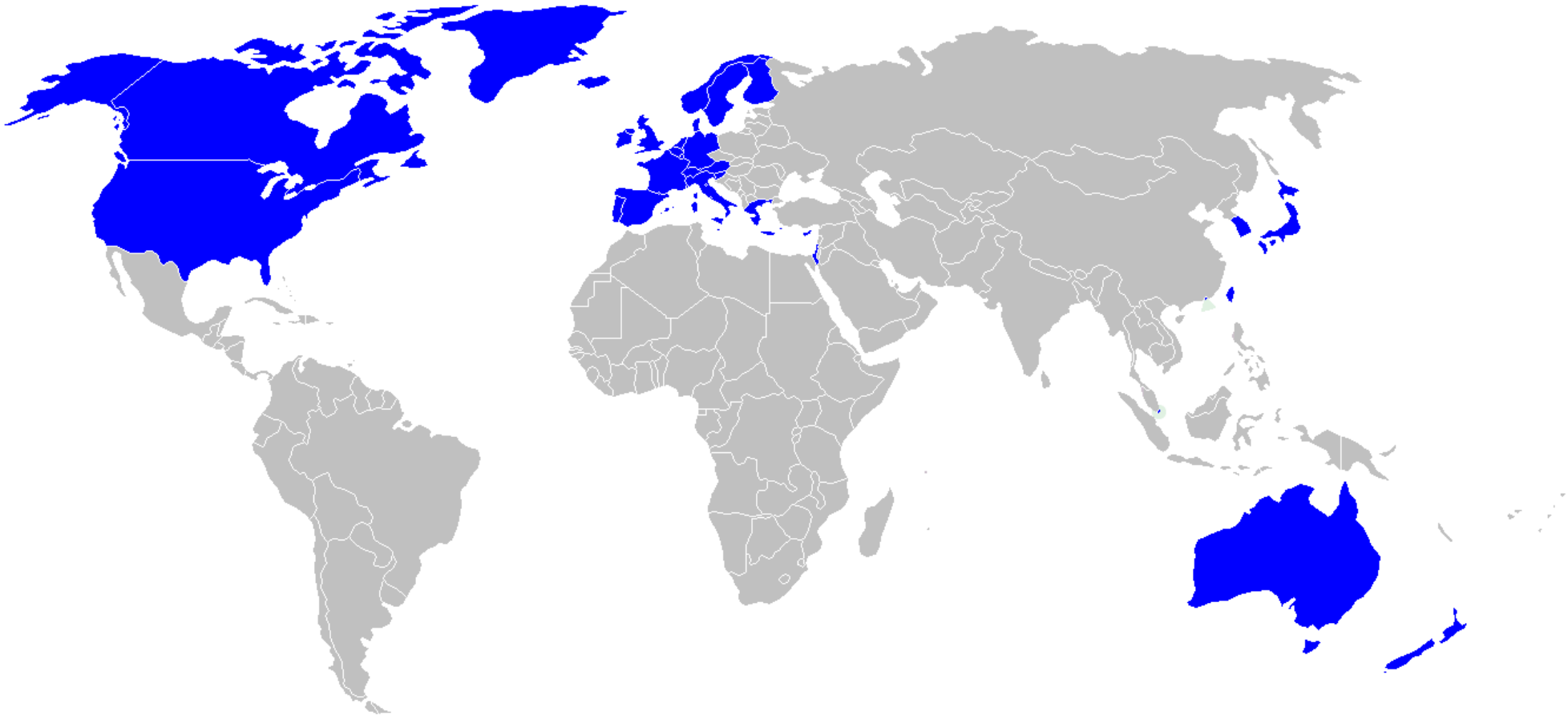
THE POST-WORLD WAR II “ECONOMIC MIRACLE IN THE DEVELOPED WORLD



GDP PER CAPITA GROWTH IN THE DEVELOPED WORLD IN THE POST-WORLD WAR II ERA

(in constant 2019 US dollars)

COUNTRY	1950	1973
FRANCE	10,331	25,703
GERMANY, WEST	7,607	23,453
ITALY	6,864	20,843
JAPAN	3,765	22,411
SOVIET UNION	5,568	12,758
UNITED KINGDOM	13,600	23,569
UNITED STATES	18,740	32,710

East Berlin 1945 and 1965

Following the end of World War II, a war-ravaged Germany was divided into two halves—a communist East Germany that was under Soviet influence and a capitalist West Germany under the American umbrella. Berlin, the former capital of Germany, though inside East Germany, was also divided into a capitalist western half and a communist eastern half.

