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The War that Changed American Economics

"Yesterday, December 7, 1941- a date which will live in infamy...No matter how long it may take us to overcome this premeditated invasion, the American people…will win through to absolute victory" (qtd in Rosenberg). After the Japanese bombing of United States naval base Pearl Harbor, President Franklin D. Roosevelt asked Congress in his famous speech to accept his request of America entering the second greatest war in human history (Rosenberg). Even before the United States declared war on its counterparts, the economy was in chaos ("The Great Depression (1929-1939)"). Millions of investors on Wall Street panicked in October of 1929 when the stock market crashed ("The Great Depression"). The unemployment level sky rocketed and banks collapsed while the Gross National Product (GNP) suffered, plummeting from 103.8 billion dollars to 55.7 billion dollars ("The Great Depression (1929-1939)"). Deflation reined over the nation, and the net income of companies dropped, forcing 25 percent of the civilian force out of their shops and left the once prosperous country with a 21.8 percent raise in unemployment (Romer; Watkins). America was trapped in an ongoing cycle of an empty market; corporations could not afford to keep their employees and workers did not have the money to purchase goods. Companies could not meet ends with their bill payments and as a result, employers fired more employees who then were forced to ration their consumption and it slowed down the economy (Wienberg 232). World War II concluded an era of troubles and suffering, and opened up a new door to the future ("The Post-World War II"). The United States was in need of an economic boost, and President Roosevelt's *Day of Infamy* speech changed the course of American power by entering the war and moving away from the nation's isolationist foreign policy (Krugman; Swardson). World War II positively affected the United States economy because the war brought an end to the Great Depression, initiated an industry of innovations and prosperity, and stimulated the beginning of American imperialism.

The Great Depression ceased during World War II due to the creation of jobs and an increased demand for production (Winker). While young men boarded ships to fight for their country overseas, women, children, and minorities filled the shortage of manpower in factories. They were able to obtain an extra income for their families and their savings increased to purchase more goods (Winker; Goodwin). Statistics show that during World War II, wages increased by 50 percent from the time of the Great Depression. The increase in wages acted as an incentive to gain a work force, and the population was able to spend more money after the government lifted rationing, shortly after the end of the war (Goodwin). From the beginning of the war in 1939, production climbed a steep mountain and peaked in 1945 as the United States finalized and confirmed purchase orders with the Soviet Union and Great Britain, and provided supplies to America's allies ("D-Day", Field 687; "American Goes to War"). Production rates in factories significantly increased and government spending soared through the roof, creating 17 million jobs (Wienberg 229; Goodwin). The unemployment rate started to significantly decline only when the United States entered the war, and by 1944, only one percent of the labor force was without a job (Mitchener). "The economy recovered from the Depression only with the advent of World War II, which pushed demand for goods and services to the limit of its capacity" (Watkins). The Gross Domestic Product (GDP), the total amount of services and products produced, accomplished its highest increasing jumps in intervals from 1941 onward

(Watkins). The GNP rose from 99.7 billion dollars to 212 billion dollars, increasing by almost two and a half folds, from 1940 to 1945 ("America Goes to War"). 13.7 billion dollars were spent for defense in one year after the bombing of Pearl Harbor, comparing to the 2.2 billion dollars in 1940 (Wienberg 228). For the duration of World War II, the United States devoted a total of 80 billion dollars towards the war effort ("America Goes to War"). Increased government investment in military production allowed the birth of an unique age of mass production where the government transformed factories and produced military equipment (Wienberg 228; Powell; Goodwin). The war expanded the output of the economy and more than half of wartime production was concentrated in the United States (Field 680; "War Production"). Automobile companies, including General Motors, Chrysler, and Packard computed an output of airplane materials that were sold to the British air force ("War Production"). Boeing produced 60 million dollars more in profit for airplane sales than in pre-war levels (Wienberg 228). Furthermore, cases for explosive bombs were created from lipstick cases and vacuum cleaners converted to parts for gas masks (Goodwin). Despite the large quantity of government spending during the war, it did not hinder the advancement of the American economy due to the heavy increase in demand for military weapons. The creation of jobs and production propelled a healthy economy to its limits for the rest of the war and beyond and concluded the chapter of the Great Depression in the United States (Wienberg 228; "The Post-World War II").

