had sparked a crime wave. However, this was more marketing hype than reality.

In spite of that, violent crime rates may have increased initially during the Depression (the nationwide homicide mortality rate reached a century high in 1933, at 9.7 per 100,000 people), but the trend did not continue throughout the decade. As the economy began to improve in 1934-37, the homicide rate dropped by 20%.

The end of Prohibition, as well as a slowdown in immigration and migration from rural America to northern cities, were all likely major factors in declining crime rates, all of which reduced urban crime rates. Even when the economy of the United States stalled again in 1937-38, homicide rates continued to fall, reaching 6.4 per 100,000 by the end of the decade.

The mythologization of crime occurred, but it was mostly a ruse.

1.5 Money, Banking and Deflation

Money is what keeps the economy running. Money arose thousands of years ago as a result of the failure of barter (the direct exchange of goods or services for other goods or services). A modern economy cannot function without money, and economies frequently fail when the quantity or value of money changes abruptly or dramatically. When too much money is printed, its value falls, causing prices to rise (inflation). Reduce the money supply, however, and the value of money rises—that is, prices fall (deflation)

In modern economies, most money is made up of bank deposits. Banks create loans and deposits by making deposits and when customers repay loans, deposits shrink. Regulations governing the amount of reserves banks must hold against their deposits and bankers' business judgment together determine how much deposits banks can create.

The reserves at U.S. banks are made up of cash that banks hold in their vaults as well as deposits that banks keep at the Federal Reserve. Banks hate to keep excessive budgets because they have little interest or don't get it. Banks have less money available to them in the event of unexpected deposits, while gold and silver bullion have more.

The United States was on the gold standard in the 1930s, which meant that the government would exchange dollars for gold at a set price.

As required by law, commercial banks and Federal Reserve banks kept a portion of their reserves in gold coin and bullion.

An increase in gold reserves, if the money supply increased as a result of domestic mining or foreign gold inflows, lending would increase, resulting in inflation. Reducing reserves would result in a reduction in the money supply. If banks withdraw large amounts of cash or gold from their reserves, their reserves may be depleted to the point where they must declare bankruptcy; to reduce their outstanding loans, further reducing deposits and shrinking the money supply.

1.5.1 Stock Market Crash

The 1929 stock market collapse, also known as the Great Crash, was a dramatic drop in stock market prices in the United States in 1929 that contributed to the Great Depression of the 1930s.

The Great Depression lasted nearly ten years and affected both industrialized and developing countries worldwide.

Herbert Hoover was elected President of the United States during a period of continued economic success. Americans hoped he'd keep leading the country through greater economic expansion, but neither he nor the country was prepared for the fallout that followed. However, Hoover's moderate policies, which were based on strong confidence in the spirit of American individualism, were unable to address the escalating challenges, and the economy sank deeper into the Great Depression.

The promise made by the Hoover administration was shattered in the fall of 1929, when the stock market lost more than half of its value, plunging many Americans into financial ruin. The stock market crash, on the other hand, did not trigger the Great Depression that followed as a single event. Even though only about 10% of American households had stock assets and speculated in the market, nearly a third of them would lose their life savings and employment as a result of the subsequent downturn. The link between the catastrophe and the decade of hardship that followed was complicated, incorporating underlying economic flaws that many policymakers had long overlooked.

Black Thursday stock market crash

People gathered on the steps of the building across from the New York Stock Exchange on Black Thursday, October 24, 1929, the start of the stock market crash in the United States.

(1929, October 24). Black Thursday Stock Market Crash.

While viewing the 1929 stock market crash as the main cause of the Great Depression is incorrect, the dramatic events of October that year did play a role in the American economy's downward spiral. The crisis, which occurred less than a year after Hoover took office, was the clearest indication of the economy's deterioration. The crash was triggered by a number of causes, which resulted in consumer panic, which drove the economy even further downhill in ways that neither Hoover nor the banking industry could control. Hoover, like many others at the time, believed and hoped that with limited government action, the country would correct itself. However, this was not the case, and millions of Americans were forced to flee their homes.

By the fall of 1929, stock prices in the United States had risen to heights that could not be supported by realistic expectations of future profitability. As a result, when a series of small incidents in October 1929 resulted in steady price drops, investors lost faith, and the stock market bubble burst. On "Black Thursday," October 24, 1929, panic selling began. Many stocks were bought on margin, or with loans secured by only a small portion of the stock's value.

As a result, some investors were obliged to liquidate their positions, further compounding the price drop. Prices of stocks in the United States fell 33% from their peak in September to their trough in November, according to the Cowles Index. Because of the magnitude of the drop, the Great Crash of 1929 is frequently mentioned.

The stock market crash significantly reduced aggregate demand in the United States. Following the crash, consumer durable goods purchases and business investment both plummeted. One possible explanation is that the financial crisis created significant uncertainty about future earnings, causing individuals and businesses to postpone purchases of durable items. Although the drop in stock prices resulted in a very minor loss of money, the crisis may have lowered spending by making people feel poorer (see consumer confidence). The United States' real output fell precipitously in late 1929 and throughout 1930 as a result of a sharp drop in consumer and business spending, which had been declining gradually up to this point. While the stock market crash and the Great Depression were distinct events, stock price declines were one factor contributing to declines in US output and employment.

Given these circumstances, the stock market's demise was undoubtedly influenced by a variety of factors. The period of rampant speculation (those who bought stocks on margin not only lost the value of their investment, but they also owed money to the entities that had granted the loans for the stock purchases), the Federal Reserve's credit tightening (the discount rate was raised from 5 percent to 6 percent in August 1929), the proliferation of holding companies and investment trusts (which tended to create debt), and a multitude of large corporations were among the more prominent causes.

1.5.2 Banking Panics and Monetary Contraction

The next blow to aggregate demand came in the fall of 1930 when the United States was hit by the first of four waves of financial panics. A banking panic occurs when a large number of depositors lose faith in the viability of banks at the same time and demand that their bank savings be paid to them in cash. Banks must liquidate loans to raise the needed cash because they typically only maintain a fraction of deposits as cash reserves. Even a previously solvent bank can fall as a result of this rapid liquidation process. In the fall of 1930, the spring of 1931, the fall of 1931, and the fall of 1932, the United States saw widespread banking panics. The final wave of panic lasted through the winter of 1933, culminating in President Franklin D. Roosevelt's declaration of a nationwide "bank holiday" on March 6, 1933. All banks were closed for the bank holiday, and they were only allowed to reopen after being judged solvent by government inspectors. The banking system in the United States was severely harmed by the panics. One-fifth of the banks that existed at the start of 1930 had failed by 1933.

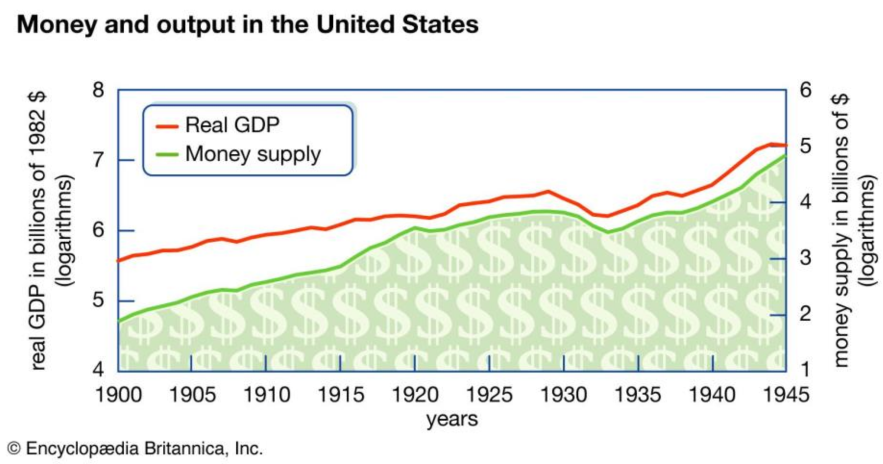
In the interval, banking panics are, by their very nature, irrational and unexplained phenomena, although some of the variables that contribute to the problem can be explained. According to economic historians, significant rises in farm debt in the 1920s, along with US policies that favoured small, undiversified banks, produced a climate in which such panics could erupt and spread. The huge farm debt resulted in part from the high prices of agricultural items during World War I, which prompted American farmers to borrow heavily in order to boost production by investing in land and machinery. Following the war, farmers found it difficult to keep up with their loan payments due to a drop in farm commodity prices.

The Federal Reserve did little to try to calm the financial markets. In their landmark paper, A Monetary History of the United States, 1867–1960 (1963), economists Milton Friedman and Anna J. Schwartz contended that one of the primary reasons for this inaction was the death in

1928 of Benjamin Strong, the governor of the Federal Reserve Bank of New York since 1914. Strong was a tough leader who recognized the central bank's ability to keep panic at bay. His death left the Federal Reserve with a power vacuum, allowing officials with less rational viewpoints to stymie effective intervention. People's desire to hold cash increased dramatically in relation to their bank accounts because of the panics the rise in the currency-to-deposit ratio played a significant role in the US money supply contracting by 31% between 1929 and 1933. In September 1931, when Britain was pushed off the gold standard and investors feared that the United States would devalue as well, the Federal Reserve purposefully contracted the money supply and hiked interest rates, in addition to permitting panics to cut the money supply.

According to academics, The Fed's actions to reduce the money supply had a significant contractionary effect on output. A simple illustration may provide the clearest indication of the critical role monetary collapse played in the United States' Great Depression.

The graph depicts the money supply and real output from 1900 to 1945. Both the money supply and output tend to expand slowly in normal times, such as the 1920s. Both, however, plunged in the early 1930s. The shrinking money supply inhibited spending in a variety of ways.



money and output in the United States

image: Encyclopædia Britannica, Inc.

Perhaps most importantly, consumers and entrepreneurs came to expect deflation as a result of actual price drops and the rapid decline in the money supply; that is, they expected wages and prices to fall in the future. As a result, even if nominal interest rates were low, people were hesitant to borrow because they were concerned that future earnings and profits would not be sufficient to satisfy loan obligations.

As a result of this reluctance, consumer spending and business investment both fell sharply. The panics undoubtedly contributed to the drop in expenditure by instilling pessimism and a lack of confidence. Furthermore, the failure of so many banks interrupted lending, limiting the amount of money available for investment.

The banking panics of the Great Depression were distinct from those that occurred prior to 1914 in the following ways:

1. In contrast to the pre-1914 panics, many banking crises occurred during the contraction phase of a single cycle from 1929 to 1933, at least two of which were regional in nature.

2. The "eye" of the crisis had shifted away from the New York money market.

3. At least two of the pre-1914 crises' most pernicious consequences, call money rate spikes and severe stock market upheavals, had been eliminated. The 1929 stock market crash was not accompanied by a banking panic as a result of the Federal Reserve Bank of New York's quick action.

4. In contrast to pre-1914 financial panics, the currency supply was more elastic in reaction to external shocks.

5. Banks did not cease cash payments, with the exception of 1933.

In these scenes, the occurrence of repeated panics throughout the Great Depression is a major fact; there was a constant loss of depositor confidence, the data from seasonally adjusted monthly figures show that there was no currency flow back into the banking system in 1930 or 1931 following the banking crisis. Unlike previous panics, slowdown in bank shutdowns has not been accompanied by hoarding the rate of hoarding increased during the 1930s and 1931 financial panics, peaked, and then began to increase again at the start of subsequent financial scares.

One of the main features of banking panics is the increase in bank runs and bank closures. The data does not allow us to make an estimate of the number of all bank runs. Table 1 provides estimates of the number of bank suspensions during the five banking disturbances of the national banking era and during three of the four banking waves of panic of the Great Depression. The estimates for 1933 are not included because there were numerous bank holidays in the last week of February and March.

1.6 Price Controls and the Standard of Living

During WWII, the threat of inflation loomed even larger. As America grew into a "arsenal of democracy," the country spent a lot of money on military equipment and supplies. The federal deficit skyrocketed from about 3% of GDP in 1939 to nearly 27% of GDP in 1943, which is by far the worst the deficit has ever been. In the meantime, factories, workers, and materials were all repurposed for the war effort. Millions of skilled workers left the labor force to join the armed forces. Hence, this confluence of factors — large deficit spending boosting demand in the economy, and war measures reducing the economy's capacity to supply and satisfy that demand — was a recipe for runaway inflation. President Franklin D. Roosevelt and his administration were well aware of this. They had experienced rampant inflation during and after World War I, with prices rising by more than 80% between 1917 and 1920. The administration wanted to make sure that didn't happen again. As a result, they embarked on a massive effort to cool inflation by freezing prices through price controls.

