



**HISTORY**  
of the **U.S.**  
**ECONOMY**  
since  
**WORLD**  
**WAR II**

**HAROLD G. VATTER**  
and  
**JOHN F. WALKER**  
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## P R E F A C E

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The U.S. mixed economy of large government spending and participation in the market system has been firmly rooted for half a century, an era with distinct characteristics and its own economic history. Yet there is no single up-to-date work that portrays this era comprehensively and in a way that is accessible to teachers, students, and interested members of the general reading public. The present book is designed to remedy this surprising deficiency. It is intended to be an inclusive work, not supplementary to other sources.

Those persons familiar with both standard economic history texts and the actual postwar economic evolution will welcome, we trust, the selection of innovative topics to be found herein. All too frequently, and we think unfortunately, many of these subjects are bypassed.

There were two compelling reasons we chose to make this a written-and-edited work. The first was to expeditiously fill the aforementioned gap in overall treatment of the post-World War II era. An acute awareness of that deficiency emerged partly from personal teaching experience over the years. Existing economic histories do not, and as presently constituted cannot, even begin to do justice to this half century of rich and turbulent experience. One has to scrounge around distressingly to find and integrate masses of supplementary material, readings that swamp in sheer volume any basic work used as a fulcrum. A second reason was the abundant diversity of topics and interpretations that the written-and-edited format provides. The typical historian's criticism that contemporary history has unfolded too recently for "proper" interpretive digestion, however correct or misguided such a view may be, is thus basically allayed.

We are, therefore, comfortable with the inclusion in this volume, for example, of extracts from the *Economic Report of the President* that clearly reflect the bias of certain presidential Adviser's Councils. We are confident also that, once the illusion of objective historiography is cast off, exposure to a variety of constructions adds to the richness of reader experience.

Additionally, the inclusion of contributions by others allows us to

draw upon well-informed, expert analysis that may be factually and interpretively rather better than what we have produced. Many of the selections are by people who are among the most eminent in the field. These selections were written over a period of almost fifty years. Consequently references to this year, last year, next year, currently, etc., are relative to the date the selection was first published.

Some may feel that a more extensive and unified treatment, reaching back at least to the quarter century before the crystallization of the mixed economy, is desirable. Obviously, that past significantly shaped the subsequent history of the social market economy. Such is particularly true of the Great Depression and the New Deal's transition from the *laissez-faire* 1920s to the distinctively new system that came out of the 1940s.

But an era is an era. Background works covering the 1920s and the decade of the Great Depression are readily available. For example, companion pieces to the present book are provided by Peter Fearon's *War, Prosperity, and Depression: The U.S. Economy 1917-45* and by the earlier work of Jim Potter, *The American Economy between the World Wars*. Either combination makes a quite adequate package for general survey purposes, covering the evolution of the economy since 1914, the heart of the twentieth century.

Most papers in this collection are by major scholars in their area. We have excerpted what we believe is the best of their work. We have also dropped all footnotes and references. We strongly urge readers who are interested in particular topics to go to the original sources, cited at the beginning of each paper, which in most cases are longer, more complete, and fully referenced. They should be available in any adequate university library.

We have tried to make sure that this volume provides an integrated economic history, not a collection of discrete topical treatments. We are aware that the moment one treats a subject, as in a chapter, the connections of the subject with the total process are in danger of being severed. This has ever been the curse of the topical format. We have attempted to avoid this defect in part by deliberately overlapping the topical with the chronological. Furthermore, we have cross-referenced subjects by frequently treating the same subject in different contexts (chapters). Finally, integration of particular aspects is fostered by our reiteration of the central theme—economic growth and its determinants.

Selections from outside sources are organized as continuous discussion under headings usually taken from the titles and subheads of the selection.

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## A C K N O W L E D G M E N T S

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Because a primarily edited, comprehensive economic history requires a very great variety of source materials, it demands either the explicit or the tacit participation of a multitude of providers. We therefore embrace the opportunity to express here our profound thanks to all those authors and publishers who granted us permission to reprint copyrighted materials, and our gratitude to the numerous public agencies and writers of public documents, some of whom may to their surprise discover their compositions extracted in these structured pages.

The universally high quality of public research embodied in these extracts not only has been an encouragement to our effort, but also will be much appreciated, we believe, by the readers of this book. Such contributions, which make up the greater part of the work, are achievements of which the American public can well be proud.

The ongoing search for diverse, pertinent writings over the years was greatly expedited and eased by the ever ready assistance of the Multnomah County librarians, and in particular by the staff of the Portland State University economic and humanities library divisions—Daphne Allen, Anne McMahon, Joanne Morgan, Barbara Becker, Karen Nordgren, Gwen Newborg, Jerome DeGraaff, and Craig Wollner, among others. A plethora of source material on the African-American experience was also forthcoming from Darrell Millner, chair of the PSU Black Studies Department.

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## CHAPTER I

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# The Economy at Midcentury

## 1. The War's Consequences

*Harold G. Vatter*

Excerpted and reprinted with permission from *The U.S. Economy in World War II* by Harold G. Vatter, copyright © 1985, Columbia University Press, pp. 145–77. Harold G. Vatter is professor emeritus of economics at Portland State University.

The study of the economy in World War II acquires a rich meaning for us only when its consequences are included in the inquiry. Those and some other consequences will be assembled here into a package in order to afford a more total view of the war's great impact on the economy. The totality of the war's economic effects is one of the chief reasons for choosing to explore the wartime experience.

The explosion of the veteran population can fruitfully be extracted from the welter of events and subjected to a careful exploration. Some effects of the war emerged only in connection with related actions taken after V-J Day, in certain cases a considerable time after. These actions and their connections with the war experience also demand treatment as a single package with the war, regardless of the time lapse between the war's ending and such lagged actions.

We may conveniently distinguish two sometimes overlapping kinds of war consequences: (1) changes occurring in the economy and economic behavior, and (2) changes in policy. Consideration of these two types will be given in order.

There were specific wartime developments that had long-run unique effects. An example of this set is the emergence of important, war-induced