

Post-War Development

Content

- Military economies
- General trends after WWII
- After-war development

Charecteristics of the period

- **economies destroyed** by the war
- **USA** as dominant power
 - lessons from the development after WWI
- very successful period = **golden era**
 - the end in the 1970s

Military economies

- Germany
- GB
- USA

Germany

- success at the beginning ⇒ **territorial gains**
 - ⇒ raw materials (x WWI)
 - after the USSR-DE agreement about the division of Poland - supply of raw materials and food from USSR
 - ⇒ labour force
- **large-area economy**
 - political and economic integration under German supremacy
- **winter 1941/1942 = Moscow** ⇒ economic reorganisation
 - Albert Speer = total war mobilisation
- **1943 Stalingrad** ⇒ intensification of effort ⇒ ↓ non-military sectors + ↑ war production
- **sept. 1944** = collapse of transport system
- **Allies** – economic supremacy ⇒ unavoidable defeat

Great Britain

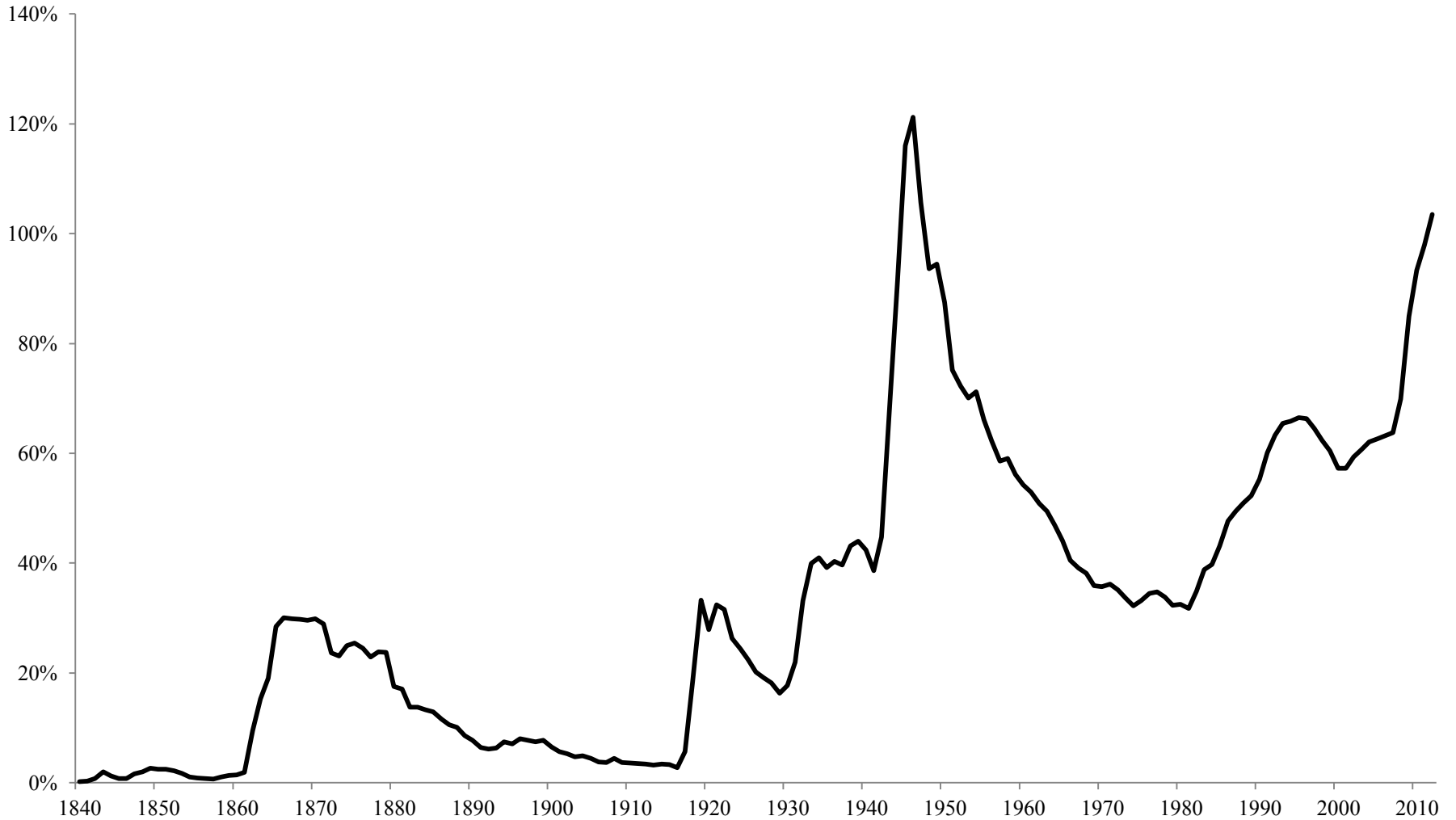
- **unprepared** ⇒ foreign policy
 - effort to keep peace with DE – policy of appeasement
- after the defeat of FR -> **military economy**
 - ↑ state interventions
 - mobilisation of national sources - ↑ T + domestic loans
- resources from USA - **cash and carry**
 - AU + securities (sale of capital shares on the American continent)

- 1941 - ↓ resources ⇒ **lend and lease**
 - approx. 5% GDP of GB
 - after-war loans – strong tool against Imperial Preference
- in total almost ½ of GB **expenditures covered by foreign resources**
 - except supply from USA – sale of assets + help from dominions and colonies
- ↓ **role of GB** - separatist and liberation movements ...