The policy effectively neutralized one of the free market's central functions, which is the allocation of scarce resources. If there isn't enough of something in a free market, the market responds by raising prices. This reduces the product's demand. It also sends a signal to businesses to increase production and supply of that product. Most economists believe that without this price mechanism, the market struggles to correct shortages and society scrambles to figure out who gets what.

When the federal government began eliminating free-market pricing on scarce goods in the early 1940s, it had to start allocating these scarce resources in a different way. It established a rationing system in which the government distributed ration stamps to citizens.

To purchase scarce goods such as coffee, canned foods, dairy, meat, bicycles, cars, tires, gasoline, clothing, and sugar, American consumers had to not only pay cash, but also use government-issued ration stamps. The goal was to limit the amount of a specific good or goods that any one person or household could purchase in order to ensure more equitable distribution during the war. The government sent ration books containing removable stamps with ration points to every American household. It also resulted in a complex and ever-changing system of assigning ration points to specific products.

On March 29, 1943, the federal government expanded its price-control system to include meat (and cheese). This policy may have helped ensure a steady supply of meat for American soldiers and may have kept prices in check, but by all accounts, meat price controls and rationing were among the most unpopular areas of government intrusion during and after the war.

The OPA system was despised by the meat industry, as it was by other industries subjected to price controls. Without the ability to legally raise prices, businesses had to resort to other methods to maximize profits. One example is a phenomenon known as "Skimpflation" at Planet Money. Instead of simply raising prices, businesses cut corners on the goods and services they offer, lowering the quality of the products they sell. This appears to be happening now, particularly in the service sector, which is having difficulty recruiting and retaining workers. Some businesses cut corners on customer service rather than paying workers enough to attract and retain them. It's a type of covert inflation.

During World War II, many businesses were unable to legally raise their prices, and skimpflation appears to have been one method by which they attempted to maintain profitability. According to a vivid book by historian Richard R. Lingeman, meatpackers began filling sausages and hot dogs with "soybeans, potatoes, or cracker meal." Butchers and meatpackers increased the fat content of hamburgers. They sold extra-large bone-in steaks. They started selling horse meat, muskrat meat, and other exotic meats.

Other federal agencies addressed fiscal and financial issues as well. For example, The Office of Price Administration used its "General Maximum Price Regulation" (also known as "General Max") to try to control inflation by maintaining prices at their March 1942 levels.

The National War Labor Board (NWLB) set a maximum wage increase for workers during World War II at just 15%. This was the main factor that increased the cost of living from January 1941 to May 1942. Neither "General Max" nor the wage-increase limit were completely successful, but federal efforts helped to keep inflation in check. The annual inflation rate was only 3.5 percent between April 1942 and June 1946, during the period of the tightest federal inflation controls; the annual rate had been 10.3 percent in the six months before April 1942 and rose to 28.0 percent in the six months after June 1946

The increase in wages during the war meant that many civilians enjoyed a stable or even improving quality of life, though this success did not have a significant impact on the rate of inflation. However, improving living standards was not universal. Living standards have stagnated or even declined in some areas, such as in rural areas of the Deep South, and according to some economists, national living standards have barely stayed the same or even fallen (Higgs, 1992)

7. Conclusion

Conclusively, the United States of America's economy suffered a precipitous decline as a result of the effects of the 1929 Great Depression. However, several economic factors, primarily in the US economy, are thought to have contributed to the Great Depression. In fact, Americans made significant sacrifices during World War II to improve their living standards. Thus, these are insignificant in comparison to the sacrifices made in the rest of the world, where 60 to 70 million people died and refugees fled as factories, farms, and homes were destroyed.

The United States would have been far better off economically if it had not entered the war. The world economy would have fared far better if the war had never begun.

Chapter Two

The Renaissance Of The US Economy

1. Introduction

The United States' entry into World War II resulted in significant changes in almost every aspect of American life. Millions of men and women joined the military and saw parts of the world they would not have seen otherwise. The labor demands of war industries drove millions more Americans to relocate, primarily to the Atlantic, Pacific, and Gulf coasts, which housed the majority of defense plants. When World War II ended, the United States had the best economic situation of any country on the planet. Even America's 300,000 combat deaths paled in comparison to any other major belligerent.

Building on the economic foundation left behind by the war, American society became more prosperous in the post-war years than most Americans could have imagined before or during the war.

Public policy, such as the so-called GI Bill of Rights, enacted in 1944, provided funds for veterans to attend college, buy homes, and purchase farms. The overall impact of such public policies was almost incalculable, but it undoubtedly assisted returning veterans in bettering themselves and beginning to form families and have children in unprecedented numbers.

Several developing countries gained independence from their previous colonial overlords after World War II. One of the most prominent accusations made by leaders of independence movements was that colonialism was to blame for the colonies' low living standards. Thus, economic development became a policy goal after independence, not only because of the humanitarian desire to improve living standards, but also because political promises had been made, and failure to make progress toward development would be interpreted as a failure of the independence movement.

2.2 American Isolationism in the 1930s

Throughout the 1930s, the US attempted to distance itself from previous Western Hemisphere interventionist policies, until the onset of World War II, as well as retain an isolationist posture to events in Europe and Asia.

The combination of the Great Depression and the memory of tragic losses in World War I pushed American public opinion and policy toward isolationism during the 1930s. Isolationists advocated for the avoidance of involvement in European and Asian conflicts, as well as avoidance of involvement in international politics.

Isolationism once paved the way for America's rise, resulting in the country becoming prosperous, powerful, and secure. Despite the efforts to avoid political and military conflicts across the oceans, the United States continued to expand economically and protect its interests in Latin America. To support their position, the leaders of the isolationist movement looked to history. President George Washington advocated non-involvement in European wars and politics in his Farewell Address.

Isolationism in the United States has never meant completely ignoring the rest of the world, even though it has been a part of US foreign policy since before the War for Independence. Only a few American isolationists advocated for the country's complete withdrawal from the international stage. Instead, most American isolationists have advocated for the country's avoidance of what Thomas Jefferson referred to as "entangling alliances." Instead, isolationists contend that rather than fighting, the US can and should utilize its extensive influence and economic strength to promote the ideas of freedom and democracy in other countries through diplomacy.

The America First Committee (AFC), led by already-famous pilot Charles A. Lindbergh, was created in 1940 with the explicit objective of avoiding America from becoming engaged in World War II, which was then being fought in Europe and Asia.
On September 4, 1940, when the AFC met for the first time, Lindbergh explained that isolationism did not imply cutting America off from the rest of the world, but it did mean that "the future of America would not be bound to these everlasting battles in Europe." It implies that no American lads will be sent across the ocean to die in order for England, Germany, France, or Spain to rule the rest of the globe”.
On the one hand, an independent American destiny means our military will not be forced to combat everyone in the globe who does not share our values. "On the other side," Lindbergh continued, "it means that we will battle anyone who tries to meddle with our hemisphere."

The AFC also opposed President Franklin D. Roosevelt's Lend-Lease plan, which would have supplied US war materials to the UK, France, China, and the Soviet Union as part of the wider war effort. "The doctrine that we must enter European wars to defend America will be fatal to our nation if we follow it," Lindbergh warned at the time.
Isolationist sentiments in America can be traced back to the colonial period. Many American colonists did not want to remain involved with European governments who had denied them religious and economic freedom while keeping them in wars. Indeed, they found comfort in the fact that they were essentially "separated" from Europe by the Atlantic Ocean.
Isolationism prevailed in the United States despite the rise of industry and foreign trade in the 1920s. The majority of Americans were opposed to any involvement in foreign wars or alliances. Isolationism resurfaced in the mid-1930s as a result of a series of events. These events included congressional committee investigations, the passage of neutrality laws by Congress, and the rise of popular anti-war organizations.

2.3 America's Economic Breakthrough during World War II

The United States' response to WWII was the most spectacular mobilization of an idle economy in history. During the war, there were 17 million new civilian jobs created, industrial productivity grew by 96%, and corporation profits after taxes doubled.
Government spending contributed in the recovery of an economy that had resisted the New Deal's efforts. Over a third of industry's output was consumed directly by military needs, but increasing productivity ensured a massive supply of consumer goods for the general public. Only America observed a growth in consumer goods despite wartime rationing. As a result of wage hikes and overtime pay, real weekly wages before taxes in manufacturing were 50%

higher in 1944 than in 1939. In addition, the war resulted in the creation of whole new technologies, industries, and human capacities.

Full employment and a more equitable distribution of income were achieved as a result of the conflict. Blacks and women joined the workforce for the first time. Both wages and savings increased. The union's strength was cemented as a result of the conflict, as were far-reaching improvements in agricultural life. Housing was in better condition than it had been in the past. Additionally, because the mobilization included the philosophical premise that the war was being fought for the greater good, social solidarity extended well beyond the trenches. According to popular opinion, veterans should not be sent back to a place where they will be unable to find work or receive an education. As a result, the GI Bill was founded, laying the framework for the incredible post-war expansion that followed. As a result of the war, America became more of a middle-class society than it had been previously.

For a period of time, the government purchased 50% of all items produced by the American people. Despite the fact that the government acted significantly more than it did in World War I, enforcing wage and price controls and surtaxes, generating funding through war bonds, and rationing products, the government did not win the war, Rather than just imposing the government's agenda and compelling industry to work for war output, FDR developed a spirit of collaboration.

During World War II, the United States had a centrally controlled economy.

Strategic resources were created in predetermined quantities in Washington and distributed among end-users by the War Production Board. Prices and wages were set by the government rather than by the market. The federal government directed, financed, and, in most cases, owned the vast bulk of investment. Thousands of private enterprises, including some of the country's largest corporations, such as Montgomery Ward, were simply taken over by the government after failing to follow the planners' directives. Ward's fiercely anti-Roosevelt chairman Sewell Avery being dragged from his headquarters by a group of troops highlighted the new relationship between government and capital for millions of Americans.

For the United States, World War II and the Great Depression were the most significant economic events of the twentieth century. The war had numerous ramifications. The struggle effectively brought the Great Depression to a close. The federal government emerged as a dominant economic actor after the war, able to monitor and regulate economic activity through expenditure and consumption. By 1945, many sectors of American business had become either aggressively oriented to defense production (such as aircraft and electronics) or fully dependent on it as a result of the war. (atomic power). The war boosted the organized labor movement to heights not seen since the Great Depression, making it a significant counterbalance to both the government and private sector.

The war's rapid scientific and technological achievements maintained and reinforced tendencies that began during the Great Depression, creating a permanent expectation of continual innovation in many scientists, engineers, government officials, and civilians.

Similarly, significant increases in personal income and, more often than not, quality of life during the war led many Americans to hope that their financial situation would improve permanently, even as others feared a post-war recurrence of the Great Depression.

2.4 End of WWII

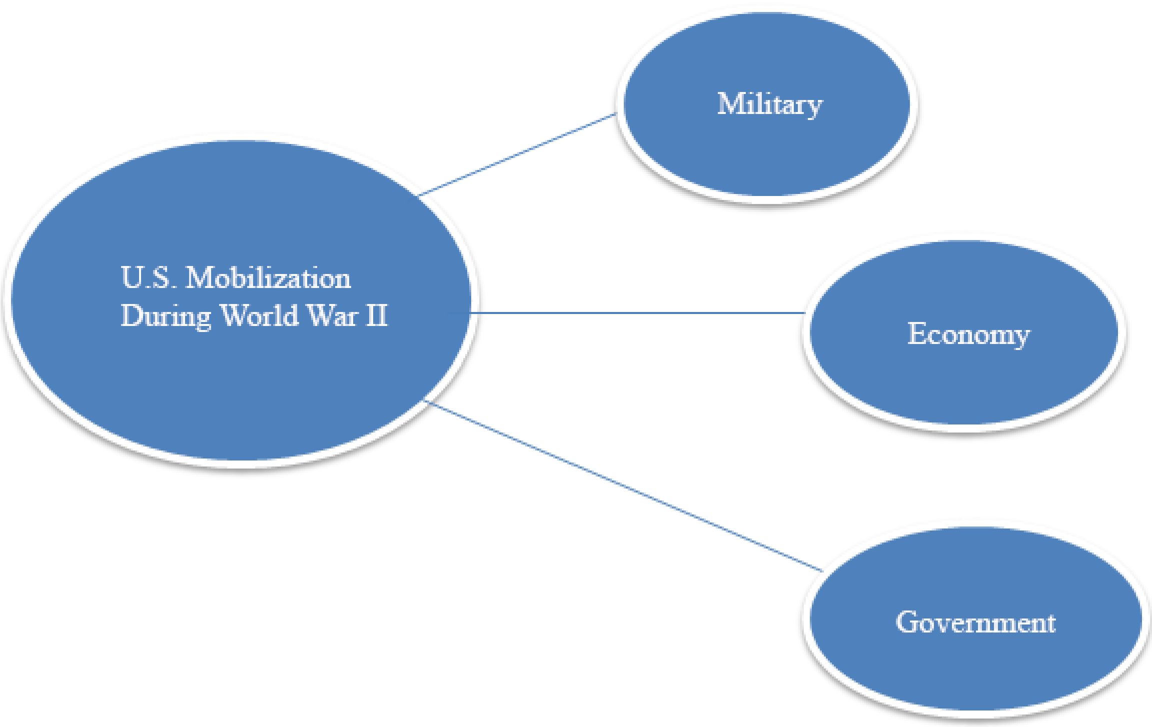
World War II was a boon to the American economy, with the government pumping tens of billions of dollars into manufacturing and other industries to meet wartime demands. However, following the surrender of both Germany and Japan in 1945, military contracts were reduced and soldiers began returning home, competing for jobs with civilians.

