

American economy and society 1945–1989

Headings	Notes
AMERICAN ECONOMY 1945–1989: AFFLUENCE AND RECESSION	<ul style="list-style-type: none">• In the 1930s, America had suffered from the Great Depression when unemployment and poverty were widespread.
THE AGE OF AFFLUENCE: 1945–1968	<ul style="list-style-type: none">• The Depression ended when the government invested heavily in armaments during the Second World War.• From then until the early 1970s, the US was a wealthy society in which jobs were plentiful and wages good.• For the first time in history a majority of people could afford a decent house, lots of luxury goods and holidays. For that reason, this period is often referred to as the age of affluence.
WHY THE US ECONOMY DID WELL AFTER THE SECOND WORLD WAR?	<ul style="list-style-type: none">• When the Second World War ended in 1945, the US was the world's wealthiest economy. It had escaped war damage, and the rest of the world wanted to buy what it produced.• America was rich in natural resources such as coal and oil which provided cheap fuel for its factories.• After 1945, the government continued to invest in the economy:<ul style="list-style-type: none">• The 1944 GI Bill gave grants to returning soldiers to buy houses, start businesses or continue their education.• The number of people working for the government increased rapidly.• The Cold War and the arms race with the Soviet Union, together with the Korean and Vietnam wars kept government spending on arms high.• In 1956, the Federal-Aid Highway Act gave Federal grants to build a network of motorways across the US.• The Federal and some State governments spent more on education and welfare than before. The biggest increase came in the 1960s with President Johnson's Great Society programme. This investment caused an economic boom which lasted for 25 years.
THE CONSUMER SOCIETY	<ul style="list-style-type: none">• The emergence of 'the consumer society' also helped to keep the economy booming.• During the war, Americans had earned good wages, but there were few consumer goods to buy. Their savings grew and when the war ended they rushed to buy the furniture, cars, washing machines and refrigerators they could not get before.
Keywords	Summary

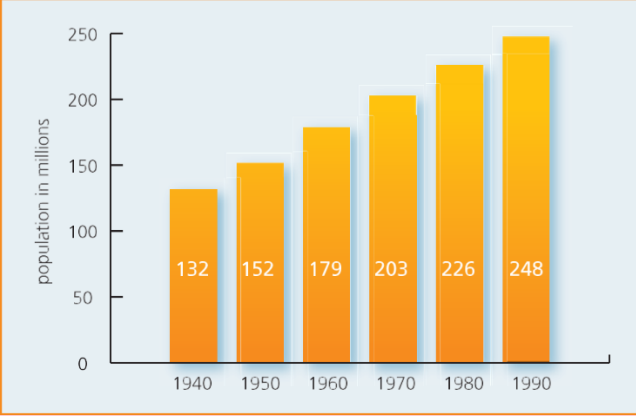
American economy and society 1945–1989

Headings	Notes
THE CONSUMER SOCIETY	<ul style="list-style-type: none">• After the war unemployment remained low, averaging about 4% between 1945 and 1968. Plentiful jobs pushed the average income up from \$3,000 to \$8,000.• For the first time in history a majority of people had money to spend on luxuries, such as TVs or holidays, as well as on necessities, like food and housing.• This created a demand for a big range of consumer goods and services. New industries sprang up to meet the demand.• Consumer credit expanded to enable people to buy more goods without having to save for them in advance.
THE CREATION OF GIANT CORPORATIONS	<ul style="list-style-type: none">• Before the war many Americans were self-employed or worked for small companies but after 1945 more of them worked for the government or for large corporations.• In the 1950s and 1960s, US companies began to grow bigger through mergers (two or more companies joining together) and acquisitions (one company taking over another). For example, Ford and General Motors swallowed up smaller car manufacturers, and Boeing took over smaller aircraft companies.
MULTINATIONAL CORPORATIONS AND GLOBALISATION	<ul style="list-style-type: none">• Mergers and acquisitions spread outside the US as American corporations took over foreign companies. This created giant multinational corporations, like IBM or Exxon which had factories and offices in many countries.• Some US companies also set up overseas branches to take advantage of low wages or lower taxes in other countries.• Until the 1990s, most overseas investment was in Canada and Western Europe because other areas were either under communist control or politically unstable.• The American government supported overseas expansion. Believing America would benefit from freer trade, it backed plans to remove tariffs (import taxes) around the world through the General Agreement on Tariff and Trade (GATT) and the World Bank.• These developments led to globalisation, i.e. the closer integration of the world's economies. This process got a huge boost from the fall of communism in 1991.
Keywords	Summary