By 1965, much of Berlin and East Germany had been rebuilt and had become the wealthiest nation per capita in communist-controlled Eastern Europe.





The Berlin Wall Goes Up, 1961





Though relatively well off by communist East European standards, East Germany could not compare to capitalist West Germany, which had emerged as one of the most prosperous countries in the world by the 1960s.
That and the greater freedoms offered in democratic West Germany led many East Germans—particularly professionals and the well-educated--to migrate to West Germany.
To stop the hemorrhaging of its most valuable citizens, the communist authorities erected the Berlin Wall, preventing East Germans from fleeing to the west. Hundreds tried over the years, however, 80 dying in the attempt, shot down by East German border guards. The Berlin Wall, a monument to the failure of the East German regime, would eventually fall, as communist regimes across Eastern Europe collapsed, largely peacefully, in the fall and winter of 1989-1990,





BABY BOOM!

Birthrates across the developed world, from the United States to Japan to France (seen here), soared after World War II, producing the so-called Baby Boomer generation.

During the Great Depression and World War II, many people had postponed getting married and having children. The pent-up demand of people to start families—aided by the post-World War II economic boom—saw a temporary reversal of the long-term trend of falling birthrates in Western countries since the Industrial Revolution.



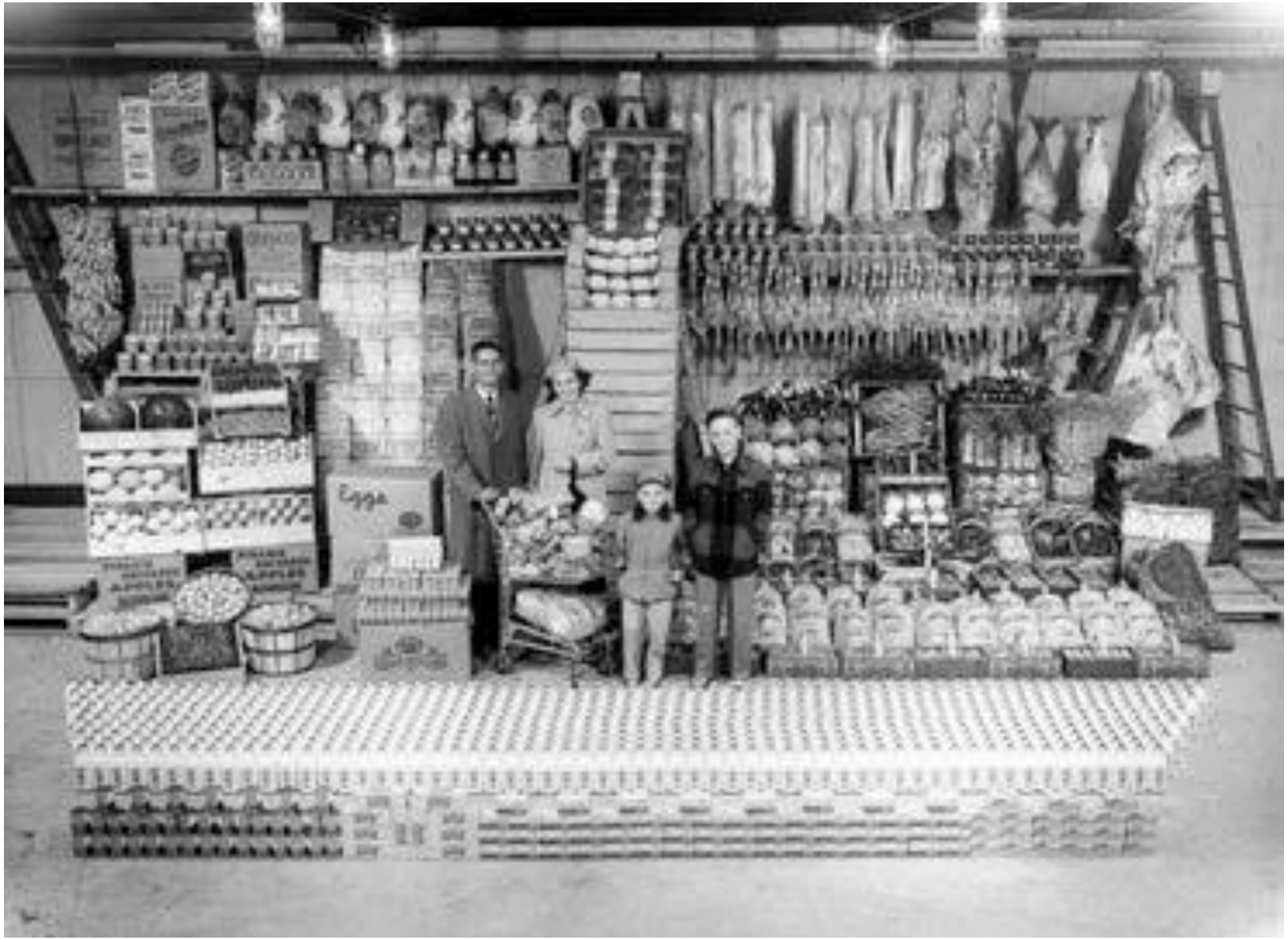
Consumer Abundance

Economic prosperity across the developed world led to an explosion in popular consumption.

Nowhere was this more evident than in the United States. During the Great Depression, Americans had been unable to afford consumer luxuries. During World War II, they were largely unavailable.

Meanwhile, near full employment during the war as well as postwar policies encouraging economic growth led to a virtuous circle-– rising consumer demand led to economic expansion which in turn fed more consumer demand.

On the next slide, you can see the abundance in the supermarket and kitchen as well.



Typical Middle Class Family Consumption in One Year



Cadillac Factory, USA, Late 1950s

THE WORLD ON WHEELS

No industry symbolized and fed the consumer boom of the post-World War II era more than the automobiles. Prior to the war, only America had developed a truly mass automobile industry. In Europe, cars remained the luxury of the rich and the upper middle class. After the war, mass production and rising prosperity created a mass automobile market in Europe.

But the cars typically bought in America were far larger and more luxurious than those of Europe in this period. Partly that had to do with higher living standards and the fact that gasoline was far cheaper in the United States, where it was lightly taxed compared to European countries.