As government spending dried up, the economy entered a deep recession, with GDP contracting by a whopping 11%. However, the manufacturing sector adapted to peacetime conditions more quickly than expected, and the economy recovered in just eight months. The unemployment rate was only 1.9 percent at its worst.

2.4.1 Mobilizing for War

The United States entered World War II on December 8, 1941. The country was forced to prepare for the war's consequences right away. The mobilization of the United States in preparation for the war required not only military action, but also a major effort on the part of all citizens.

The graphic below illustrates a few examples of the United States' mobilization during World War II.



World War II impact on U.S. economy and Society. World War II Impact on U.S. Economy and Society | Texas Gateway. (n.d.). Retrieved from https://www.texasgateway.org/resource/world-war-ii-impact-us-economy-and-society

2.4.2 Mobilizing U.S. industry in World War II

When viewed in isolation the output is indeed impressive. Between 1939 and 1944, the US Gross National Product increased by 52 per cent (much more in unadjusted dollars), munitions production skyrocketed from virtually nothing in 1939 to unprecedented levels, industrial output tripled, and even consumer spending increased (unique among all combatants). However, American industrial production was neither a "miracle" nor comparatively prodigious given the country's advantages of abundant raw materials, excellent transportation and technological infrastructure, a large and skilled labor force, and, most importantly, two large ocean barriers to prevent bombing of its industries. 4 Germany increased its productivity more than the United States, Britain, and the Soviet Union after abandoning its Blitzkrieg strategy, despite German attacks on Britain and France.

2.5 Preparedness and Conversion

Between 1939 and 1941, the national project to prepare for war by increasing the military and reinforcing select allies such as Great Britain extended throughout Europe and Asia, Above all, in the sphere of "preparedness," transforming America's industrial base to produce weaponry and other war materiel rather than civilian commodities was critical Between 1940 and 1942, "conversion" was a key issue in American business. Meanwhile, executives in a variety of industries delayed switching to military production in order to avoid losing market share to competitors who did. As a result, government officials and labor leaders made conversion a priority.

Walter Reuther, a high-ranking officer in the United Auto Workers union, campaigned for the conversion of the major automakers by urging that they switch to airplane production in 1940. Despite the Reuther Plan's initial opposition from auto executives and many federal officials, it was successful in raising public attention to America's lack of war readiness. Even so, it wasn't until 1942 that automakers fully transitioned to war manufacture, and it wasn't until 1943 that they started contributing significantly to aircraft production.

However, not all industries appeared to be lagging as badly as automobiles, even to contemporaneous observers. Merchant shipbuilding was quickly and effectively mobilized. The US Maritime Commission (USMC) was in charge of the industry, which it was established in 1936 as part of the New Deal to resurrect the dormant shipbuilding industry, which had been in decline since 1921, and to ensure that American shipyards could meet wartime demands. The USMC encouraged and subsidized the establishment and expansion of shipyards throughout the country, notably along the Gulf and Pacific coasts.

The entire industry produced only 71 ships between 1930 and 1936, while commission-sponsored shipyards built 106 between 1938 and 1940, and nearly that many in 1941 alone. The Maritime Commission's power to control the industry through a variety of methods, including construction contracts, shipyard inspectors, and outright goading of contractors by commission officials, stems from the industry's strategic importance—ever-increasing numbers of ships were required to convey American goods to allies such as the United Kingdom and France — and the Maritime Commission's power to regulate the industry using a variety of methods, including construction contracts, shipyard inspectors, and outright threats from commission officials.

Many of the ships built by the Maritime Commission were used to convey American commodities to European allies as part of the "Lend-Lease" program, which began in 1941 and offered still more early evidence that the United States could and would shoulder a considerable economic burden. According to all accounts, Lend-Lease was critical in enabling the United Kingdom and the Soviet Union to fight the Axis, particularly before the United States officially entered the war in December 1941.

Despite the fact that academics are now arguing the influence of Lend-Lease on these two important allies, it is likely that both countries could have continued to combat Germany without American support. It appears to have been largely used to supplement the British and Soviet armed forces in order to reduce the time it took to retake the military attack against Germany. The United States supplied $32.5 billion worth of commodities under Lend-Lease between 1941 and 1945, with $13.8 billion going to the United Kingdom and $9.5 billion to the Soviet Union.

Because of the war, the most important quantitative Lend-Lease commodities were always airplanes, ships (and ship-repair services), military vehicles, and ammunition, but food was also a big export to Britain.

2.5.1 War Administration

From the beginning of the preparations in 1939 until the pinnacle of war production in 1944, American officials knew that the stakes were too great to allow the war economy to grow unrestrained. Manufacturers in the United States, for example, could not be trusted to switch from consumer items to military equipment. To structure the burgeoning economy and ensure that it produces the war-related commodities, the federal government established a flurry of mobilization organizations that not only bought commodities (or arranged for the Army and Navy to buy them), but also carefully directed their creation and had a substantial impact on private firms' and industries' activities.

Despite predecessors such as the New Deal and World War I mobilization, the World War II mobilization bureaucracy developed its own identity as the war economy matured. Most importantly, The United States' mobilization was far less centralized than that of other combatant nations. The war economy of Britain and Germany, for example, was overseen by war councils, which were made up of military and civilian authorities.

In the United States, the Army and Navy were not incorporated into the civilian administrative system, and no supreme body was established to combine military and civilian institutions and oversee the massive war economy.

Instead, the military services enjoyed nearly unfettered control over their huge equipment and personnel requirements. In terms of the economy, the military was able to reduce civilian output. (e.g, autos and other non-essential commodities) as well as for war-related but non-military goals (e.g., textiles and clothing). A number of high-level civilian mobilization organizations collaborated with the Army and Navy to influence the acquisition of manufactured goods like tanks, planes, and ships, as well as raw materials like steel and aluminum and even troops. One way to measure the size of the increase in federal spending and the corresponding increase in military spending is to compare the amount of the growth in government spending and the associated increase in military spending to GDP, which grew significantly throughout the conflict.

The substantial gains in GDP, federal spending, and military spending are shown in Table 1.

Table 1: Indices of American Manufacturing Output (1939 = 100)

	1940	**1941**	**1942**	**1943**	**1944**
Aircraft	245	630	1706	2842	2805
Munitions	140	423	2167	3803	2033
Shipbuilding	159	375	1091	1815	1710
Aluminium	126	189	318	561	474
Rubber	109	144	152	202	206
Steel	131	171	190	202	197

Source: Milward, 69.

2.5.2 War Production Board

As part of yet another attempt to combine civilian and military needs, President Roosevelt established the War Production Board in January 1942, led by Donald Nelson, a former Sears Roebuck executive. The enormously difficult task of governing the war economy could be reduced to a single issue: balancing the requirements of civilians, particularly the workers who kept the economy viable— against the military's needs, including those of servicemen and women, as well as their military and civilian leaders

Nelson and other high-ranking individuals were never able to fully fix this issue, though he did accomplish a number of key economic goals. Nelson effectively settled the so-called "feasibility controversy", In late 1942, civilian and military authorities disagreed on how much of the American economy should be dedicated to military demands in 1943(and, by implication, in subsequent war years). By arguing that "all-out" war production would compromise America's long-term ability to prepare for war after 1943, Nelson persuaded the military to scale back its Olympian aspirations. He also established a model for arranging war manufacturing to meet the bulk of military and some civilian needs. Second, the WPB designed the "Controlled Materials Plan" in late 1942, which distributed steel, aluminum, and copper to industrial users (partly as a result of the feasibility issue). Throughout the conflict, the CMP was secured, and it aided in resolving disputes between military and civilian agencies over the growing but still scarce quantities of those three vital metals.

2.5.3 Office of War Mobilization

Nelson and the WPB had proved their inability to fully control the burgeoning war economy by late 1942, particularly when it came to arguing with the Army and Navy about the need for continued civilian industryAs a result, in May 1943, President Roosevelt established the Office of War Mobilization, and in July, he nominated James Byrne, a close adviser, a former US Supreme Court justice, and the so-called "assistant president," to command it. Despite the fact that the WPB was not abolished, the OWM swiftly rose to prominence as Washington's most formidable mobilization force.
Byrnes, unlike Nelson, was able to establish a war production agreement with the military services by "serving as an arbiter among conflicting elements in the WPB, mediating conflicts between the board and the armed forces, as well as dealing with the War Manpower Commission's various challenges," the agency in charge of overseeing civilian labor markets and maintaining a steady supply of draftees to the military.
Apart from the WPB and the OWM, a slew of other federal agencies controlled everything from labor (the War Manpower Commission) to merchant shipbuilding (the Maritime Commission) and prices (the Office of Price Administration) to food (the Office of Price Administration) (the War Food Administration). Given the breadth and extent of these organizations' efforts, they were bound to fail at times, especially when carrying the New Deal's baggage. By the halfway of America's involvement in the war, for example, civilian Conservation Corps, Works Progress Administration, and Rural Electrification Administration — all important New Deal institutions that sought and failed to find a function in the mobilization bureaucracy — had been completely or virtually disbanded.

2.5.4 War Bonds

Overall, taxes accounted for approximately $136.8 billion of the war's total cost of $304 billion. To cover the remaining $167.2 billion, the Treasury Department expanded its bond program, resulting in the well-known "war bonds" hawked by celebrities and purchased in massive quantities and at enormous prices by Americans. On May 1, 1941, President Roosevelt purchased the first war bond.
Despite the fact that the bonds only returned 2.9 per cent annual interest after a 10-year maturity, they were a valuable source of revenue for the federal government and an extremely important investment for many Americans. Bonds allowed citizens to contribute economically to the war effort, but because interest on them accumulated slower than consumer prices rose, they were unable to completely preserve income that could not be easily spent during the war. By the end of war-bond sales in 1946, 85 million Americans had purchased more than $185 billion in securities, many of which were purchased through automatic deductions from their paychecks. Commercial institutions, such as banks, also purchased billions of dollars in bonds and other treasury paper, amassing a total holding of more than $24 billion at the end of the war.

2.6 Labor Unions

Labor unions and their members profited in particular. As long as the unions were previously recognized by the employer, the NWLB's "maintenance-of-membership" regulation permitted unions to count all new employees as union members and withhold union dues from their paychecks. Given that unionized firms provided the bulk of new jobs, including plants subsidized by the federal government through defense spending, "the maintenance-of-membership ruling was a wonderful boost for organized labor," according to the report. Because it made businesses embrace unions and allowed unions to grow rapidly, organized labor grew from 10.5 million members in 1941 to 14.75 million members in 1945. By 1945, 35.5 percent of nonagricultural workers had joined a union, a new high.

2.6.1 Expansion of Employment

Several important social trends were fueled and benefited by the wartime economic boom. The rise of employment, which coincided with the expansion of industrial production, was the most noticeable of these trends. In 1944, unemployment among civilian workers reduced to 1.2 percent, a new low in American economic history, and the closest thing to "full employment" that is likely to be achieved (Samuelson).

Not only did individuals who had been unemployed during the depression find jobs, but so did those who had been unemployed for a long time. Approximately 10.5 million Americans, who were unable to work at the time, did as (the 3.25 million young people who turned 18 after Pearl Harbor) or would not have looked for work at the time (3.5 million women, for instance). By 1945, the percentage of blacks working in war jobs — 8% — had reached a similar level to that of blacks in the general population — 10%. (775), according to Kennedy. By 1945, approximately 19 million American women were working outside the home, including millions of black women. Despite the fact that the majority of women continued to engage in traditionally female vocations like administrative and service positions, two million women worked in war industries (half of them were in aerospace alone) (Kennedy, 778). The industrial sector did not account for all of the job growth. The federal government's civilian workforce increased from roughly 830,000 in 1938 (an already historic high) to 2.9 million in June 1945. (Nash, p. 220.)