USA

- in the course of WWII **conjuncture**
 - similarly as WWI
- in USA and GB **support of the war**
 - volunteers, military bonds, ...
- 1930s **insufficient use of capacities**
 - during the war ↑ ind. and agr.
- ↑ **role of state**
 - $\frac{3}{4}$ of new capacities built by state but rented by private sector

Gross Government debt as % of GDP



Sources: Historical Statistics of the United States & OMB / Haver Analytics

General trends after WWIi

- Bipolarity
- Technological changes
- Demographic changes
- Decolonization
- Keynesianism
- Welfare state

Bipolarity

- Yalta Conference (Feb. 1945) ⇒ **bipolarity**
 - division of Germany
 - creation of CPE
 - The Cold War
 - local conflicts in DC
 - ↑ military expenditures
 - ↓ reciprocal trade
 - shift of borders of Poland na Germany
- **Truman Doctrine** – prevention of communism
- **NATO (1949) X Warsaw Pact (1955)**
- **DC** – to the side of W or E
 - important – China 1949



Occupation Zones:

- American
- British
- French
- Soviet
- Divided City

Displaced Persons:

- Over 10 million
- Over 1 million
- Over 100 thousand
- Over 10 thousand
- Jews to Israel

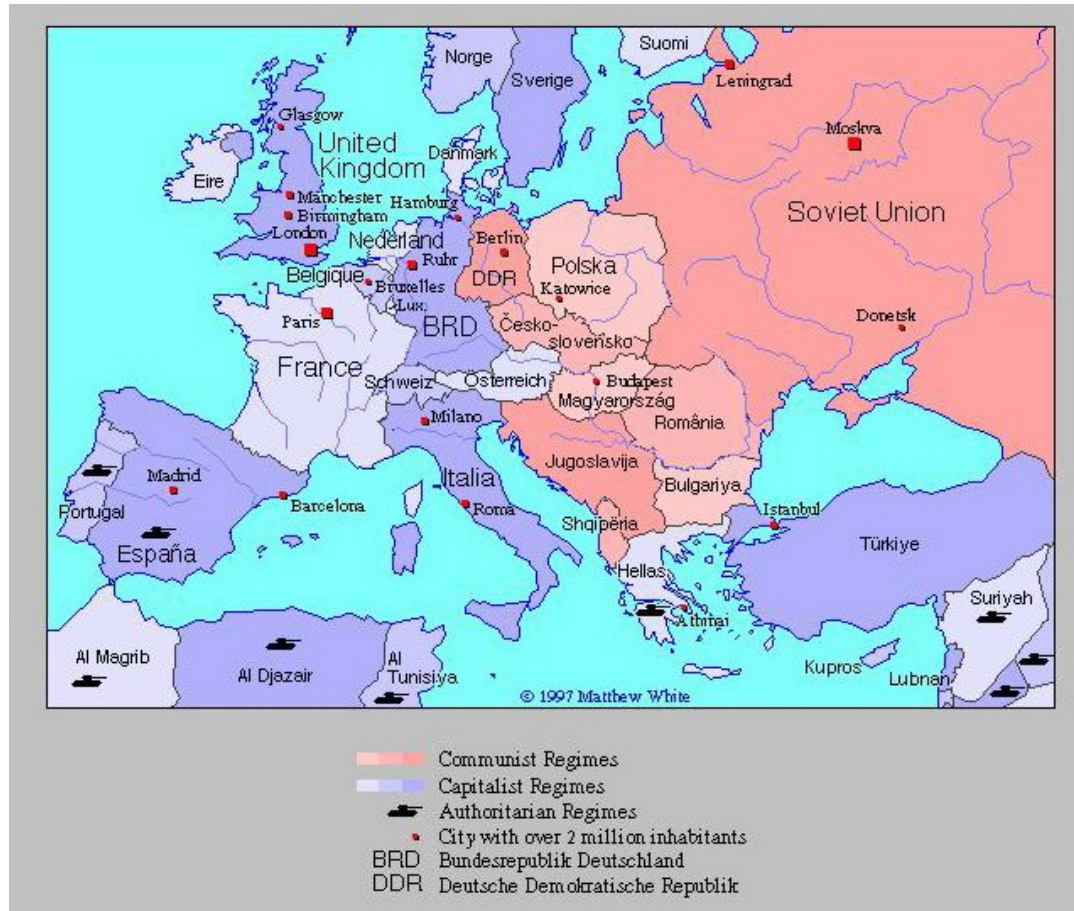
Political Upheavals:

- Communist regime
- Monarchy abolished
- Civil War
- "Iron Curtain"

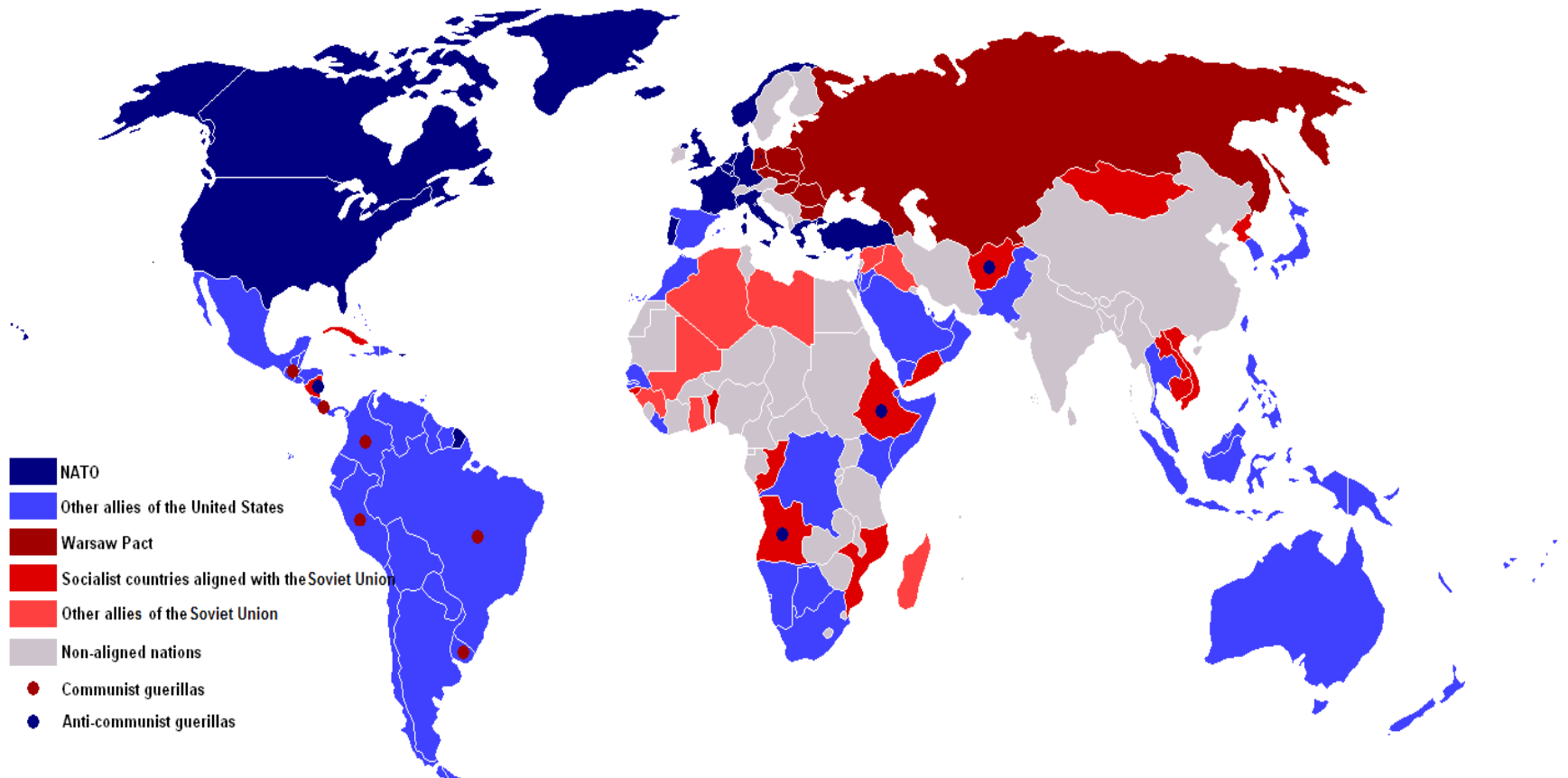
Territorial Changes:

- Soviet Gain
- Polish Gain
- Yugoslav Gain
- Bulgarian Gain

Europa in 1970



World during the cold war



- **USA emphasis on integration** in Eur x USSR
 - effort to integrate FRG into western structures
 - Schuman Plan (1950) ...
- after Stalin's death (1953) 1st relaxation of tensions – **policy of détente** - Khrushchev
 - later ups and downs
in relations