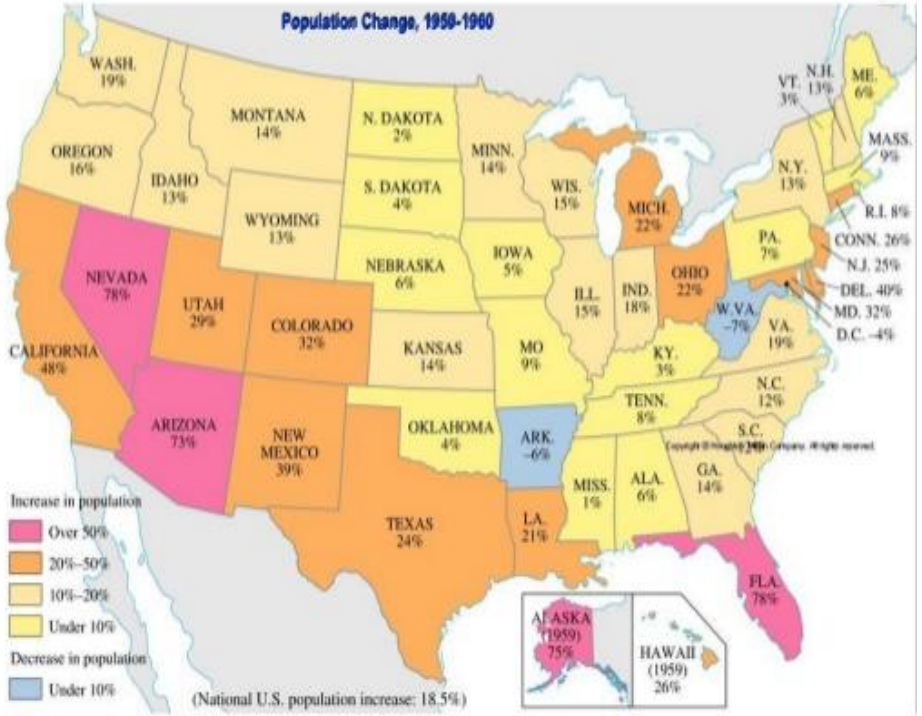
Fiat Factory, Italy, mid-1960s



MOVING TO THE SUBURBS

AN AFFLUENT SOCIETY: Economic Prosperity

- Regional Growth: **The Sunbelt**
  - Warmer climate, lower taxes, lower labor costs
  - Military spending



MOVING TO THE SUNBELT

After World War II, governments throughout the developed world tried to encourage home ownership by subsidizing mortgages. This led to a boom in suburban development, which was also aided by the spread of automobiles and the massive highway building of the era.

In the United States, there was also a regional resettling from the snowy Upper Midwest and the crowded Northeast to the Sunbelt states of the West and South. During World War II, many Americans had moved about as soldiers or to find work in defense plants, many of them in the Sunbelt. Entranced by the warm weather, many stayed on. Others joined them after the war.



