

What were the causes and consequences of the American economic boom, 1945-68?

Between 1945 and 1968 the US became the most dominant economic superpower as its economy grew at a historically unprecedented level. For some sectors this prompted a period of unmatched prosperity. After the war young people who grew up in underprivileged circumstances could aim for such luxuries as a car, a suburban house and a TV. Organisations grew at an ever quickening pace, engorging smaller companies as they went. There were many reasons for this economic boom and it undoubtedly prompted huge societal changes as well.

The end of the Second World War was the spark for this explosion of prosperity. America had enjoyed the economic benefits of war (full employment, increased productivity and development) without having to deal with the pernicious effects of large scale bombing. As a result, when the war ended, America was in a better position than Britain or Russia to convert to a peacetime economy. Throughout 1945/6 many armament factories converted to producing consumer goods. This provoked a consumer boom as people rushed to spend the \$140bn of private savings that had been accumulated during the war. The government also used the war to broaden the tax base from \$7bn in 1940 to \$151bn in 1945. This allowed the government to revitalise the economy with large scale defence and public work schemes.

The technological and research effects of the war also helped to grow existing industries and spawned some new ones. For example, jet aircraft made interstate and international airlines a

commercial reality. Strong domestic companies such as Pan-am and TWA (Tran's world airlines) controlled the sector. Also captured German rocket equipment and repatriated specialists such as Werner Von Braun gave fuel to the rise of a huge space industry which in its heyday employed 400,000 people. In fact, German intellectual property (incl patents) taken by the US as reparations after WW2 eventually created \$20bn for the US economy.

A major switch in economic thinking also helped sustain the growth. Traditionally American government had maintained a very laissez-faire attitude to the economy, but in the 1930s F.D.R changed that with the new deal scheme to counter the great depression. After the war, Harry Truman extended this policy of government involvement through his 'Fair Deal' policy. Unemployment during WW2 did not rise to above 4% and Truman established a Council of Economic Advisors and passed the Employment Act to keep it that way. Truman also foresaw the problems caused by massive military demobilization so he passed the GI Bill to provide education and training to more than 8 million veterans. This allowed them to reenter the workforce and ensured they did not become a burden on the economy. These measures were accompanied by massive public investment in the areas of education, welfare and defence. E.g. Eisenhower's 1956 Highways Act (creating the interstate system) caused the construction sector to boom. Overall public investment rose from \$10bn in 1940 to \$580bn in 1980. These Keynesian practises caused the economy to grow by 3.8% on average, from '46 to '73.

The population boom of the twentieth century was both a cause and consequence of the boom. Between 1940 and 1960 the population of the US rose by a staggering 50 million. This was due to both a declining death rate (due to better healthcare, vaccinations etc) and a baby boom in the aftermath of WW2. Immigration, both illegal and legal also contributed to a smaller extent (about 11m immigrants arrived in the US between 1940 and 1980). The

population explosion led to the creation of entirely new markets. For instance, the teenage demographic of the 'Pepsi generation' became an important target market. The materialism and consumer impulses of this new, optimistic generation helped sustain the positive market trends. Most importantly the huge population ensured there was a stable domestic market for manufacturers to fall back on.

Multinational expansion was another key factor leading to the economic boom. This began with the mergers of small companies after WW2; meaning huge economic power was concentrated in the hands of a few influential companies like Lockheed, Exxon and Boeing. In the 1950s these companies began to expand abroad, investing \$19bn abroad in the year 1950. This out-sourcing did lead to some job losses but it also opened up lucrative foreign markets (such as the burgeoning EEC) and ensured that the US dollar became the international commercial currency. In addition most of the high end financial, administrative and R&D jobs were retained in the US.

The US economy also benefited from the establishment of global institutions such as the IMF (International Monetary Fund) and the World Bank. The signing of the GATT (General Agreement on Taxes and Tariffs) in 1947 loosened import restrictions allowing US based multinationals to further exploit profitable foreign markets.

This prosperity had a number of observable effects. Globalisation for example was a direct result of US multinational expansion. Throughout the 1950s and 60s American culture was spread across the world. American Institutions such as Levis, IBM and Coca-cola became household names. In some countries this was seen as negative, as American advertising and media eroded the local culture. But it helped extend America's sphere of influence.

The greatest effect of US economic growth was on US citizens themselves. Between '46 and '73 THE MEDIAN INCOME of American households surged by 74%. People had more disposable income than ever. This led to the growth of an affluent society, where people were constantly bombarded by the media with images of the ideal life. The Car industry boomed as the automobile became the symbol of freedom. This contributed to the growth of huge sprawling suburbs, which became refuges for the middle class. The tourism sector boomed as people had the time and money to enjoy real leisure, as did the sports industry.

For many WASPs (White Anglo-Saxon Protestants) the once elusive American dream became a reality, but for others (mostly ethnic minorities) it remained as far away as ever. The prosperity of the 50's helped temporarily hide the cracks in a deeply splintered post war society, but these cracks would eventually emerge in the late 60s and 70s.