American economy and society 1945–1989

Headings	Notes
THE END OF AFFLUENCE: THE ECONOMY AFTER 1968	<ul style="list-style-type: none">• From the end of the 1960s, the American economy experienced many difficulties.• International competition increased particularly from Germany and Japan. American's share of world trade fell from 25% in 1947 to 10% by 1975.• Americans bought more foreign goods like cars. This created a trade deficit and hit jobs.• By the 1970s, the US had to import much of the oil it used from the Arab States. Following wars between the Arabs and Israel, the Organisation of the Petroleum Exporting Countries (OPEC) forced up the price of oil in 1973 and 1979. This damaged the economy further.• The cost of the Vietnam War and Johnson's Great Society welfare programme created a budget deficit. To avoid raising taxes, the government borrowed to fill the gap. That caused inflation.• By 1980, America suffered from economic stagnation and high inflation (often called stagflation).
RONALD REAGAN AND 'REAGONOMICS'	<ul style="list-style-type: none">• Ronald Reagan was elected in 1980, in the middle of America's worst economic depression since the 1930s. Unemployment was 10% and inflation was 13%.• Reagan cut welfare programmes and personal taxes, arguing this would encourage people to work harder.• He also greatly increased government spending on arms, announcing plans for a defence system against Soviet missiles, known by its critics as 'Star Wars'.• The economy recovered slowly and in 1986 began to grow again.• In the Reagan years, new jobs were created, many of them in the new areas of electronics and computing.• Other jobs emerged in the services sector. Many of them were poorly paid and the government removed many of the protections which poorly paid employees had enjoyed.• The number of very wealthy people grew rapidly while the amount they paid in taxes fell. The gap between rich and poor Americans increased significantly.
Keywords	Summary

American economy and society 1945–1989

Headings	Notes														
CHANGES IN AMERICAN SOCIETY 1945–1989 DEMOGRAPHIC CHANGE: THE EXPANDING POPULATION	<ul style="list-style-type: none">• The population of America grew steadily after the war.• This growth was partly due to a big increase in the number of births (the 'baby boom') between 1945 and 1960.• The children born at that time, known as the 'baby boomers', were better fed, better educated and demanded more of their society than their parents.• From the 1960s contraception became easily available and the number of births declined.• Immigration was not a huge contributor to population growth until the 1970s, when the number of people admitted to the country grew rapidly.• Before the Second World War most Americans lived in the north where the industries were located. But from the 1960s, many companies set up in California and the southern 'sun belt' states. The population grew faster in these areas than elsewhere.  <table border="1"><caption>US Population in Millions (1940-1990)</caption><thead><tr><th>Year</th><th>Population (millions)</th></tr></thead><tbody><tr><td>1940</td><td>132</td></tr><tr><td>1950</td><td>152</td></tr><tr><td>1960</td><td>179</td></tr><tr><td>1970</td><td>203</td></tr><tr><td>1980</td><td>226</td></tr><tr><td>1990</td><td>248</td></tr></tbody></table>	Year	Population (millions)	1940	132	1950	152	1960	179	1970	203	1980	226	1990	248
Year	Population (millions)														
1940	132														
1950	152														
1960	179														
1970	203														
1980	226														
1990	248														
CHANGING PATTERNS OF WORK	<ul style="list-style-type: none">• The work done by Americans changed greatly between 1945 and 1990.• In 1945, more than half of American men worked in heavy industry, such as mining, steel milling, car making, etc.• Referred to as 'blue-collar' workers, most were unskilled or semi-skilled, with a limited education.• From the 1960s, the number of blue-collar workers declined because automation and competition from overseas reduced the demand for unskilled or semi-skilled workers. This forced their wages down, and made their jobs less attractive.														
Keywords	Summary														