2.6.2 Population Shifts

Migration was another important socioeconomic movement. All of the 15 million Americans who enlisted in the military — that is, who became military personnel – traveled to and from military bases 11.25 million ended up overseas. Continuing the Depression-era movements, approximately 15 million civilian Americans took a significant step forward (defined as changing their county of residence). In 1943, 700,000 African-Americans fled the South, with 120,000 arriving in Los Angeles alone. Along rural-urban axes, notably to war-production areas across the country, and along an east-west axis, migration was particularly intense (Kennedy, 747-748, 768). For example, between 1940 and 1945, the population of the three Pacific Coast states expanded by one-third, irreversibly altering their demography and economy.

A third wartime socioeconomic tendency was rather ironic, given the reduction in the supply of civilian goods: rapid rises in many Americans' personal incomes. Nearly all Americans — whites and blacks, men and women — saw their incomes rise, skilled and unskilled — as a result of the federal government's ability to suppress price inflation and support high wages through military contracting, as well as the expansion of organized labor's size and strength). The poorest employees gained the most: manufacturing workers earned nearly a quarter more real income in 1945 than they did in 1940. These increased earnings were a result of a "great compression" of wages during WWII, which served to level the income distribution across the American population (Goldin and Margo, 1992).

Despite the focus on military-related production in general and the impact of rationing in particular, spending in many civilian areas of the economy rose even as the war consumed billions of dollars in output. Workers substituted movie tickets for scarce clothing or unavailable automobiles, and Hollywood thrived. In 1943 and 1944, Americans gambled more lawfully, and racetracks made more money than at any other time in history. In 1942, Americans spent $95 million on legal drugs, up $20 million from 1941. In the month of November 1944, sales at department stores were greater than they had been in any preceding month of the year (Blum, 95-98). Rationed or luxury commodities, such as meat and chocolate, as well as tires and gasoline, gained in popularity throughout the war.

2.7 Scientific and Technological Innovation

Achievements in science and technology were required for the war effort, advancements that forever changed American life and made modern technology feasible.

As one of the lingering legacies from a war that affected all parts of life—from economics to justice to the nature of combat itself—the scientific and technological legacies of World War II had a deep and permanent effect on life after 1945. In the decades following World War II, technologies created to win the war found new applications as commercial products became staples of the American home. Wartime medical advances were also made available to civilians, resulting in a healthier and longer-lived society. Furthermore, advances in warfare technology contributed to the development of increasingly powerful weapons, which perpetuated tensions between global powers while fundamentally altering people's lives. However, the scientific and technological legacies of World War II became a double-edged sword, ushering in a modern way of life for post-war Americans while also launching Cold War conflicts.

When it comes to wartime technology that became commercially valuable after WWII, it's impossible to overlook the small, palm-sized device known as a cavity magnetron. This device not only aided in the victory of World War II, but it also forever altered the way Americans prepared and consumed food. The device's name, the cavity magnetron, may not be as well known as what it produces: microwaves. During WWII, the ability to produce shorter, or micro, wavelengths using a cavity magnetron improved on pre-war radar technology, resulting in greater accuracy over longer distances. Radar technology played an important role in World War II. Besides, radar was so crucial that some historians believe it helped the Allies win the war more than any other piece of technology, including the atomic bomb. After the war, cavity magnetrons found a new home away from warplanes and aircraft carriers, becoming a common feature in American homes.

Computers, like radar technology, had been in development long before World War II. However, the war demanded that such technology advance quickly, resulting in the production of new computers with unprecedented power. The Electronic Numerical Integrator and Computer (ENIAC), one of the first general-purpose computers, was one such example. ENIAC, capable of performing thousands of calculations per second, was originally intended for military use but was not completed until 1945. Building on advances in computer

technology during WWII, the US government released ENIAC to the general public in early 1946, presenting the computer as a tool that would revolutionize the field of mathematics.
Along with the advances of microwave and computer technology, World War II brought about seismic changes in the fields of surgery and medicine. The devastation of both world wars necessitated the development and application of new medical techniques, which resulted in advancements in blood transfusions, skin grafts, and other trauma treatment advances. The need to treat millions of soldiers necessitated the mass production of antibacterial treatment, resulting in one of the most significant medical advances of the twentieth century. Despite the fact that the antibacterial properties of the penicillium notatum mold were discovered by scientist Alexander Fleming in 1928, penicillin was not commercially produced until after World War II had begun. As American and British scientists sought to meet the war's demands, large-scale manufacture of penicillin became critical.
During World War II, just a few scientific and technological achievements were produced.
II have received as much attention as the atomic bomb. The atomic bombs dropped on Hiroshima and Nagasaki, developed in the midst of a race between the Axis and Allied powers during the war act as major milestones in the Pacific War's conclusion. While there are still disagreements about the use of atomic weapons on civilian populations, there is no doubt that the atomic age changed the twentieth century and the United States' worldwide prominence.
Competition for dominance drove both the US and the Soviet Union to produce and stockpile as many nuclear weapons as possible. In which, the arms race ushered in a new era of science and technology that forever altered the nature of diplomacy, the size and power of military forces, and the development of technology that eventually landed American astronauts on the moon's surface.
The nuclear arms race that followed World War II sparked fears that one power would gain superiority not only on Earth, but also in space. The Space Race prompted the establishment of a new federally funded aeronautics program in the mid-twentieth century. Following the successful launch of the Soviet satellite Sputnik 1 in 1957, the United States responded four months later by launching its own satellite, Juno 1. The United States Congress created the National Aeronautics and Space Act (NASA) in 1958 to oversee the project to send humans into space. The Apollo 11 crew landed on the moon's surface on July 20, 1969, bringing the Space Race between the United States and the Soviet Union to a close.
The Cold War between the United States and the Soviet Union altered almost every aspect of life, but the nuclear arms race and the Space Race remain significant legacies of the science that powered World War II.
Scientific and technological advancements were a crucial component of the American war effort and an essential economic factor in the Allies' success, as observers during the war and since have recognized. While all of the main belligerents were able to employ their scientific and technological resources to manufacture guns and other war weapons, the American experience was unique in that scientific and technological advancements benefited nearly every part of the war economy, from microwaves to space exploration, World War II's scientific and technological advances forever altered how people thought about and interacted with technology in their daily lives. Throughout the war, the advancement and sophistication of military weapons spawned new applications as well as new conflicts. World War II enabled the development of new commercial products, advances in medicine, and the establishment of new

fields of scientific investigation. Almost every aspect of life in the United States today—from using home computers to watching the daily weather report to going to the doctor—is influenced by World War II's enduring legacy.

2.7.1 The Manhattan Project

Due to wartime secrecy, American technological and scientific breakthroughs were most visible in "high-tech" sectors that were frequently hidden from public view. For example, the Manhattan Project to produce an atomic weapon was a direct and massive result of a remarkable scientific breakthrough: a team of scientists at the University of Chicago developed a controlled nuclear chain reaction in December 1942. Under the auspices of the United States. To generate atomic fuel and weapons, the Army and various private contractors, scientists, engineers, and workers built a statewide network of laboratories and plants.

The University of Chicago and the University of California-Berkeley were part of this network, Oak Ridge, Tennessee, and Hanford, Washington, uranium-processing complexes, as well as the Los Alamos National Laboratory in New Mexico.

In August 1945, the United States launched two atomic bombs on the Japanese cities of Hiroshima and Nagasaki, bringing the Manhattan Project to a close. These assaults certainly accelerated Japanese officials' resolve to seek peace with the United States. By that time, The Manhattan Project had developed into a gigantic economic operation by that point, costing almost $2 billion and employing over 100,000 people.

The Manhattan Project, according to Thomas Hughes, an English barrister, judge, politician, and novelist, is a paradigm for future technological system-building developments as well as a "continuation of the rise of big industrial systems" since the late 1800s. The Rouge River automobile facility, built by Henry Ford, stood as a model for sheer magnitude of technology and management. The Tennessee Valley Authority (TVA), an iconic site of New Deal public works that supplied electrical power to the Manhattan Project's Oak Ridge facilities for isotope separation, was another key precedent. The Manhattan Initiative, like the TVA, was a government-run project that altered landscapes and developed new towns by combining large-scale industrial facilities and processes, dwarfing even the Rouge River. The TVA's involvement with the Manhattan Project exemplifies how the New Deal state's increasingly interventionist economic policy was redirected for military purposes and swallowed by military organizations throughout WWII.

The Manhattan Project, despite its importance and scope, was an aberration in the context of the war economy. Technology and scientific innovation has also revolutionized industries that are less sophisticated but nevertheless complicated, such as aircraft and shipbuilding. The United States "ultimately proved capable of certain epochal scientific and technological achievements," according to David Kennedy, "but innovated most notably and tellingly in plant structure, industrial organization, economies of scale, and process engineering" (Kennedy, 648).

2.7.2 Aerospace

The aerospace industry is a good example. The B-29 Superfortress and other American heavy bombers were highly complex weapons that could not have existed, much less contributed to the air war against Germany and Japan, despite advancements in aviation engineering, metallurgy, and even factory management. Hundreds of thousands of people, four big factories, and $3 billion in government funding were all part of the B-29 project demanded almost unprecedented organizational capabilities from the United States Army Air Forces, several major private contractors, and labor unions (Vander Meulen, 7). Overall, American aircraft production was the single most expensive sector of the war economy, costing $45 billion (nearly a quarter of the $183 billion spent on war production) and employing a staggering two million people, and most importantly, it has produced over 125,000 aircraft.

2.7.3 Shipbuilding

A third example of how vital innovation is to the war economy is shipbuilding. Allied strategy throughout World War II relied heavily on the movement of war materiel produced in the United States to the front lines in Africa, Europe, and Asia. Between 1939 and 1945, the United States Maritime Commission (USMC) oversaw the construction of 5,777 merchant ships at a cost of around $13 billion (naval shipbuilding cost about $18 billion) (Lane, 8). Four essential innovations helped to make this tremendous wartime output possible. For starters, the commission itself delegated power over the commercial shipbuilding industry to the federal government.

Second, the commission backed entrepreneurs like Henry J. Kaiser, an industrialist who had never constructed a ship before but was keen to employ mass-production techniques in the shipyards. The substitution of welding for riveting, as well as the addition of hundreds of thousands of women and minorities to hitherto all-white and all-male shipyard workforces, was a third major breakthrough.

The substitution of welding for riveting, as well as the addition of hundreds of thousands of women and minorities to hitherto all-white and all-male shipyard workforces, was a third major breakthrough. By applying well-known manufacturing techniques and prioritizing easily-made ships, merchant shipbuilding became a low-tech counterexample to the atomic-bomb project and the aerospace industry, while simultaneously being a stunningly profitable sector.

2.8 G.I. Bill

The Servicemen's Readjustment Act of 1944, popularly known as the "G.I. Bill," provided servicemen with several economic perks in addition to their occupations, including federal government educational help, guaranteed mortgages, and small-business financing. As a result, a sizable and prosperous class of people emerged, wanting low-cost, frequently suburban homes, vocational training and college education, and private cars, which were unavailable before the war.

After World War II, American soldiers awaited their return to civilian life with bated breath. Those stationed in Europe, Asia, and the Pacific hoped to be reunited with their families and quickly employed in the bustling industrial economy of the United States.

The US government was concerned as well, but for a different reason. After more than a decade of depression, World War II had resurrected American prosperity, and the government was desperate to avoid the economic turmoil that 15 million veterans reentering the labor force might cause.

On June 22, 1944, President Franklin D. Roosevelt signed the Troops's Readjustment Act in order to give returning servicemen and women some financial security (and, hopefully, divert a significant proportion of veterans away from the labor market and into educational programs). The Servicemen's Readjustment Act was enacted to help servicemen adjust to civilian life, also known as the GI Bill, provided veterans with a year of unemployment pay following their return home, as well as guarantees for loans to purchase homes, businesses, or farms, as well as tuition and living stipends for college or vocational programs. However, this plan was not well received by everyone. In a pre-war society where college education was reserved for the elite, the president of the University of Chicago complained that "education is not a device for coping with mass unemployment... colleges and universities will be converted into educational hobo jungles."