Crises and conflicts

- **Korean War (1950-53)**
 - serious worldwide economic impacts— JP, Eur, CPE
 - ↑ production ⇒ econ. recovery of Eur
- **Berlin Crisis I. - 1948**
 - airlift to Berlin
- **Berlin Crisis II. - 1961**
 - building of the Berlin Wall
- **Suez Crisis - 1956**
 - nationalization of the Suez Canal
- **Cuban Crisis - 1962**
 - USSR nuclear missiles to Cuba
- **Vietnam War (1964 – 1975)**

Decolonization

- **after WWII** – collapse of the colonial system
- **during the war** – weakening position of powers ⇒ ↑ liberation efforts ⇒
after the war – recovery but unsustainable situation
 - + USA X colonialism
- **prior to decolonization** – attempts to educate pop. and self-government
- **independence** = mostly chaos + civil wars + dictators or communism

- **1947 Indian subcontinent**

- India and Pakistan (1971 Bangladesh)

- 1947 – I. Kashmir War + 2 other wars + atomic club + unrest

- **after WW2** Myanmar (Burma) - GB (1948), Indonesia – NL (1949) and Laos, Cambodia and Vietnam – FR (1954) ⇒ instability

- communism (Laos, Cambodia and Vietnam)

- territory (Indonesia)

- dictatorships in Myanmar

- **Africa** – first Arab nations

- 1. country - Libya in 1949 - 1969 y. generals → coup d'état

- Egypt 1922 – coup d'état (1952) Nasser - 1956 GB military withdrawal

- Algeria 1954 - FR wanted to rest- de Gaulle 1962

- **Sub-Sahara Africa** only at the end of 1950s and 1960s

Technological changes

- spread of **older technologies** – *television, air transport, telephone, telegraph, automobiles, ...*
-
- + **new technologies** - *nuclear reactor, semiconductors, transistors, plastic materials, new chemicals, laser, supersonic airplanes, rockets and spaceships, ...*

- 1950s the process of **electrification completed** ⇒ el. appliances
- **USA** high expenditures on **R&D** (public and private)
 - after WW2 USA INV to Europe ⇒ shift of technologies = progress
- influence of **WWII**
- influence of **cosmic research**

Demographic changes

- **differences**

- DC – population explosion
- developed countries- moderate growth
 - Higher in countries with more liberal migration policy
 - labour shortage (e.g. Germany) ⇒ import

- **↑ U of women**

- **↑ quality of LF**

- ↑ education ⇒ ↑ productivity ⇒ ↑ standard of living

Role of state

- continuous ↑
 - A. economic theory
 - B. welfare state
 - C. economic policy
 - nationalisation
 - planning

A. economic theory

- prior to the Great Depression liberalism ⇒ **Keynesianism**
- practically = neo-Keynesianism X Keynes
 - state interventions to the economy – fine-tuning
- **successful** economic doctrine
 - developed countries (USA) until 1970s
- BUT of inflation and role of money ⇒ **stagflation**
 - ⇒ return of conservative econ. theories at the end of 1970s

B. welfare state

- origin - Bismarck's social legislative
- after WW2 every state in certain form
- W. H. Beveridge
 - objective to provide subsistence for all inhabitants BUT keep initiative of inhabitants
 - X reality

C. economic policy

- **public support for bigger role of state**

- impact of USSR + the Great Depression

- **nationalisation**

- GB

- *coal mines, power plants, land transport, gasworks, ironworks, ...*

- FR

- *almost whole coal mining, big power plants and gasworks, central bank and 4 commercial banks, majority of insurance companies, 4 air companies + enterprises of collaborates*

- USA

- Truman's attempt to nationalise *steelworks* x the Supreme Court

- **planning**

- GB

- 1st plan for the period 1948-52 ⇨ conservatives = abandoned ⇨ labourists return to planning in 1966-70

- FR

- 1st 4-year plan for the period 1947 - 50 + ...

- USA

- Employment Act (1946) ⇨ Council of Economic Advisers = planning

- **nationalisation and planning X market mechanism, but corrections**

After-war development

- Consequences
- Situation
- Marshall plan
- International trade
- Capital flows
- Growth of WE

Consequences

- **WWII – territory of 40 states affected**
- **110 mil persons mobilized**
- **military expenditures and damages: 3 000 - 5 000 bill. pre-war \$**
- **causalities (without China) 50 - 55 mil.**
 - the biggest share USSR 27 mil.
 - destruction of 1710 cities and more than 70 000 villages and 65 000 railways
 - Poland 6 mil.
 - FR 650 000
 - GB 375 000
 - USA 450 000
 - Czechoslovakia 360
 - DE 6 - 9,7 mil. + IT 400 000 + JP 2 mil.