American economy and society 1945–1989

Headings	Notes
CHANGING PATTERNS OF WORK	<ul style="list-style-type: none">• At the same time the number of jobs in the 'service industries', such as banks, shops, teaching and medicine grew. Workers in these industries had to be skilled and educated.• Often called 'white-collar workers' because they went to work in a suit, not in overalls, they had a higher status than blue-collar workers, even though they were not always better paid.• During the 1950s and 1960s, white-collar workers replaced blue-collar workers as the biggest group in American society. This was due to:<ul style="list-style-type: none">• The spread of higher education encouraged by the GI Bill and the growing demand for skilled labour.• The decline in the number of low-skilled jobs in farming and heavy industry.• Farmers did not share the prosperity of the post-war years. Between 1945 and 1960 the price of food fell, cutting their incomes by 25%. Many small farmers sold up and went to work in towns where they could earn more.• By 1980, 75% of Americans lived in urban areas and much of America's farm land was owned by large corporations that farmed it using machines rather than people.
THE GROWTH OF SUBURBS	<ul style="list-style-type: none">• In the 1930s, many blue-collar workers dreamed of moving out of rented flats in the crowded city centres and buying a house in a pleasant suburb.• The post-war prosperity made this dream a reality for millions. From the 1950s, suburbs expanded around most US cities.• Usually suburbs were pleasant places with shops, schools and churches.• But women who stayed at home to rear their children often found life in the suburbs lonely and boring.
THE ORGANIZATION MAN	<ul style="list-style-type: none">• In 1956, in a book called <i>The Organization Man</i>, William H Whyte described the life of a typical suburban white-collar worker.• Usually a former soldier, he was the first member of his family to have gone to college, thanks to the GI Bill.• He worked at the middle levels of a government department or a multinational corporation and his main aim was to move up a few steps on the corporate ladder.
Keywords	Summary

American economy and society 1945–1989

Headings	Notes
INNER-CITY GHETTOS	<ul style="list-style-type: none">• About 25% of the population of the biggest cities were black people who moved from the South hoping to find work.• Racial discrimination and their own lack of education and skills meant that these hopes were often disappointed.• Black women could get low-paid jobs as waitresses or cleaners, but black men found it harder to get work, especially as, from the 1950s, many industries began to move out of the cities.• These conditions led to the formation of 'black ghettos' – whole areas of a city where most inhabitants were black.
CRIME AND DRUGS	<ul style="list-style-type: none">• Crime flourished in the inner cities. Young men joined gangs and having no work, could make money in criminal activities, such as robbing banks, etc.• Crime was accompanied by violence. Police were armed and criminals could get guns easily because the US Constitution guaranteed the right to carry arms.• In the 1960s, criminal gangs began dealing in drugs which were smuggled into the US.• Drugs added to the violence as addicts robbed to feed their habit, and drug gangs fought to control their territories.• By the 1970s, crime in US cities was far higher than anywhere else in the world.• 'Law and order' became a political slogan, especially for Republicans. Harsher sentences were imposed and more prisons built. The death penalty, which had almost disappeared, was revived in many states.
JOHNSON'S GREAT SOCIETY AND THE 'WAR ON POVERTY'	<ul style="list-style-type: none">• In the 1960s, poverty became a political issue. In 1964, President Lyndon Johnson declared a 'war on poverty' with his Great Society programme.• Johnson got Congress to pass the Economic Opportunity Act which provided a fund of \$1 billion to fight poverty. It set up the Office of Economic Opportunity which organised:<ul style="list-style-type: none">• Head Start to provide pre-school education, meals and health checks for poor inner-city children• A Jobs Corp to provide skills training for young school leavers• A training programme for unemployed adults• A system of cheap loans to small businesses
Keywords	Summary

American economy and society 1945–1989

Headings	Notes
EXAM QUESTIONS	<ul style="list-style-type: none">• How did one or more of the following affect the US: McCarthyism; the military- industrial complex; the anti-war movement? (HL 2023)• What were the strengths and weaknesses of the US economy, 1945-1989? (HL 2022)• What were the achievements of the US economy, 1945-1968, and what factors limited its growth, 1968-1989? (HL 2017)• What were the strengths and weaknesses of the US economy, 1945-1989? (HL 2016)• What were the significant developments in the US economy, 1945-1989? (HL 2014)• What was the impact on the US economy of one or more of the following: the multinational corporation; the military-industrial complex; international competition from Japan and Europe? (HL 2013)• To what extent did the US economy experience both success and decline during the period 1945-1989? (HL 2012)• Why did the United States experience an economic boom, 1945-1968, and what was its impact on society? (HL 2010)• During the period, 1945-1989, what was the impact of one or more of the following on American society: racial conflict; urban poverty; organised crime? (HL 2006)