

Macro Roundup Article

Headline: [Why Didn't the U.S. Unemployment Rate Rise at the End of WWII?](#)

Article

Link: <https://econweb.ucsd.edu/~vramey/research/Fujita-Ramey-Roded-Unemployment-WWII.pdf>

Author(s)	Shigeru Fujita, Valerie Ramey and Tal Roded
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Tweet: From 1945-46, the US unemployment rate grew by 3pp despite a 24% decline in GDP, supported by a 10% shrinkage of the total labor force (largely women and GI bill students) and pent-up demand for consumer durables and residential/business investment.

Summary: Withdrawals from the labor force at the end of WWII were an important part of the explanation for the small rise in the unemployment rate. These withdrawals tended to be concentrated among females between the ages of 20 and 44 and male war veterans. Among those staying in the labor force, most of the workers who separated from their jobs moved directly into a new job. Workers accomplished these job-to-job transitions despite moving across industries. Returning veterans quickly returned to their previous position on the occupation ladder whereas those laid off from civilian jobs experienced a significant step down the occupation ladder. [Finally], the post-war boom in job creation was a direct consequence of the crowding out of investment in consumer durable goods, residential capital, and business capital by military spending during the war. Had government spending crowded out only nondurable goods and services consumption, the recovery would have been much less robust.

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Primary Topic: Unemployment/Participation

Topics: Academic paper, Unemployment/Participation, Workforce

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