Human and material loss caused by WWII

Country	Casualties	Year in which GDP corresponded to figures of 1945
Belgium	82,750	1924
Denmark	4,250	1936
Finland	79,000	1938
France	505,750	1891
Netherlands	250,000	1912
Italy	355,500	1909
Germany	6,363,000	1908
Norway	10,250	1937
Austria	525,000	1886
Sweden	0	1939-45*
Switzerland	0	1939-45*
Great Britain	325,000	1939-45*

- the highest direct damages - **USSR**
- **Germany**
 - reparations – BUT lessons from WW1
 - relatively small + natural
 - foreign assets + ships + ...
 - mainly USSR in the Eastern zone x Western zones
 - free access to patents and trade secret
 - limits on production of certain goods or total prohibition
 - Four-D Programme – demilitarization, denazification, decartelisation, democratisation

Situation

- **USA leader + further strengthening**
 - ↑ GDP real by more than 50 % x before WW2
 - 60 % of world industrial production
 - 1st exporter + nautical carrier + strategic sources of food and raw materials + majority of AU
 - economic policy – non-isolationism
 - lessons + X communism ⇒ Bretton - Wood, Marshall plan, Truman doctrine
- similarly **Canada** and other **states of Commonwealth**
- **X Europe**
 - situation in Eur catastrophic
 - threat of famine + spread of diseases + lack of clothing + destroyed cities + ↓ production ⇒ poverty
 - Eur share on world GDP, trade, ...
 - GDP p.c. ½ USA + similarly labour productivity

Economic strength and standards of superpowers in 1950 (in USD of 1964)

	GNP (in billions)	GNO p.c.
USA	381	2,536
USSR	126	699
Great Britain	71	1,393 (1951)
France	50	1,172
Germany (BRD)	48	1,001
Japan	32	382
Italy	29	626 (1951)

Marshall Plan

- first aid- **UNRRA** = the United Nations Relief and Rehabilitation Administration
 - help to countries destroyed by war
 - 1943/49 - 11 bill. \$ - 2/3 from USA
- in Eur big demand + need of INV + purchases only in USA ⇔
- **Marshall plan** (1948 - 52)
 - G. C. Marshall – not the author of MP
 - basis = supply of goods and loans

Objectives of MP

- X to avoid development after WWI
- X lack of \$
 - to be able to import machines and raw materials
- to avoid econ. ⇒ nationalism, political instability, communistic ideas, ...
- X in USA (questionable)
 - US firms to Eur markets

- **July 1947 Paris Conference**
 - all Eur countries(except USSR and ES)
 - USSR invited BUT Molotov rejected
 - later rejected by Eastern Eur
 - ⇒ finally 16 countries
- MP approved in April 1948
- **conditioned** by self-reliance after 1952
- 1948/52 in total **12,970 bill. \$**
 - (approx. 88 bill. in current \$)
- 10% loans and 90% help and donations
- = 1% of US product
- **problem:** participation of DE
- **changes in commodity structure**
 - initially food and later materials for production

Distribution of help provided by the Marshall Plan in %

Country	Share	Country	Share	Country	Share
Great Britain	24.9	Germany	10.8	Austria	5.3
France	21.2	Netherlands	7.7	Belgium	5.3
Italy	11.8	Greece	5.5	Other countries	7.5

- **to coordinate** distribution of the help
 - European Economic Co-operation (OEEC) in Eur
 - Economic Co-operation Administration (ECA) in USA
 - good organization of the help
 - apolitical
- **to sum up**
 - MP contributed to rapid recovery
 - Only approx. 5% Eur GDP BUT considerable importance for stability