The production of military apparatuses gradually declined after May 8, 1945 when the Axis powers surrendered, and the United States looked to the future of their country with innovations and developing prosperity ("D-Day"). World War II was a period that was classified as a time of creating new ideas and experimentation (Powell). From the end of World War II to the 1970's, America entered into the "Golden Age" ("The Post-World War II"). The act of saving and conserving products ended and money-hungry Americans withdrew their extra income and savings from their pockets, and bought luxury products that they could not have afforded prior to the war ("The Rise of American Consumerism). With civilians spending 22 percent more of pre-World War II goods, money rapidly entered into circulation and increased demand for new innovations (Bohanon; "The Post-World War II"). Toasters, grills, hand held heaters, synthetic rubber, the Global Positioning System, the new style of the vanilla filled Twinkie, and other goods were generated from factories that previously constructed bombs during the war (Bohanon; Powell; "Top Ten Inventions"; "Banana Twinkies"). Consumers increased their purchases for modern and advanced items and allowed the economy to build a strong backbone for the generations to come (Bohanon).

The new innovations established in the latter part of the 20th century were equally as important as the explosion of the aviation and transportation services during the post-war era (Powell; Hyman; Davis). The army general and future United States President, Dwight D. Eisenhower, was astounded by the impressive road structure while serving in Germany during World War II, and was eager establish a similar apparatus back home. Shortly after President Eisenhower's inauguration in 1953, he set out on a mission to construct a 41,000 mile long Interstate Highway System that stretched from the East to the West coast ("The Interstate Highway System"). This large-scale project projected over 42,000 jobs during the construction of the complex highway system and started an economic epidemic that positively affected businesses. The sale price of finished goods decreased while company profits increased due to a faster and a more financially efficient method of transporting products between warehouses and final facilities ("Public Roads"). In addition, the post-war era incorporated a tremendous growth of the commercial aviation sector of the economy ("1945 – 1959"). The United States alone produced 310,000 military aircraft carriers during World War II, though after the war factories started to reconstruct and create commercial airplanes to match the demand of homecoming pilots who desired to purchase their own (“By the Numbers”; “1945 – 1959”). These trained military pilots started a fast-growing domestic and international market for civilian planes that incorporated 12 percent of the GNP in the 1900’s which continues to grow (“1945 – 1959”; Barness 31). The Interstate Highway System and the aviation industry promoted American tourism that translated into enhancing the economic status of the United States (“Public Roads”; Barness 31; Davis; Hyman).

The post-World War II United States endured a period of powerful economic growth that is not only associated with the rise of roadway systems and the expansion of aviation, though additionally through the extension of housing development (“Public Roads”; Barness 31; “Historical Census”). From 1940 to 1960, the GNP had evolutional results as the number of consumers increased due to the arrival of the brave soldiers that returned from their service overseas. Americans were financially capable of having children, and the country gained potential consumers (“The Post War- Economy”). Overtime, families grew larger and people had enough money saved to buy houses and the homeownership rate rose from 40 to 60 percent in the 20 years after the conclusion of World War II (“The Post War- Economy”; “Historical Census”). The United States endured a remarkable stage in its history when compared to the next 40 years; homeownership rates would only grow four percent (“Historical Census”). The response of the housing boom heavily impacted the economy. Property owners with a raised income felt financially secure when living in houses and invested in shares of stock to gain a profit from their investment. In return, companies that received the investment became prosperous and expanded their reach to make new or better quality products for their loyal customers to buy (Lichello). "World War II…created an economic boom… [that] laid the foundation for long-run prosperity" (qtd in Bohanon).

The rich and stable United States in Post-World War II Europe reflected on the American economy that benefited from the American international interference that was imposed across the globe ("Marshall Plan"). The destruction of the war left numerous European countries and their economies in ruins; however, American soil had remained untouched for the duration of the war (Swardson; "World War II in Europe"). Horrendous conditions existed overseas; coal mines that heated homes were deserted, bridges were broken and the streets of major cities were filled with signs of death and destruction (Llewellyn et al.). The economic state of Europe was falling apart and production remained minimal. Fear soon filled the globe of expanding communist threat and the stability of Europe disintegrated ("Marshall Plan"). In response, the United States, under the guidance of George Marshall, instituted the Marshall Plan and the United Nations introduced the International Monetary Fund (IMF) (Llewellyn et al.; "The IMF at a Glance"). The United States was extremely cautious and, wanted to prevent President Eisenhower's Domino Theory (though more commonly associated with the communistic regime in North Vietnam) from becoming a reality by stabilizing government systems across the Atlantic, while building a stronger economy on her home front (Llewellyn et al.).