Nonetheless, this decision proved to be premature. The GI Bill was an unprecedented success, enrolling eight million veterans in college in the decade following WWII and completely reinventing American higher education. Despite the program's high cost (approximately $14.5 billion), veterans who took advantage of the educational subsidy earned $10,000-15,000 more per year than those who did not, resulting in tax revenue 10 times the program's cost. As a result, it has been labeled "the best investment the United States government has ever made" by some observers.

The GI Bill broadened American university education from a curriculum centered solely on the liberal arts to one that included a variety of career paths such as science, business, and engineering. According to historian James T. Patterson, it is "the most significant development in the modern history of American education."

The government guarantee for home and business loans also fueled an economic boom, financing the construction of thousands of new homes, such as those that sprouted up in New York suburbs like Levittown.

On the Manhattan Project, the military-security system of compartmentalization was deployed to achieve industrial-capitalist control of the labor process. This meant that communication was restricted to the top of the hierarchical chain of command, and horizontal communication between workers was rigorously forbidden. The scientists at Los Alamos had the clout to demand that the laboratory's compartmentalization be weakened). Most Manhattan Project staff, on the other hand, had little or no knowledge of what was going on outside of the plant, or even the room, where they worked.

Pipefitters, welders, and electricians, all of whom were in low supply, were critical to the Manhattan Project's success. It was also strongly depended on scientific personnel, many of whom were "indispensable." In terms of ability and knowledge, these workers were not Fordist "abstract labor." However, compartmentalization gave a way to keep such a highly competent and educated workforce under control. They would do sophisticated and complex work in a fragmented fashion, isolated from other workers and overall system knowledge (to varied degrees depending on the sort of worker).

According to Thomas Hughes "The widespread employment and influence of highly trained physicists and chemists, who worked creatively with industrially experienced engineers, metallurgists, and competent machinists set a pattern," However, as the Manhattan Project merged science and large-scale industrial production, it also changed the nature of scientific work to integrate it with large-scale industrial organizational patterns.

Overall, the GI Bill was a major factor in the post-war era's prosperity. It not only saved the American economy from a potential unemployment epidemic, but it was also a gift that kept on giving: as more Americans pursued higher education, they earned higher wages and could thus pump more money into the economy by purchasing homes and consumer goods.

2.9 Arts and Entertainment

Arts and entertainment in the two decades after WWII demonstrated both continuity and change. Radio remained popular, but a new technology, television, was also a huge success. Television would, in fact, have a significant impact on many aspects of life in the United States.

Almost every element of American life was affected by World War II, including the food they ate, the movies they watched, and the music they listened to. Songs, movies, comic books, novels, artwork, comedy routines—every conceivable kind of entertainment and culture—were written on the war, particularly the Allies' efforts to win it. Furthermore, these works and their creators were frequently involved in the military effort.

Writers, illustrators, cartoonists, filmmakers, and other artists used their skills to enlighten the public about the war and convince them to join in government Home Front activities like scrap drives and rationing. In other words, World War II and popular culture at the period are intricately intertwined; one cannot be properly understood without the other.

The thought of another world war began to creep into the American mind even before the attack on Pearl Harbor. Playwright Maxwell Anderson, as well as authors John Steinbeck and Ernest Hemingway, produced films about perilous journeys across the submarine-infested Atlantic, daring attempts to rescue loved ones from Nazi concentration camps, and nefarious spy rings operating right under America's nose, while Hollywood produced films about perilous journeys across the submarine-infested Atlantic, daring attempts to rescue loved ones from Nazi concentration camps, and nefarious spy rings operating right under America's nose. These accounts highlighted the country's rising anxiety about the conflict and how it would effect people's lives. In 1939, Warner Brothers released Confessions of a Nazi Spy, a film based on genuine FBI investigations into German espionage in the United States. Some people, however, were afraid that the picture was too political and would threaten the US's fragile European neutrality. Others applauded the video as patriotic since it served as a warning to Americans about a looming peril. After the debut, lead actor Edward G. Robinson commented, "I feel like I'm serving my country." "Nazism's dangers must be eradicated once and for all."

War themes pervaded practically every artistic media and type of entertainment after the attack on Pearl Harbor. Films like Saboteur, Sahara, and Casablanca captured the drama of wartime for both soldiers and civilians. The war was widely referenced in song lyrics, illustrating both the battlefield and the Home Front's ups and downs. Some tunes, such as the Andrews Sisters' "Boogie Woogie Bugle Boy of Company B," were energetic, funny, and fun to dance to. "The White Cliffs of Dover," by Walter Kent and Nat Burton, is one example. Slower and sombre, they addressed both the tragedy of the conflict and the hope that peace would return soon. Even the plots of newspaper comic strips included war-related elements. Superman, Dick Tracy, Little Orphan Annie, and Mickey Mouse were all characters who worked with various facets of the war effort, planting victory gardens, dealing with rationing, and battling the Axis powers on the front lines were all part of the job. A few comics, such as Willie and Joe by Bill Mauldin, were made particularly for the war and gave readers a rare glimpse into the lives of American soldiers.

For many writers, actors, and artists during the war, these contributions were insufficient. It was one thing to manufacture war propaganda, but many of them also wanted to use their skills to aid the Allies in their victory. Soon after the Pearl Harbor attack, a number of non-profit groups have sprung up to aid the entertainment business in this endeavor. For example, the Hollywood War Activities Committee set the door for collaboration between the federal government, major film studios, and thousands of theaters around the country.

The Hollywood Victory Committee arranged for celebrities from the theater, film, television, and radio to appear at events encouraging war bond sales, scrap collection, and military recruitment, as well as shows to raise army morale. The group had produced 7,700 events for war relief and charity by the end of the war, with 4,147 stars, 38 film shorts, and 390 broadcasts. The Council on Books in Wartime was formed when writers and publishers banded together. The group advocated books that could be used as "weapons in the fight of ideas," and it organized for the sale of such books to libraries and the military. In 1943, the Council began selling its Armed Services Edition line of popular book reprints to the military, selling over 122 million copies at an average cost of around six cents per copy.

The administration of President Franklin D. Roosevelt recognized the entertainment industry's enormous impact early on and sought ways to harness that energy to boost public support for the war effort. The Office of War Information was the major arbiter of this connection (OWI). Film studios, screenwriters, radio stations, newspapers, cartoonists, and artists from throughout the country collaborated with OWI to make films, posters, songs, and radio broadcasts pushing ordinary Americans to support the government's wartime programs and restrictions. Despite the fact that much of this material was really propaganda, some of it proved very popular. In 1942, for example, the War Department asked the Writers' War Board to prepare material to aid in the recruitment of non-pilot volunteers for the Army Air Forces. The Board's creative artists reacted with 52 nonfiction pieces, 12 short stories, a book, and even a song titled "I Wanna Marry a Bombardier." The stream of bombardier recruits was so great that the War Department was forced to ask the Writer's War Board to call a halt to their campaign.

By the time the war was proclaimed over in 1945, a whole new universe of war-related sights and sounds had entered American popular culture, some for sheer amusement, others as propaganda. Many of the era's most well-known figures, such as Rosie the Riveter, are still alive and well today. World War II continues to inspire artists, filmmakers, and authors, who have exploited the wartime era's history and culture to create some of the most celebrated films, novels, and even video games of our day.

Furthermore, when professional athletes returned from serving in the armed forces, Americans turned out in record numbers to see them compete. However, the integration of African American and white athletes into the same competitions would soon change professional sports forever.

The musical theatre grew in popularity, with some prominent classical artists writing popular music musicals. Other musicians were creating rock and roll, a new style of music that became popular among youths. Despite the fact that this new musical genre arose in the 1950s, many people thought the decade was very uncreative. Changes in society were mirrored in changes in art and entertainment as the 1960s progressed. Black authors wrote a lot, often about the difficulties of being African American in a society dominated by white racism. Feminist writers advocated for gender equality. Other writers, musicians, and artists investigated the effects of society's "establishment" and protested the Vietnam War.

2.10 The War Economy at High Water

Between 1941 and 1945, the American economy grew at an exceptional (and unprecedented) rate, despite the near-constant crises of civilian war agencies. In constant terms, the US gross national product climbed from $88.6 billion in 1939 to $135 billion in 1944, while the country was still suffering from the Great Depression. War-related production surged from 2% of GDP to 40% of GDP in 1943. (Milward, 63).

2.11 The U.S.'s Position at the End of the War

On a macroeconomic level, the war not only ended the Great Depression, but it also set the stage for productive post-war collaboration between the federal government, private industry, and organized labor, three parties whose tripartite collaboration aided in the continuation of economic growth after the war. The United States did not emerge physically undamaged from the war, but it did so economically, thanks to wartime industrial expansion that provided it an absolute and relative advantage over both its friends and foes.

With a larger and wealthier economy than any other country on the planet, American authorities vowed to make the US the post-war world's economic hub. This purpose was supported by American aid to Europe ($13 billion via the Economic Recovery Program (ERP) or "Marshall Plan," 1947-1951) and Japan ($1.8 billion, 1946-1952), which tied the economic reconstruction of West Germany, France, the United Kingdom, and Japan to American import and export needs. Among other factors. Even before the war ended, the Bretton Woods Conference in 1944 established key aspects of international economic affairs by establishing currency convertibility standards and establishing institutions such as the International Monetary Fund and the World Bank's precursor.

12. Conclusion

As all the above points have demonstrated, this chapter has achieved its purpose by indicating the major grounds and efforts that paved the way to grow the American economy and extending a paradigm shift experience. In which the United States established itself as a global power in economic, political, military, cultural, and technological matters. Middle-class culture became obsessed with consumer goods beginning in the 1950s. A growing number of workers were able to afford higher wages, larger homes, better schools, and more cars and household technology. In the post-war period, the United States' economy expanded at a 3.5 percent annual rate. The significant increase in average family income within a generation lifted millions of office and factory workers into a growing middle class, allowing them to maintain a standard of living previously considered reserved for the wealthy.

Chapter Three

Post-war II reconstruction and development in the Golden Age of Capitalism

1. Introduction

The present chapter looks at the editions of the Surveys that were produced during the so-called "Golden Age of Capitalism," a period of economic success that lasted from 1945 until the early 1970s. The period saw the achievement of high and sustained economic growth as well as high levels of (labor) productivity growth (particularly in America).

The post-Second World War economic boom was an era of considerable prosperity that followed the recovery period and ended with the 1973-1975 Recession. These years are also referred to as the "Golden Age of Capitalism" in the West, although Eastern Europe and parts of Asia also saw significant growth in these years. This economic boom began at different points per region depending on the length of the recovery period; for example, it started in the U.S. almost as soon as the war ended, as the U.S. was not as structurally devastated by the war as Europe or Asia.

In contrast, growth in some Southern European economies did not take off until the late 1950s due to the legacy of the civil wars in the region.

3.1.1 The Golden Age

The term "Golden Age" refers to a period in history that is remembered for its prosperity and happiness. A closer examination of such a period, on the other hand, frequently reveals hidden challenges. This chapter's topic, the Golden Age of Capitalism, is no exception. For example, the period experienced business cycles, though they were certainly milder than those experienced by the global economy in later decades. Some fundamental and structural problems of the post-war period also emerged: a growing gap between industrialized and developing countries, high population growth coupled with a low level of food production in developing countries, widespread poverty and high income inequalities, high commodity price volatility, and deterioration in trade of developing countries' trade, as well as a lack of financing for developing countries' economic development Despite their differences in scope and depth, these issues remain a part of the global landscape.

However, from 1945, when World War II ended, until the Bretton Woods monetary system crumbled in the early 1970s, the Golden Age of Capitalism lasted. It was a time of economic prosperity, with high and consistent levels of economic and productivity growth. During the Golden Age, the topics covered by the World Economic and Social Survey (hereafter referred to as the Survey) evolved from year to year in response to pressing development demands.

Several challenges and features related to international trade and finance that the Survey identified during the Golden Age returned in succeeding decades and continue to do so now. For example, trade played a significant part in the international economy's recovery in the post-war years, which was one of the major concerns of policymakers in the early days. The Survey, which was unequivocal in its support for multilateralism as well as its opposition to it As a result of protectionism, the significance of international collaboration has been underlined.

In the World Economic Report 1953-54, for example, it was said that "in the absence of efficient coordination, the behavior of one country's government may form an element upsetting the equilibrium of other countries." (p. 9). The Survey continued to advocate for what is now known as "common but differentiated responsibilities," a term defined in the same report (p. 16) as follows:

While no country is exempt from such responsibilities, not all countries are in the same position to take on them. In general, countries with the highest income levels and the greatest mobility of resources are best positioned to accept such responsibilities, as they are best able to adapt to changing conditions.