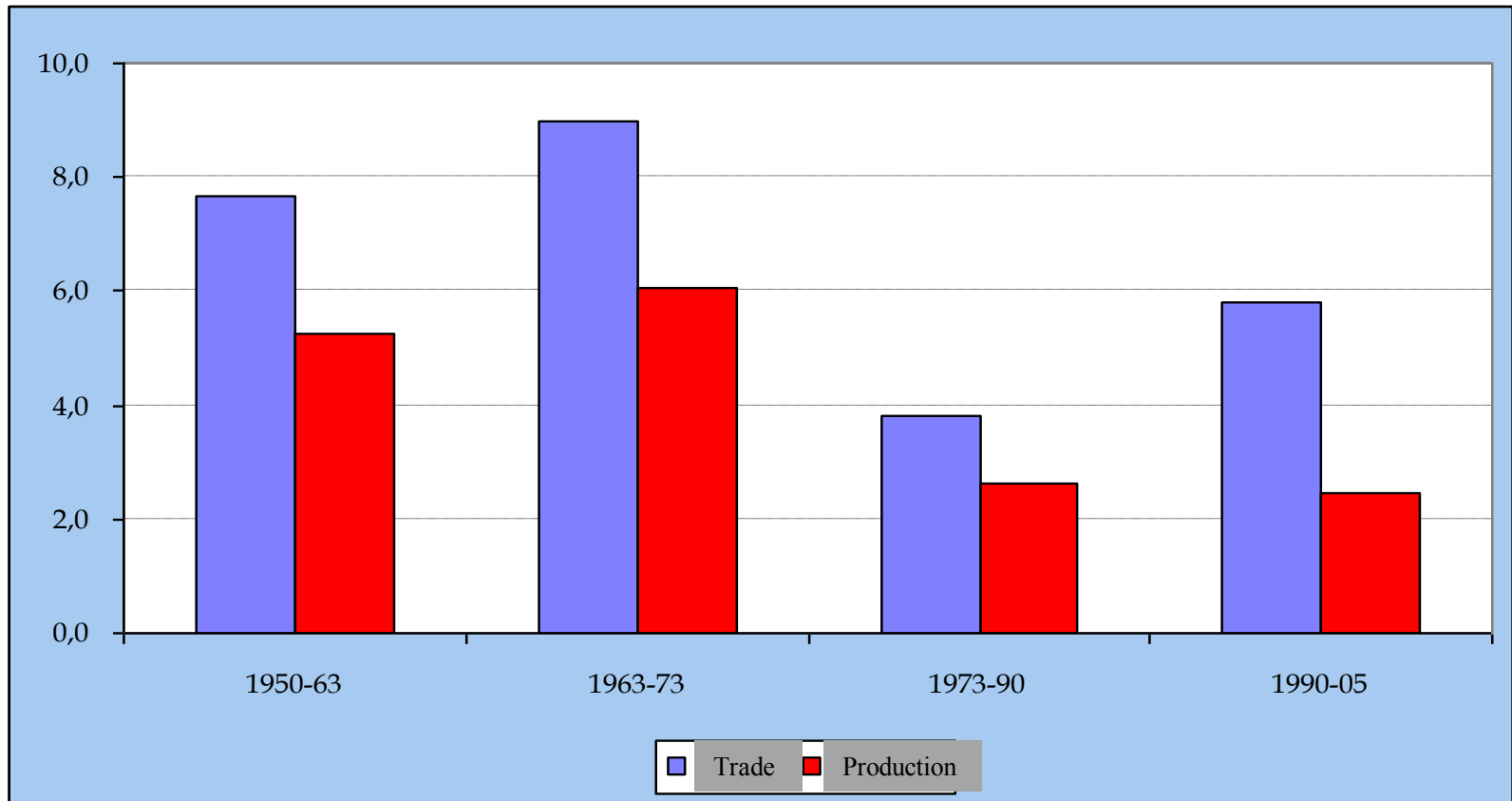
Industrial and agricultural production in countries participating in the Marshall Plan

Year	Industrial Production 1938=100	Agricultural Production 1938/39=100*
1947	87	86
1948	98	97
1949	110	104
1950	122	110
1951	134	114
1952	135	

International trade

- positive impact on trade
 - GATT – ↓ of tariff and no-tariff barriers
 - Bretton – Woods institutions + Eur integration
 - lessons from the development after WWI
 - progress in transportation
 - In developer countries ↓ importance of railways b/c relative ↑ efectivity of road transportation
 - since the end of 1950s containerization
 - after 1945 ↑ aviation
 - convertibility of currencies (Eur after 1959)
- high dynamic of ↑ trade ⇒ ↑ specialisation

Growth of the world trade and production, 1950-2005 (in %)



Volume of the world trade, 1850-1971 (1913=100)