The United States Secretary of State carefully crafted the Marshall Plan to create economic opportunities for the United States (Guay). The European Recovery Plan, more commonly known as the Marshall Plan, provided western European countries with 13 billion dollars over a course of four years to rebuild their cities (Mockaitis). Between 1948 and 1951, American ships cruised swiftly across the ocean with large quantities of food, equipment, scientists, engineers, and other supplies, in efforts to rebuild western Europe (Swardson). The

United States government reconstructed Europe from the war and developed a market for American goods. Europe eventually reached a high economic level and was able to have a positive impact on the American economy. Factories were built with the aid of American investors who used patents on their own devices to expand the product's range in Europe. Consequently, patent fees flowed back to the United States, allowing American corporations to complete additional investments (Llewellyn et al.). American engineers installed machines and other types of advanced technology to increase productivity rates. Decreased production costs followed and ultimately a decreased final sales price was settled (Swardson). Products produced in European nations were sold to the United States for a lesser price than the original, and gave American consumers more money to spend on other products in America (Swardson; "Rise of American Consumerism"). The inflation of job opportunities represented a sign of hope to citizens and generated money from European factory workers' salaries to purchase American goods in the future (Mustacich). As European countries recovered, they bought products from the United States and increased job opportunities for Americans by producing goods to release into the European market (Provan). Factories sold larger quantities of merchandise and at higher qualities, and made a larger profit that reinforced a pay increase in wages for American employees, thus continuing a healthy cycle of economic health (Swardson). The Marshall Plan sparked the beginning of a revolution in Europe and implanted a permanent and lasting ripple effect in the United States ("Marshall Plan").

Supplying western Europe with foreign aid that impacted the United States was not the only successful economic accomplishment that the Marshall Plan produced. The European Recovery Act promoted a free flow of trade without tariffs and allowed the American market to flourish even after the closing of the agreement (Lieberman, and Kyl). Countries around the world were able to export their products with no restrictions. Without the heavy tax on American merchandise and the implantation of advance technology from the war, American companies were able to lower the sale price of their products that were sold to Europe ("The Post-War World War II"). The exported products without tariffs were less expensive than the products produced and sold on European soil and therefore placed American products in Europe high in demand as Europeans rushed to obtain the better deal ("The Marshal Plan"; Llewellyn et al.). In effect, the European Recovery Act pushed American products in demand and stimulated job growth and businesses' profits that created competition with other nations to produce high quality products at a minimal cost (Llewellyn et al.).

After the distribution of American wealth, Europe started to actively trade with the United Sates (Guay). In 1944, the United Nations designed an organization that regulated the international currency exchange rate ("The IMF at a Glance"). The creation of the International Monetary Fund (IMF) was critical due to the difficultly of trading with a country's national currency and ensured the return of money of American manufactured products to the United States (Swardson). Without the IMF, the United States would not have been able to trade with countries across the globe and perpetuate her markets for economic gains with an increase of the exportation of products (Swardson; "Impact of the World Economy"). The stabilization of non-U.S. currencies provided economic ties and greatly influenced the American economy (Mockaitis) This incredible system allowed the United States to trade with Europe without limitations and promoted the emergence of a deeper level of globalization (Swardson).

The end of the Great Depression, the initiation of an industry of innovations and prosperity, and the stimulation of American imperialism were effects of World War II that positively affected the economy of the United States of America (Goodwin). The war played a definite role in influencing the economic expansion of the United States from Boston to San Francisco. "War, by its very nature, has always been a catalyst for change, and World War II followed that pattern" (Winker). World War II increased the rate of recovery from the Great Depression, provided American citizens with changes that they could only dream of in the past, and injected prosperity into other countries across the European nation, while creating a secure and stable economic environment in the United States ("The Post War-World II").

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