Shopping Center, Lakewood, California



“ORGANIZATION MAN” IN THE CORPORATE OFFICE

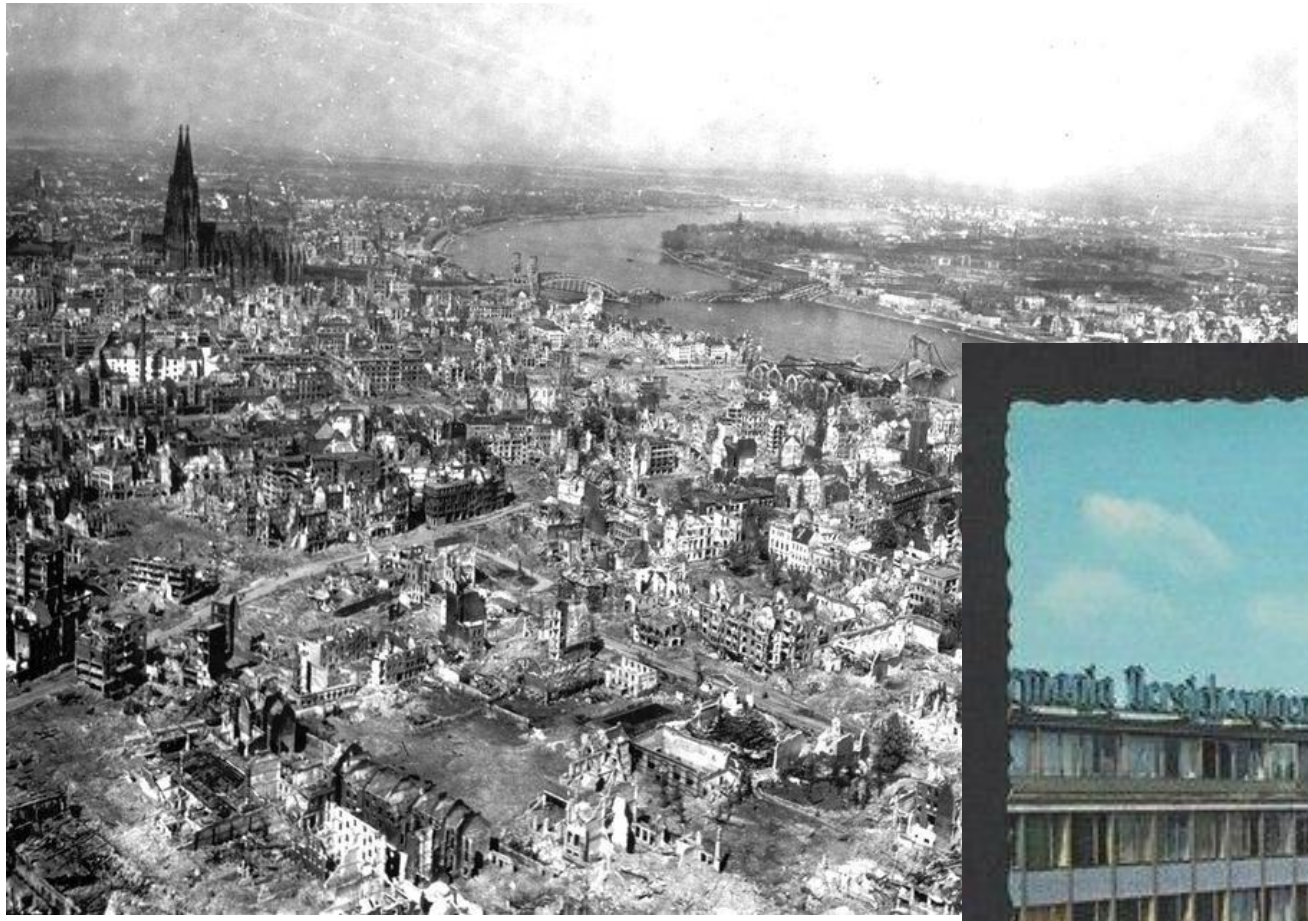
Club Med in the 1950s and 1960s

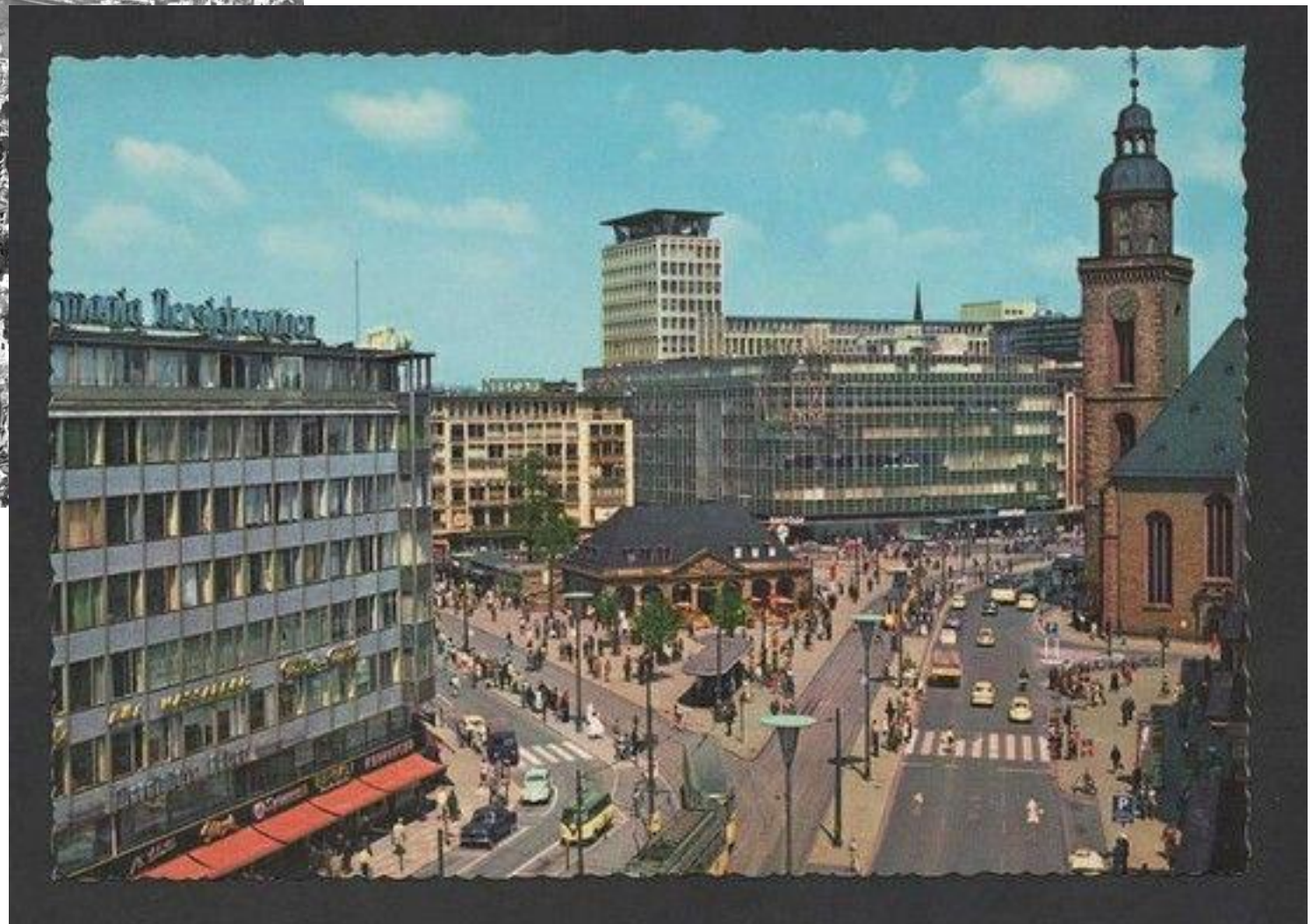


While people have been celebrating holidays—with their momentary breaks from routine--through most of human history, the annual vacation became a routine part of life in the developed world in the post-World War II era.

Economic prosperity and the spread of automobiles made all it possible for millions of middle class families to get away. Entrepreneurs in the hospitality industry, like the founders of the ubiquitous French resort chain known as Club Med, catered to these masses with cheap tour packages, hotels, and restaurants, typically along sunny shores.









Tokyo, 1945

“JAPANESE MIRACLE”

Flattened by American bombing in World War II, Japan rose out of the ashes in the postwar decades, leading to levels of prosperity nearly matching those of Western Europe. By the 1980s, Japan had emerged as the second largest economy in the world, after the USA.

While the Japanese work ethic and high level of skilled labor were key factors behind the so-called “Japanese miracle,” America defense spending and wars in Korea and Vietnam helped, too. In both cases, Americans military contracts helped Japanese industry revive.



Tokyo, 1965




SONY

Cheap Energy



The postwar World War II boom across the Western world was fueled by cheap energy. Obvious in this picture of gasoline prices, cheap oil also allowed industry to thrive and consumers to save money, which they could spend on other goods, further fueling the prosperity.

The good times came to an end, however, with the twin energy crises of the 1970s, which also plunged much of the developed world into recession and ended the long boom of post-World War II decades.