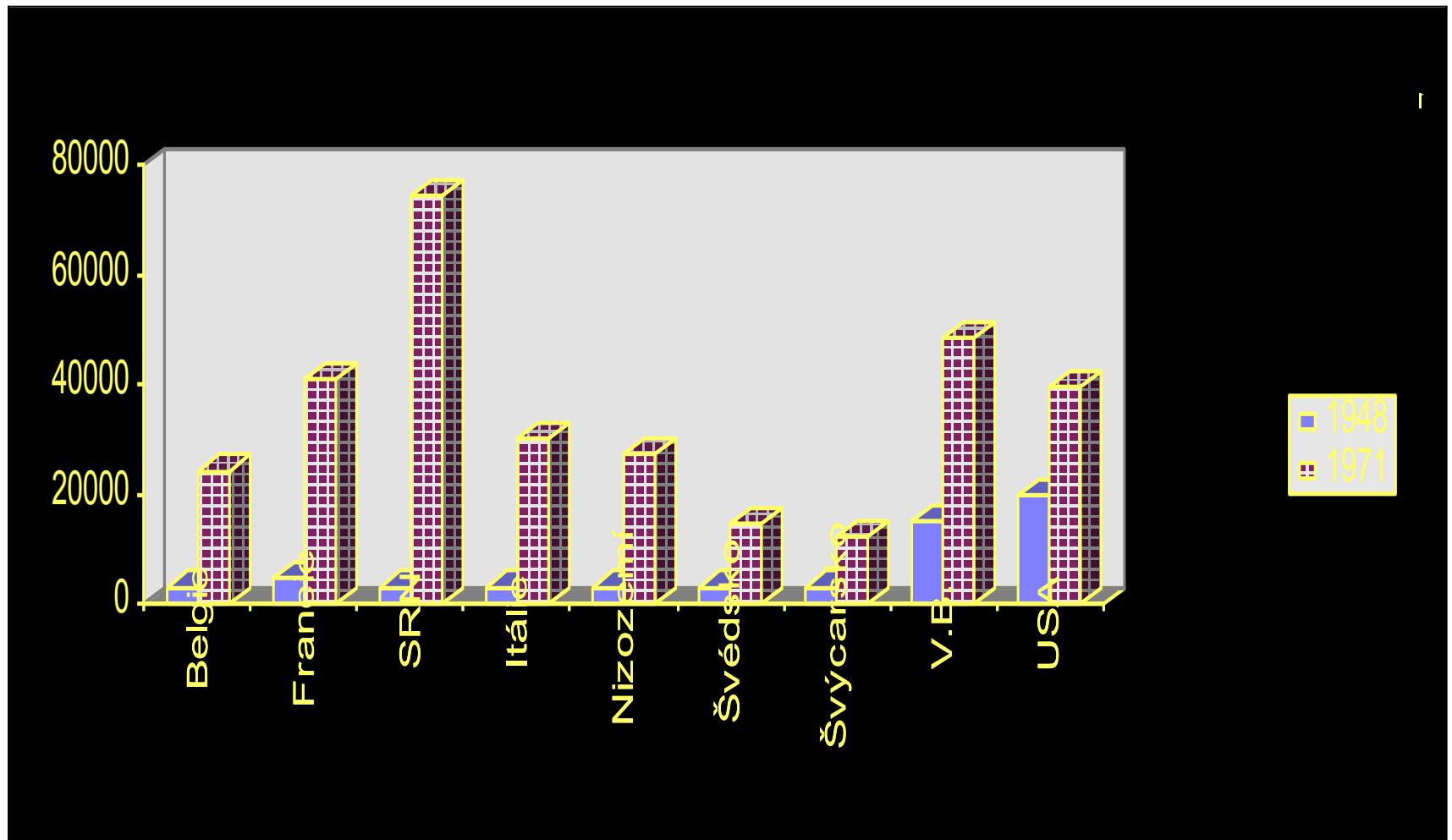
Year	Volume	Year	Volume
1850	10.1	1938	103
1896-1900	57	1948	103
1913	100	1953	142
1921-1925	82	1963	269
1930	113	1968	407
1931-1935	93	1971	520

- changes in **commodity structure**
 - ↑ share of trade with manufactures x materials
- **territorial structure**
 - the biggest and ↑ share of developed countries

World export from given territories (% of total)

Region	1963	1973
Developed countries	64,3	68,2
Australasia, South Africa	2,8	2,7
Developing countries	20,7	19,2
CPE	12,1	9,9
Total	100	100

Foreign trade (export and import) in USD million, 1948 - 1971



Capital flows

- **desintegration of international market** from WWI to mid 1960s
 - no mutual convertibility of currencies
 - gradual relaxation of the control of capital flows
- many years after WWII only **USA** able to EX capital in larger scale
 - mostly to developer countries
 - lower risk – no threat of nationalization
 - qualified LF
- **GB**
 - after 1950s to states of Commonwealthu ⇒ in 1960s closer to EC ⇒ more INV on the continent
- **Eur countries**
 - most of INV on the continent or to ex-colonies
- **JAP**
 - at the end of 1960s started to EX capital ⇒ grand part to USA

Economic growth

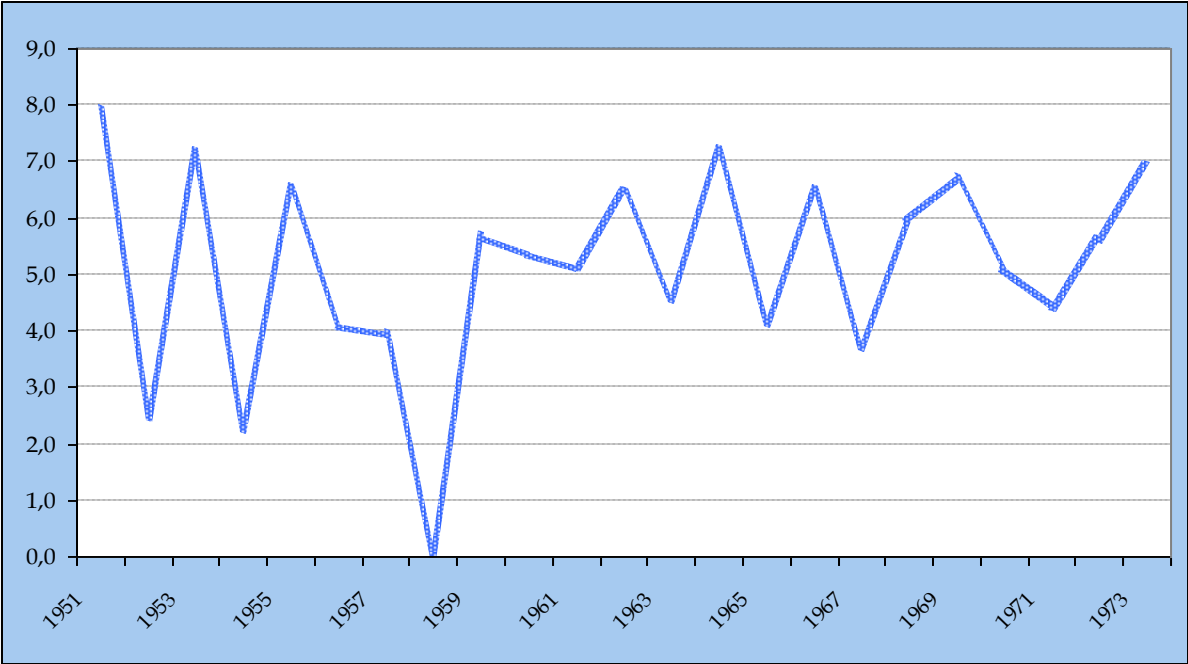
- **participants of MP – in 1949 production > pre-war level**
 - DE, IT, AT (2 years later) + JP (1954)
 - BUT rationing + problems in transportation + shortcomings of housing fond
 - ...
- **after-war period very successful**
 - average \uparrow p.c. 1950/73 = 4,5%
 - \uparrow world industrial production by 6%