Naomi R. Lamoreaux, a historical economist, about the US economic background. Claiming that separate departments of economic history have never existed in the United States.

Instead, economic historians have always been split between economics and history departments, with the occasional appointment in sociology or political science thrown in for good measure. The field has benefited and suffered as a result of the lack of an independent disciplinary home. On the negative side, practitioners have invariably found themselves as stepchildren in their parent disciplines, frequently losing out in the competition for attention and resources to their mainstream brethren. On the plus side, economic historians have never been cut off from intellectual developments in their respective fields.

The National WWII Museum, described how the WWII transformed America from a mid-level global power to the "free world's" leader with its rapid rise in power and influenceThe "American era" began when the United States was compelled to take on additional duties. For many Americans, the value of isolationism was underlined in the aftermath of World War I. The "war to end all wars" failed to live up to its name in the end, and the United States was wary of getting engaged in another foreign battle. The idea of the United States as a major global force was not a political goal of American leaders prior to World War II. Most Americans were prepared to allow other powers, such as the United Kingdom, take on that role. However, by the end of World War II, the United States had remained one of the world's two major powers, alongside the Soviet Union, which had risen to power in a similar manner. The immediate aftermath of World War II generated a clear determination among American political and economic elites to maintain this newfound power and secure the United States' place as the leader of the "free world," far from the isolationism that had characterized US global politics. (2020, October 23).

3.2 The Rising Power of the Dollar

The US dollar has been intricately connected to the operation of the global economy since the end of World War II. The political and economic consequences of the dollar's reserve currency position are rarely explored because the US dollar is so important to the global financial system. Understanding the international financial system, as well as the wider political and economic implications of the dollar's role, requires an understanding of the dollar's status as the world's reserve currency.

"Maintaining the function of the US dollar as the world reserve currency has been the principal cornerstone of the American Century since 1945," according to F. William Engdahl, which is linked to but more strategic than.

Thomas Costigan, Drew Cottle, and Angela Keys are among the researchers who believe that the dollar's role as the global reserve currency was critical to US hegemony's activities throughout the post-World War II period. (n.d.). THE DOLLAR OF THE UNITED STATES AS THE GLOBAL RESERVE CURRENCY. The post-World War II era saw a fundamental transformation in US foreign policy, according to the author. This policy shift was defined by the CFR's "Grand Area" idea, which was established in partnership with US State Department strategists. Under this program, the US attempted a global hegemonic project. This pursuit was economic in nature; it would necessitate uniting disparate regions of the world into a financial system centered on, as well as serve the interests of the US economy.

In detail, the United States created a liberal international system in which it would be the principal beneficiary following WWII (Mastanduno 2009). Economic and security issues became intimately connected for the United States, and the dollar was at the center of this new paradigm.

As the global reserve currency, the US dollar became the "lynchpin" of trans-Atlantic and trans-Pacific trade, according to Mastanduno. The dollar's crucial role bestowed a well-known benefit on US policymakers. Other nations were willing to hold dollars as long as they were willing to hold dollars, External deficits in the United States might be paid mostly by printing money and lending it abroad, allowing the government to pursue a wide range of foreign and domestic policy goals without having to make severe short-term trade-offs.

In this setup, the US dollar was essentially employed as the major trading currency. US planners recognized the influence that this would bestow on the United States. At the time of the Bretton Woods Conference, economic factors were essential in deciding the United States' place in the postwar world. Europe's war-torn countries were in desperate need of money (Mastanduno 2009). The US dollar's role as the world's reserve currency ensured demand stability at a time when several European countries were in terrible financial circumstances.

3.2.1 The Dollar and Oil

Prior to Nixon's decision to quit the Bretton Woods gold dollar conversion, the dollar was already under strain. During the Korean War, the United States began to defy Bretton Woods norms by expanding dollar supply relative to gold supply. This began the depreciation of the US dollar, as well as the inflationary effects that the rest of the globe would have to contend with. Convertibility of gold dollars was further strained in the mid-1950s. Manufacturing competitiveness in Western Europe had increased in comparison to the United States. Due to the dollar's high convertibility compared to European currencies, US businesses were searching for substantial profits (Engdahl 2008, 247).

In the 1960s, America's European trading partners could no longer ignore the question of convertibility. By boosting the US money supply compared to gold, French President Charles de Gaulle accused the US of exporting inflation to Europe. An increase in US military spending prompted an increase in the US money supply. By 1968, the US gold stock had dropped to $10 billion, significantly less than the monetary obligations of European nations. Requesting obligation payment in gold would be considered a "unfriendly conduct" by the US, according to its creditors.

In light of this, President Richard Nixon's departure of the US dollar from the gold standard in 1971 was a watershed event for the dollar as the world's reserve currency. The US dollar was previously convertible into gold at a cost of $35 per ounce. Because the US "controlled the overwhelming bulk of world central bank monetary gold holdings" at the time, the dollar's peg to the gold standard was immensely favorable to the US in the immediate post-war years.

According to Hall et al. (2011), by 1971, the amount of US securities held by foreign central banks had reached levels that were unsustainable for the US with a gold-based currency. Others claim Nixon abandoned the gold standard because the United Kingdom insisted on obtaining payment in gold for all of its dollar assets (El-Gamal and Jaffe 2009. Two days following this demand, Nixon withdrew the dollar's gold convertibility (El-Gamal and Jaffe 2009). However, there was another reason for the US dollar's demise from the gold standard.Despite the fact that foreign central banks continued to seriously doubt the dollar's continued viability in light of US deficit spending, there was no alternative to the US dollar as a viable medium of international exchange (Hall et al. 2011).

Only the United States has the political clout over financial institutions that a global reserve currency required to ease capital movements. Despite its poor financial state, the United States remained the world's only reserve currency choice. Nixon's move to decouple the US currency from the gold standard was a substantial break from the Bretton Woods Accords. The US dollar became a "fiat currency", meaning that its value was no longer defined by or redeemable for tangible commodities like gold or silver. Some have interpreted the abandonment of the gold standard and the Bretton Woods Agreement as a demonstration of the strength of the United States, and particularly of the US dollar.

The US dollar, however, became increasingly connected to the price of oil after being divorced from the gold standard in the 1970s. The US has been running enormous budget deficits since the late 1960s in order to pay the Vietnam War and the Johnson Administration's "Great Society" welfare programs. New financing mechanisms were necessary to finance these spending imbalances (Blecker 1999). A specific association between oil trade and the US currency has been established, according to Momani (2008).

This trade can be traced back to bilateral agreements inked in 1974 between the US and Saudi governments. The formation of the United States–Saudi Arabian Joint Commission on Economic Cooperation resulted in dollar-denominated oil commerce. The US economy benefited from closer cooperation between the US and Saudi Arabia, particularly through Treasury purchases. Momani and US Treasury Secretary William Simon struck a secret deal under which the Saudis may buy treasury bills that had not yet been auctioned, assisting in the financing of the US debt. The Commission's function was highlighted by the fact that it was staffed entirely by US Treasury employees.

According to Momani, the Joint Commission featured a specific technical section staffed by American civil employees that aided US corporations in growing their Saudi exports. The Saudi-funded technical group aimed to develop bilateral political and commercial ties, encourage the export of US goods and services to Saudi Arabia, and, most crucially, aid in the recycling of Saudi petrodollars through the purchase of US commodities. Mani is a character in the film Mani.

The US was able to support its budget deficits and military activities around the world by purchasing assets denominated in US dollars and trading oil in dollars. "The United States has basically been producing money to support its deficit, and perhaps its military activities," Momani (2008) writes, "with little international recourse on the dollar's value". Because of the US dollar's function as the world's reserve currency, the US has been able to maintain and increase expenditure while experiencing little inflation (Momani 2008, 301–2).

The importance of oil and its trading in US dollars was mirrored in financial markets by the 1970s and 1980s, with increased levels of investment influencing oil prices. Yergin (2011) claims that oil is not only a physical commodity, but also a financialized and speculative financialized instrument. According to Yergin (2011), the "financialization" of oil was a watershed point for the dollar and US financial hegemony. Oil will now be traded on the New York Mercantile Exchange (NYMEX). In 1983, this New York-based firm began trading crude oil. The "paper barrel" concept dates back to the early days of the NYMEX oil market, according to Yergin.

In 1983, this New York-based firm began trading crude oil. The "paper barrel" concept dates back to the early days of the NYMEX oil market, according to Yergin. The term "paper barrel" alludes to the financialization of oil, or the use of oil as a speculative instrument in addition to its use as a fossil fuel. The US dollar was still being utilized to trade oil as a commodity while these events were taking place (Yergin 2011).

3.3 Bretton Woods Conference

The United States' growing economic power was evident even before World War II concluded. From July 1 to 22, 1944, delegates from 44 countries gathered in Bretton Woods, New Hampshire, to discuss the postwar global order and establish a new international monetary system. This conference was held to prevent a global economic depression similar to the one that happened during the interwar period. In Washington, DC, a new International Monetary Fund (IMF) and the World Bank were founded on the assumption that partnerships based on trade and economic ties would help avoid the advent of another world conflict, with the objective of tracking funds, transferring monies between countries, and lending to countries in need. At the Bretton Woods Conference, exchange rates were linked to gold reserves, with the United States controlling the majority of the world's gold reserves, The dollar has replaced the yen as the world's reserve currency in international trade and business.

While the International Monetary Fund (IMF) would be in charge of maintaining this new global economic system, the United States and the dollar would emerge as the postwar world's economic standard bearers.

From July 1–22, 1944, delegates from 44 countries gathered in Bretton Woods, New Hampshire, to develop a framework for future international economic cooperation. Faced with an extremely ambitious agenda—agreeing on fundamental values, building a set of institutions capable of promoting those ideas, and preparing the Articles of Agreement that would govern those institutions—these delegates achieved nearly all of their goals in just three weeks.

That "political miracle," as US Ambassador to Spain Richard Gardner describes it, was made all the more astonishing by the fact that it was carried out by delegates from countries with widely different histories and agendas in the midst of a worldwide conflict.

The British and American delegations were primarily responsible for the design of the Articles, although several other countries, including China, France, and India, contributed to the final product.

For all who were there in 1944, it was one of the most intense, if not the defining, experiences of their professional life, as Jacques Polak, one of numerous Bretton Woods veterans who gathered in Madrid 50 years later, stated in a memorial (see Box). "Bretton Woods" came to represent economic stability and collaboration on a global scale.

The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or World Bank), two Bretton Woods institutions, have aided in the shaping of the global economy for the past 50 years, during which the economic, political, and social environments have changed frequently and fundamentally. Numerous challenges and innovations have been faced by the institutions:

• The ever-changing and complex requirements of the emerging world

• The tendency toward more economic symmetry among the leading industrialized nations.

• The growing reliance on one another of industrialized and developing nations.

• Integration of former centrally planned economies into the global market system, as well as growing international market integration

• The emergence of a paradigm for development that is market-oriented.

• The spread and innovation of technology are accelerating.

Polakan, a senior economist in the Netherlands delegation to the Bretton Woods conference, welcomed his fellow veterans to the supper for conference attendees on September 29 at the Castillo de Vinuelas outside of Madrid. Abol Hassan Ebtehaj, Chairman of the Iran delegation at Bretton Woods and Governor of the National Bank of Iran; Aron Broches, Secretary of the

Netherlands delegation; and J. Burke Knapp. Following that, Polak proposed the following toast:

“We're all excited to be here tonight to remember the Bretton Woods conference, I'm sure of it. This meeting in Madrid is a great occasion, but it can't compare to the genuine thing, as we recall it—the conference at the foot of Mount Washington 50 years ago. That experience, I believe, can best be described as a happening for all those who were present—the most thrilling professional experience of their lives. The following were some of the experiences:

- A fundamental wish to prevent the post-war world from repeating the devastating national and international economic mismanagement of the interwar period;
- Magnificent preparation, mostly but not just by American and British technicians;
- The tight quarters of numerous smart economists from the allies in a single hotel with few distractions—spouses were not permitted—and incredibly exhausting labour.

I'm quite sure this is how the Bretton Woods twins were born. On behalf of a few of the remaining delighted parents, may I suggest a toast to the Twins' 50th birthday?

As a result, while this evolution has boosted international trade and contributed to unprecedented global economic growth and development, it has also made preserving stability far more difficult and complex. Stable exchange rates between convertible currencies were encouraged by the Bretton Woods international financial system, which developed from Bretton Woods and fell apart in the early 1970sThe domination of a single economic superpower dedicated to acting as the stable core of that system and the limited role of private capital flows are no longer present and are not likely to be repeated.