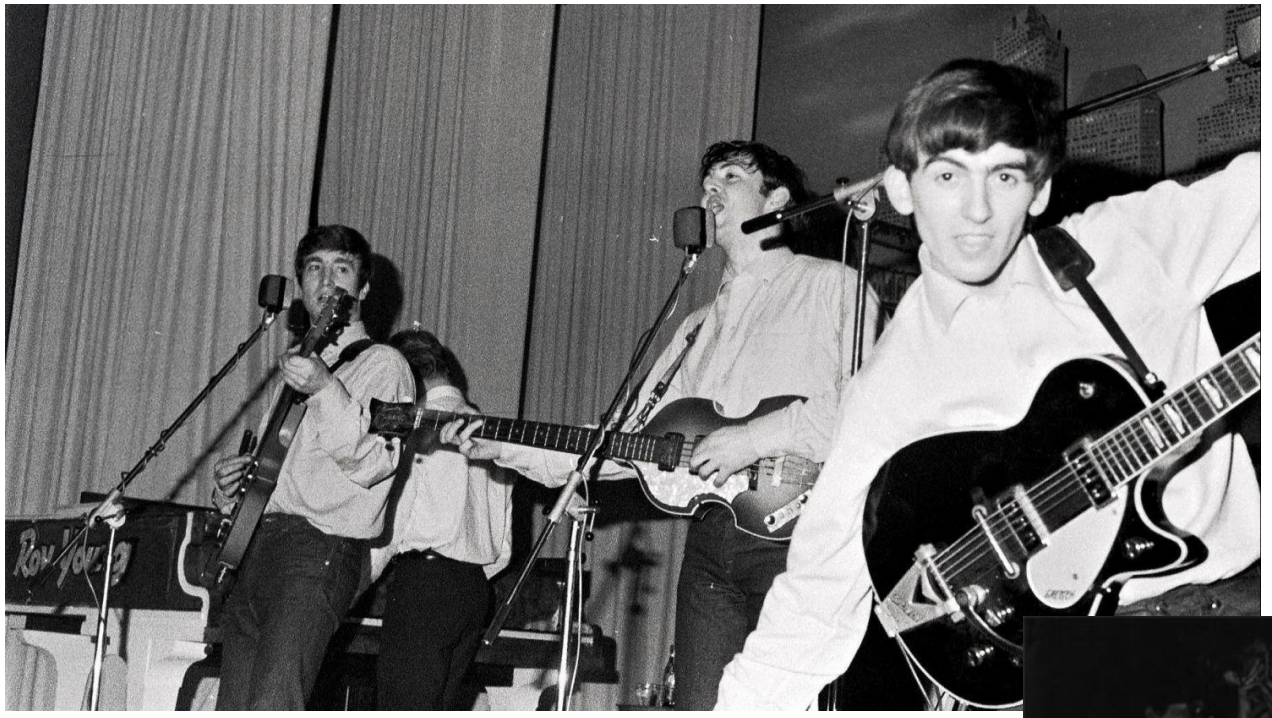


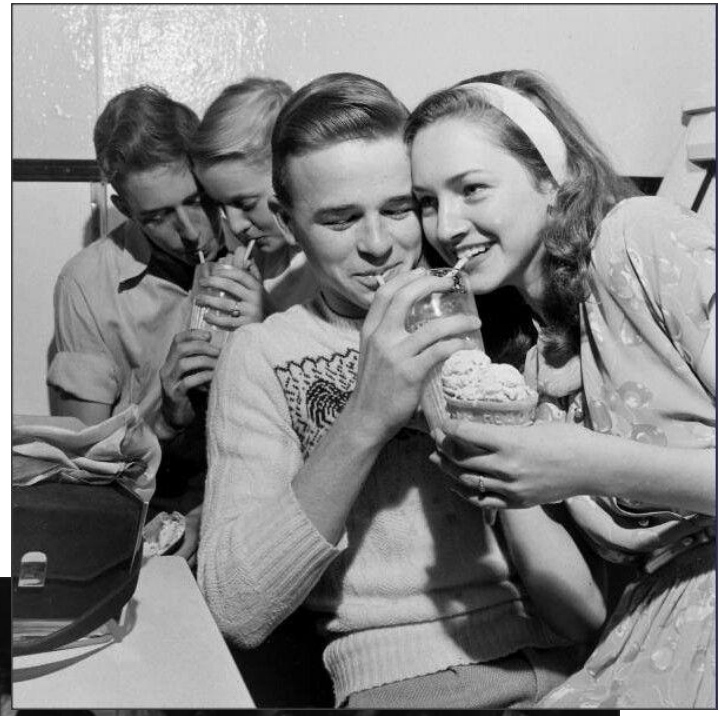
MARSHALL PLAN

Arguably the greatest program of foreign aid in world history, the Marshall Plan (named after its chief author, US Secretary of State George Marshall) helped Western Europe recover from World War II.