Production of the world manufacturing business, 1930 - 1980 (1913=100)

	Overall production	Yearly growth rate
1830	34.1	(0.8)
1860	41.8	0.7
1880	59.4	1.8
1900	100	2.6
1913	172.4	4.3
1928	250.8	2.5
1938	311.4	2.2
1953	567.7	4.1
1963	950.1	5.3
1973	1730.6	6.2
1980	3041.6	2.4

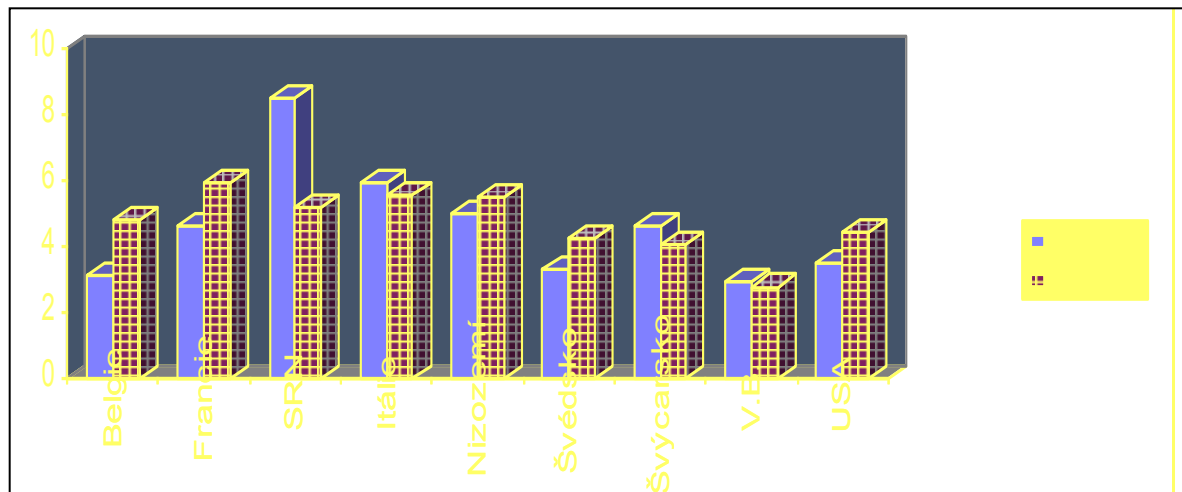
- **25 years after WWII** – longest period of growth in industrial countries without interruption+ high dynamics
 - economic recovery
 - ↑ new technologies
 - from A to I and S
 - shift of LF from nonproductive to productive sectors
 - ↑ LF – migration to Eur
 - ↑ international trade
 - huge ↑ capital
 - cheap raw materials and sufficient supply
 - economic policy
 - stable price levels
 - smaller fluctuations – mostly no ↓ production, mostly only ↓ growth

Growth of the world GDP, 1951-1973 (in %)



- in **Western countries** – different dynamics
 - Different range of destruction by war
 - higher \uparrow in relatively less developed countries \Rightarrow convergence
- \uparrow **Eur**
 - DE economic miracle
 - successful period for IT
 - X lagging behind of GB
- in 1950s and 1960s new competitor - **JP**
- \downarrow importance of **USA**
 - BUT USA still superpower – ahead of the rest of the world absolutely and also in labour productivity
- industrialisation also in **DC**

Average yearly growth of national income, 1950-1960 and 1960-1970 (in %)



Share of western powers in the total of the world production in the early 1970s (in %)

Country	Share
USA	40
Japan	9
BRD	less than 9
GB	6
France	5
Italy	3.5

Good bye

Thank you for attention