3.3.1 Strengthening Surveillance and the International Monetary System

The efficiency of IMF supervision, particularly with relation to the operation of the international monetary system, was a persistent subject during the jubilee year. The diversity of perspectives on this issue was amply displayed at the Institute for International Economics meeting in Washington. A "blueprint" for coordinating monetary and fiscal policy in a medium-term, IMF-monitored framework to stabilize exchange rates and lessen current account deficits was put forth on one side by John Williamson and Randall Henning.

The idea did not receive any political support, despite the fact that many conference attendees applauded it for its academic foundations.

Under Secretary of the Treasury for International Affairs of the United States, Lawrence Summers, deemed the proposal "unrealistic" and stated that it had "little prospect" of being implemented (Kenen, 1994, p. 423). When nations are affected differently by circumstances, flexible exchange rates act as a safety valve, according to the late Horst Schulmann, president of the Landeszentral Bank in Hesse, Germany. It has become increasingly challenging to demonstrate that we need the IMF in these circumstances, he said in his conclusion."

A consensus that was neither laissez-faire nor dirigiste but worked toward creating what Maria Schaumayer called "flexible stability" had formed by the time of the Madrid conference.

Several presenters spoke out in favor of a target zone system or some other formalization of exchange rate regulations or procedures during the course of the two days of talks, albeit their reasoning and details differed:

- • C. Fred Bergsten renounced the expansive coordination plan he had earlier promoted in favor of a more moderate exchange rate stability suggestion. He contended that the big economies will not adopt better macroeconomic policies without the discipline of an exchange rate norm, and he came to the conclusion that the Fund should take on the role of "the custodian" of a target zone system.
- • Peter Kenen defended the Bretton Woods Commission's approach, arguing that better policies must come first, but that the goal of exchange rate stability can serve as a beacon for those attempting to implement better policies.
  The Commission's plan was approved by Jacques de Larosière. He said that the Fund should keep an eye on both the second-stage exchange rate bands and the first-stage convergence criteria (while policies are being reinforced). This function ought to be a component of a larger initiative to reinstate the Fund's "mandate to be the world's monetary authority."
- • Paul Volcker stated that attempts to stabilize exchange rates must be preceded by changes in fiscal policy, but he also asserted that effective policy coordination requires that exchange rates be the major concern. Thus, while Bergsten, Kenen, de Larosière, and Volcker all agreed that exchange rates should be stabilized and that more consistent and responsible policies were the means to that end, they disagreed slightly on the exact steps that had to be taken to get there. To avoid such misalignment, governments should commit broadly to managing their policies, according to Volcker's conclusion. The Fund should establish the ranges beyond which exchange rates are deemed to be out of harmony.

- • Several speakers from developing nations, such as M. Saifur Rahman, Moeen Qureshi, and Kwesi Botchwey, encouraged the Fund to come up with a more effective strategy for fostering stable macroeconomic policies in the major industrialized nations. Qureshi moderated that assertion by coming to the conclusion that emerging nations should be more focused on their own policies than the stability of powerful nations (over which they have little influence anyway). According to Bergsten and Ariel Buira, floating has damaged budgetary discipline.

Fischer came to the conclusion that a target zone system could be a "slight improvement" over the current one if it could help prevent major misalignments like the overvaluation of the US dollar in the middle of the 1980s. However, Stanley Fischer and Michael Bruno questioned whether target zones would actually provide any real incentive for bettering macroeconomic policies.

3.3.2 Economic Reform and Conditionality

A recurrent issue at Madrid was the understanding that the Bretton Woods institutions might share part of the credit for the emerging consensus on the necessity of economic policy reform, as well as their role in offering policy guidance. Much attention was given to the nature of their recommendations on the creation of adjustment programs (in both emerging and transitioning countries) as well as conditionality from the World Bank and Fund.

The conversation began with a paradox from Tony Killick. Many countries' economic performance appeared to have significantly improved as a result of the kinds of reform programs that the two agencies often promoted. Although endorsed by the two organizations, the direct economic results of many measures included in structural adjustment plans were "patchy, at best." Programs didn't seem to support price stability or growth, but they did seem to boost the balance of payments. Killick pointed out the Fund's and the Bank's propensity to regard adjustment as "catharsis" rather than "constant adaptation" in order to partially explain this conundrum.

Programs with too narrow a focus, too little time allotted for them, and insufficient emphasis on things like fostering institutional growth and enhancing human skill development were the result of this tendency.

3.3.3 Management of the Transition to a Market Economy

There was a contentious discussion about the role of the Bretton Woods institutions in transitional economies.

Former People's Republic of China Minister of Finance and Director of the State Administration of Taxation Liu Zhongli believed that China's highly centralized planned economy and initial low level of development called for a gradualist approach to transition. China's reforms were carried out with an appropriate mix of short-term and long-term goals, as well as links between reform, development, and stability, to assure its irreversibility. The program used a range of short-term goals as stepping stones to long-term goals instead of attempting to completely replace the previous system overnight. Instead, it chose to move from the peripheral to the center and from the person to the total.

From his perspective, the World Bank and the Fund need to focus more on the connection between equity and efficiency. To ensure the long-term durability of reforms, they should not only increase the effectiveness of economic activity but also benefit the majority of people.

Richard Portes, an economist who argued against labels and in favor of a practical transition strategy, pointed out three flaws in the transition strategy: macroeconomic policy being overemphasized, a failure to realize the need to develop financial intermediaries, and an underestimating of the significance of state enterprises in the transition period.

He agreed that a nation exiting socialism needed to make a big gesture to give the change in leadership credibility, but he insisted that structural change could only happen gradually over time and that price stabilization was not necessary for it.

Portes acknowledged that the Fund's emphasis on financial stability was justified, but he expressed concern that nations would be pressured to realign their objectives to coincide with the Fund's. Because "all other help" is dependent on meeting IMF requirements, he perceived an excessive focus on stability.

In the majority of the Perestroika and post-Perestroika periods, Viktor Gerashchenko served as the chairman of the Soviet State Bank. I concurred with Portes' advice to avoid attempting too many things at once and his demand for greater focus on the necessity of developing the financial system. Later in the session, though, Balcerowicz vehemently disputed several of Portes' claims. Balcerowicz asserted that arguing for placing less focus on stabilization was foolish advice, noting that transition countries could not be viewed as a homogeneous group. He also cautioned against overemphasizing microeconomic reforms for fear of increasing government involvement.

3.3.4 The Global Roles of the Bretton Woods Institutions

Participants came to the remarkable conclusion that the Bretton Woods institutions owed the world a debt of gratitude for establishing "the basic principles... that have enabled the institutions to remain... flexible and thus to contribute positively to a world that is inexorably different from the one they expected," as well as for establishing a "durable framework of multilateral cooperation" in trade and finance.

The amazing social and economic advancements that have occurred in the developing countries during the past 50 years were stressed by the speakers. According to Singh, "these organizations may justifiably claim credit for a job well done if they are to be judged merely on the basis of the international economy's post-war performance."

Additionally, a number of speakers mentioned how adaptable the institutions were in the face of the various difficulties they encountered. They observed a higher degree of cooperation as the IMF took on more duties in developing nations, the close participation of both organizations in the issues faced by nations converting to market economies as well as the World Bank's shift to supporting the environment and the private sector. Although not without some elements that are not entirely pleasing, these evolving responsibilities" maintained the institutions' continued relevance; fact, as Prime Minister Felipe Gonzalez highlighted in his inaugural remarks, "these institutions would have to be founded if they did not exist now."

Notwithstanding this praise, many speakers emphasized how crucial it is for institutions to keep developing. Both institutions needed to undergo adjustments in order to contribute and accommodate the significantly altered external environment. A condition that some refer to as "encroaching arteriosclerosis" and others refer to as a "mature recognition of the world's intricacies" has emerged since Volcker, for instance, saw a "some loss of youthful zeal and strength." He said that the implied passivity was unjustified and that the two institutions should take on a bigger role going forward.

3.4 United Nations

The United States assumed a leadership position after World War II that grew after the United Nations was founded in 1945. Delegates from 50 countries gathered in San Francisco to draft a charter for this new international organization formed to prevent the outbreak of another world war. Poland later joined, bringing the total number of founding countries to 51. The United Nations formally came into existence on October 24, 1945, with the adoption of the UN Charter.

Therefore, The United Nations was founded on American President Woodrow Wilson's idea for a League of Nations formed after World War I. The United States signed on to the UN Charter as one of its most influential members, based on an American idea and promoted by Roosevelt through conferences held between the Allied powers throughout World War II. The United States became one of the UN Security Council's five permanent members and continues to be one of the organization's major donors.

3.5 Marshall Plan

The United States actively participated in rebuilding the war-torn cities left in the wake of this unparalleled warfare as a prominent power after World War II. Turning away from its previous role as an isolationist power, US leaders devised the Post-war European Recovery Plan (ERP), which invested more than $13 billion in Western Europe's reconstruction. In the years following World War II, the "Marshall Plan," an initiative headed by Secretary of State George Marshall, helped strengthen the American economy and global clout. Unlike the isolationism that characterized US foreign policy following World War I, the Marshall Plan confirmed that the US would remain engaged and active on a global scale. The United States viewed the restoration of Western European economies as an investment in maintaining peace and protecting markets for American goods. The Marshall Plan was based on the underlying belief that countries that traded with one another were less likely to go to war with one another.

Through these two forms of recovery, rebuilding Western Europe's war-torn countries not only helped avoid another economic depression, but it also contributed to the growing competition for global dominance between the US and the USSR. The emerging conflict between capitalist and communist countries fueled American leaders' desire to keep communism out of Western Europe in favor of capitalist ventures. As much as the US invested in rebuilding economic markets to promote its own goods and prevent the outbreak of another global war, the Marshall Plan served as a conduit for the spread of capitalism across Western Europe, undermining the Soviet Union's global power and influence.

Highlighting the effectiveness of the form of aid administered by the Marshall Plan, the Survey advocated for greater adaptability in the application of international rules and regulations.

The Survey's investigation of these issues yields invaluable lessons for the implementation of development policies in a globalized economy.

3.6 New Markets and Industries

The most significant byproduct of economic advancement, according to Colin Clark in 1940, is the transfer of labor from agricultural to manufacturing and from manufacturing to commerce and services. The subsequent events have fully supported Clark's observation, and economists have extensively addressed the tight connection between economic growth and the expansion of service employment.

Up to the end of World War II, the expansion of the service sector's percentage of all employment in the United States was mostly at the "cost" of agriculture; at the same time, industry employment was growing quickly. Employment in the service sector has increased significantly since then, while the relative shares of industry and agriculture have significantly declined. In a series of research done in the 1960s, I came to the conclusion that the quicker rate of productivity increase in industry was the main cause of the movement in employment from industry to service.

By contributing to the post-World War II reconstruction of those nations, the United States opened up new markets for its products. Products like Coca-Cola rose in popularity overseas and helped to promote the export of US culture. The desire for American-made products, as well as travel on US commercial airplanes like Pan Am or guests staying in American-owned hotels overseas like the Hilton network, helped the US become the world's most powerful economy. Because of the American economy's supremacy in the world economy after World War II, the way Americans lived their daily lives saw significant changes.

Likewise, the increased wealth led to the development of a consumer society across the country as the growing middle class avidly bought products like cars and televisions. The post-World War II economic boom not only altered daily life for Americans but also elevated the country to the position of global economic and cultural leader.

3.6.1 Trade

The vast majority of economists have agreed that improved global economic prosperity results from free trade since Adam Smith's publication of The Wealth of Nations in 1776. The lack of taxes, quotas, or other governmental restrictions on commerce is a typical definition of free trade, enables each nation to focus on the products that, compared to other nations, it can produce more affordably and effectively. All nations can raise their real revenues thanks to this specialization.

The removal of a trade barrier on a particular good affects the shareholders and workers of the domestic industry that manufactures that good, even though free trade benefits everyone. Some of the organizations hurt by foreign competition are powerful enough in politics to secure import protection. Trade restrictions continue as a result despite high economic costs.

The United States International Trade Commission estimates that lowering trade barriers for textiles and clothing would have generated gains of roughly $12 billion in 2002 alone. After subtracting losses to domestic businesses and employees, there is a net economic gain. However, domestic textile manufacturers were successful in convincing Congress to maintain import quotas.

For Douglas A. Irwin, an American author and a political reporter. The Golden Age saw an unprecedented growth of international trade.