Widespread destruction and slow economic recovery after the war produced unsettled politics. Fearing Western European voters might turn to communism as an answer, the U.S. government initiated the Marshall Plan to funnel billions of dollars (tens of billions in today's money) to help rebuild the continent (including West Germany, seen here) and anchor its western half within the American geo-political orbit.

Initially, America offered the aid to Eastern European countries as well, but the Soviet Union—fearing American influence within their political sphere--forced these countries to turn down the aid.







YOUTH CULTURE

The post-World War II era saw the birth of the teenager. Obviously, there have always been people aged 13 to 19. But post-war high birth rates, economic prosperity and mass education at the high school and college level meant that people no longer went from childhood and primary schools straight adulthood and work. Now there was a distinct age cohort—the teenagers. Mass culture catered to them, as did corporations who wanted to sell them stuff.

Across the USA, Europe and Japan (see next slide), the new youth culture involved music, fandom, dating, and independence from parents.



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THE TRANSFER OF THE HOSPITALS



The Minister of Health, Mr. Aneurin Bevan, at Davyhulme Park Hospital, Manchester, yesterday. The handing over of this hospital to the Minister was a symbol of the transfer that took place all over the country yesterday.

("Manchester Guardian" Copyright

Marshall aid was one of the most far-sighted and enlightened pieces of statesmanship ever given to a world by a victorious nation, especially when it was remembered that America was separated by 2,000 or 3,000 miles of ocean from the convulsions she was now seeking to cure.

Every Conservative member first looked

MISCELLANY

Ruskin in the Nursery

Will the news that controls are to be taken off supplies of toys send a thrill

the authorities as to the use of a catapult. Randolph looked as if he too might differ from the authorities on any similar issue."

Books of the Day

By

New Paths for Japan. By Har
field. Royal Institute of Int
Affairs. Pp. viii 223. 15s.

This is a useful short bo
furnishes the kind of informati
for an understanding of recent
history and of the problem
future. The first part is dev
general survey of the evo
modern Japan, and contains i
and well-presented material
economic, and political a
Japanese life. It is a clear and
written study, critical, even
severe, but based upon sy
understanding of the Japanes
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is devoted to an interesting
documented account of Japa
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SOCIAL WELFARE STATES

Rising expectations and a growing tax base from the economic boom led many governments in the Western world to expand their social safety net.

Nowhere was this more evident than in the health care sector, where different governments adopted various forms of universal health care.

In Britain, this took the form of the National Health Service, an entirely government-run medical system, inaugurated in 1948 and surviving to the present-day.

America, with its stronger free market ideology, was the odd man out. Efforts to create a national health system failed in the late 1940s, though a partial system for the old (Medicare) and the very poor (Medicaid) was established in 1965.

18 April 1951

Treaty of Paris

The treaty establishing the European Coal and Steel Community was signed between France, West Germany, Italy, Belgium, Luxembourg, and the Netherlands.

#NLatEU



EUROPEAN UNION

In 1951, six Western European countries signed the Treaty of Paris, eventually forming the so-called European Coal and Steel Community, the first step in creating a more unified European economy.
Over the years, this economic integration covered more and more sectors of the economy, from agriculture to transportation to consumer goods. At the same time, more and more countries joined in. The increasing integration of the Western European economy and, after the fall of communism in the late 1980s and early 1990s, much of the Eastern European economy was reflected in the name changes for this enterprise—from Coal and Steel Community, to the European Economic Community, to finally, in 1993, the European Union.



NORTH ATLANTIC TREATY ORGANIZATION

Two devastating wars in the first half of the twentieth century and the Cold War threat from the Soviet Union had led Europeans to embrace the idea of a common defense (as well as a common economic marketplace in the trading alliance that would come to be called the European Union).
Under the leadership of the United States, most of Western Europe (along with Canada) came for form the North Atlantic Treaty Organization (NATO) in 1949, still the most important defense alliance in the world.
As its first secretary general half-joked, the purpose of NATO was “to keep the Soviet Union out, the Americans in, and the Germans down.”