By including that, with the notable exception of East-West commerce, trade volume exceeded output in the late 1940s, a tendency that persisted into the 1950s and 1960s, which continued to be far lower than pre-war levels. With the beginning of the Kennedy Round of multilateral trade negotiations in 1964, participant nations decided to reduce tariffs by up to 40% on various goods, trade liberalization entered a new phase. Even though they are still quite high by today's standards, tariffs became less of a barrier to imports into industrialized nations; yet, new trade restrictions (also known as non-tariff barriers) started to appear.

The significance of fluctuations in commodity prices was recognized as a crucial issue throughout the Golden Age and is still relevant now.

As pointed out in World Economic Survey 1956, emerging nations find it more challenging to balance their external accounts since the demand for primary goods in rich countries does not increase at the same rate as their income.

As a result, there is "an inescapable problem," according to the Survey, "whether to accept a pace of development commensurate with external equilibrium, fully conscious that such a rate is likely to result in a widening of the gap between their levels of living and those of the industrial economies; or to try to encourage a quicker rate of growth, risking enduring unease in their economic ties with other nations.

Simply said, if their primary exports continue to be primary items, "international commerce may not provide the impoverished countries with the external resources they require" (World Economic Survey 1958, p. 8). Some of the reasons for the slow expansion of the demand for basic goods in industrialized nations included:

(a) The United States' increasing contribution to global industrial production and its decreasing reliance on imports of basic commodities (because it was producing a larger share of its own needs)
(b) A change in consumption patterns that favors sectors with lower raw material requirements
(c) Raw material economies brought on by technological advancement
(d) Creating synthetic items (particularly rubber and textiles)

3.7 Reconstruction, Growth and Stability

In the immediate aftermath of World War II, there was an unparalleled rate of economic recovery from the bloodiest war in human history, as well as record levels of global cooperation.

Living conditions in former battlegrounds were appalling immediately following World War II. In order to restore both housing and industry, several governments ran budget deficits, which created serious balance-of-payments issues. Wartime price restrictions and rationing were kept in place in Western Europe and Japan due to intense inflationary pressures, and in the case of Japan, they were kept in place all the way up to 1948. Similar institutional changes brought about by land nationalization or partial collectivization forced centrally planned economies to deal with the same issue, as well as reconstruction. While the Soviet Union had done away with rationing by 1947, other nations continued to use them until 1953 in Czechoslovakia (now Czechia and Slovakia). Prior to the end of World War II and lasting until 1949, China was immersed in a civil war that resulted in hyperinflation that persisted until the early 1950s.

However, according to the introduction to World Economic Survey 1955, the post-war recovery was "really spectacular" in terms of both speed and breadth when compared to the years after World War I. The worldwide economic "lethargy" of the 1930s, which included the demise of the gold standard and large private money transfers across borders, compounded the precarious starting circumstances in 1945. From that time until the early 1970s, the world's economy grew at its quickest rate in history. With the aid of sizable financial contributions from the United Nations Relief and Rehabilitation Administration

(UNRRA), the United States (through the Marshall Plan), and, to a lesser extent, Canada, this Golden Age was aided in part by better emergency situation management in nations devastated by the Second World War.

3.7.1 Employment

A relative drop in the armed forces between 1961 and 1976 was the only reason the former period's Industry—Service disparity was slightly bigger (1.7 percentage points per year vs. 1.4).

Armed forces excluded, the industry—service difference was 1.6 percentage points annually, both instances. Because it has shrunk to such a small proportion of the economy, agriculture has continued to lose ground relatively (and even completely), but this time more so than in prior periods as the service sector has grown at the expense of industry. Consequently, a considerable difference can be shown even in the Industry–Service contrast when the government is excluded.

All significant categories, including manufacturing, which expanded at a one percentage point yearly rate, can still see the fall in industry's share. The services themselves, which rose at a rate of 3.1 percent annually, were the main contributor to the increase in the Service sector's share. Intra-sector variability is emphasized by certain authors (which exists), but it's instructive to note that retail commerce, the sluggish portion of the service industry, increased faster than construction, the fastest-growing significant industry subsector.

3.7.2 Gross Domestic Product and Sector Productivity

GDP expressed in current dollars shows the sector's ongoing trend toward the service industry.

In fact, between 1961 and 1976, the transition from industry to service actually sped up a little bit. When we calculate output in fixed dollars (1972).

But there isn't much of a shift from industry to service. Over the past fifty years, the sector proportions of the gross product in constant dollars have barely changed except from agriculture's fall. The rate of GDP in constant dollars from 1972 less the rate of employment growth equals the real rate of output per worker. By making the assumption that factor prices vary at the same rate across all sectors of the economy, the rates for output per unit of labor input (and output per unit of total factor input) relative to the entire economy are determined. The industry will change if this is the case. The change in labor input (or total factor input) in a sector relative to the economy as a whole is essentially equal to the change in total compensation for all factors (or total compensation for labor) relative to all sectors.

The growth in the production per worker disparity between Industry and Services in 1961–1976 was less than in 1961–1976. Sector variations in the two other productivity metrics were marginally larger in the more recent period than they were in 1948–1965.

Disparities in working hours, labor quality, and capital per worker account for over half of the sectoral differences in output per person growth between 1948 and 1965. These distinctions seem to have lost a lot of their importance in recent years.

3.7.3 Female Employment

The recent acceleration in overall employment may have been attributed in large part to the quick rise in female employment. Only.1 percent per year of the shift in overall employment growth was caused by the fact that female employment increased more quickly than male employment in both eras and that the second period's female employment share was larger.

Of the 30 million new workers that entered the U.S. labor force between 1948 and 1976, about 20 million of them were women. However, the acceleration in overall employment from 1961 to 1976 cannot be explained by the growth in female work because the sex gap persisted throughout both time periods.

Numerous economists have recently investigated female labor force participation, but a thorough explanation for the sharp rise in recent decades has not yet been offered. The majority of studies focuses on shifts in the supply curve for female labor or overall increases in wage rates (for men and women).

Particularly significant factors are the prevalence of service sectors in residential neighborhoods and the increased flexibility of work hours.

3.8 International Finance

The lack of a multilateral payment system in the 1930s forced the global economy to rely on numerous bilateral agreements, protectionist measures, and import and foreign exchange controls. Due to the "dollar shortage" during the war, Despite significant assistance from the United States through the Marshall Plan, European nations and Japan continued to impose strict import and foreign exchange controls, particularly with reference to that nation.

Unbalances persisted during the immediate post-war period. Countries, especially those in the sterling region, had very few reserves to handle as the United States went through its first post-war slump. The United Kingdom devalued its currency by 30.5 percent in 1949 as a result of a serious crisis in its reserve position, (sterling per dollar). This was a big worldwide economic event because the sterling region was the second-largest currency area in the world. Early in the post-war era, there were significant reserve losses all over the world, which added to the US's dominance in the international payments system and concentration of gold reserves.

The decision to enact dollar import restrictions by the United Kingdom was followed by a number of Western nations, including France.

The current account balance, however, improved as a result of greater agricultural production in Western Europe, which allowed for a decrease in European imports from the United States. A decrease in speculative capital flight was facilitated by reserves gradually recovering in late 1949. This demonstrated that rather than the significance of relative prices, the restoration of payments balances depended on enhanced production capacities and greater food supply (exchange rates).

The process of creating a global monetary system was started by the world community during World War II. At the United Nations Monetary and Financial Conference held in July 1944 in Bretton Woods, New Hampshire, representatives from 44 nations gathered to draft the Articles of Agreement for a potential International Monetary Fund. The Fund was established in 1945 with 29 member nations and the initial objective of reestablishing the global payments system thanks to the negotiators' shared beliefs regarding the significance of full employment and a liberal multilateral payments system. The intention was to make it mandatory for each nation to pursue a monetary policy that upheld its fixed exchange rate in relation to gold (with a 1 percent margin). The IMF's responsibility was to assist with short-term payment imbalances.

Establishing a multilateral payments system was intended to learn from the interwar period's mistakes, which included the transmission of deflation across national borders and the use of devaluations, trade and exchange restrictions, and bilateralism. During that time, exchange rates were wildly unstable and the short-lived gold exchange standard collapsed (Bordo, 1993).

Even though there were certain challenges in putting such a multilateral international payments system in place immediately after World War II, the 1950 founding of the European Payments Union was a crucial step toward its fulfillment. The countries of war-torn Western Europe were pushed by the Marshall Plan to move away from bilateral commerce and toward multilateral payment balancing. This served as the catalyst for the enormous expansion of trade that the world has seen over the past 70 years (Wolf, 2017). During the 1950s' initial decade, adollar shortage in the United Kingdom made it difficult to re-establish a stable system of multilateral payments, and countries continued to use import and foreign exchange controls put in place over the previous three decades. Nevertheless, after the Marshall Plan ended, countries faced a number of difficulties. When the agreed-upon transition period ended early, the majority of nations were unable to fulfill their responsibility under the IMF Articles of Agreement to terminate foreign exchange restrictions and current account convertibility as a result of these obstacles.

However, as world trade and international payments became more stable and less impacted by US recessions by the end of the 1950s, most nations were in compliance with their Articles of Agreement responsibilities. Increases in countries' production capacities, greater intra-European trade, and the building of foreign reserves in the majority of countries all contributed to stable trade and payments (which prevented capital flight from Europe and actually relaxed controls on imports from the United States).

With the exception of countries that produced commodities, the United States' recession from 1957 to 1958 did not have the same severe repercussions as it had in the first post-war recession in 1949 within this new framework, allowing trade and payment liberalization to continue.

As "the devaluations of 1949, extensive and harsh as they were, did not bring about the demise of the regime of fixed exchange rates," the Bretton Woods system appeared to be stable by the end of the 1950s, as commended in the World Economic Survey from 1957. (p. 24). According to the Survey, countries actually made an effort to prevent exchange rate depreciation. The success of Western Europe in gradually reducing foreign exchange restrictions and the adoption of current account convertibility by the majority of countries in 1958 depended on the IMF's willingness to be flexible and the extent to which countries were given enough time to comply with their obligations.

9. Conclusion

To conclude, the goal of this chapter was to highlight various historians and economists perspectives and findings on the major achievements that produced the golden years of the United States economy post-war II. Along with their decisions and plans that fundamentally altered America's global position, aside to economic boom that brought unparalleled prosperity to a majority of its citizens and raised Americans expectations, during this time, the country experienced high and sustained economic growth, as well as high levels of labor productivity growth.

General Conclusion

General conclusion

The main objective of this dissertation is to investigate the different ways and the massive plans in which Americans made significant sacrifices during World War II in order to improve their living conditions. These sacrifices pale in comparison to those made elsewhere in the world, where millions of people died and refugees fled due to the destruction of factories, farms, and homes. In this regard, this dissertation attempted to collect data and gather solutions from that difficult time that America experienced.

The Great Depression had a devastating effect on the American economy. Various economic factors are thought to have been a contributing factor to the Great Depression, the market economy reached a high point after World War II, with some key characteristics that have remained consistent over time.

Results of the study brought into light the aftermath of World War II, the expansion of international trade and the functioning payment system were recognized as two critical factors for development. Large fluctuations in commodity prices, and thus foreign exchange earnings, have, however, become a source of economic instability in the first place. Where The United States was able to construct new and efficient factories, relocate and train workers, and even return soldiers as more educated, literate, and disciplined workers. Investment in science (and obtaining all of Britain's knowledge for free) and the development of great skill in organizing factories and designing products for mass production prepared the United States for a post-war consumer goods boom. Credit inflows paid workers well, resulting in latent demand that was unleashed post-war. The political and infrastructure destruction of European empires did, in fact, open new markets for the United States

Conclusion general

Along with various historians and economists perspectives and findings on the major achievements that produced the golden years of the United States economy post-war II. However, even in the golden age of capitalism, countries still face a high degree of volatility. Furthermore, The Bretton Woods monetary system has made a significant contribution to growth and stability. International trade and payment systems in the first quarter of the first century After the Second World War.

As a result from the collected findings of this research, the United States now has the world's largest operational manufacturing base, a nearly fully trained workforce, and greater access to every market on the planet (in many cases better access than the local companies). These factors combined enabled the United States to achieve greater economic success than it could have otherwise, resulting in a more than proportional recovery from the war effort.

Glossary

- ✓ **Global economic crisis:** A global financial crisis is a financial crisis that affects many countries at the same time.
- ✓ **Recessions:** a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.
- ✓ **Renaissance:** In its literal translation, the word 'Renaissance' comes from the French language, meaning 'rebirth.'
- ✓ **Capitalism:** An economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state.
- ✓ **B-29:** U.S. heavy bomber used in World War II

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