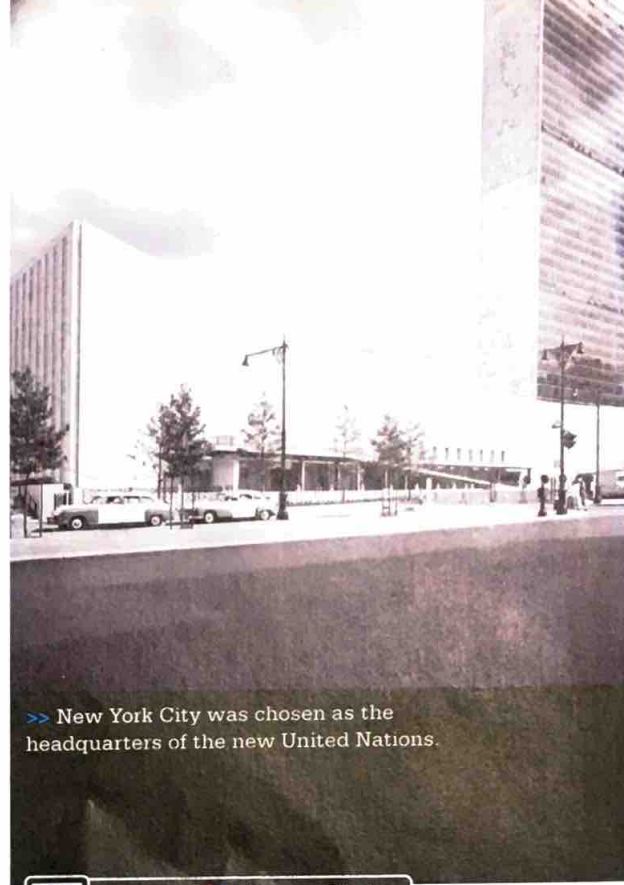


Despite the tensions of the Cold War, the United States enjoyed a period of great prosperity and growth in the postwar decades. Its booming economy became a symbol of the power of capitalism and democratic freedoms in the ongoing propaganda war against communism.



>> New York City was chosen as the headquarters of the new United Nations.



Interactive Flipped Video

# The Western Democracies and Japan

## Postwar Prosperity in the United States

In the postwar decades, the American economic system flourished. American businesses expanded into markets around the globe. The dollar was the world's strongest currency. Foreigners flocked to invest in American industry and to buy U.S. government bonds. America's wealth was a model for other democracies and a challenge to the stagnant economies of the communist world.

**America in a Central Role** During the Cold War, the United States was a global political leader. The headquarters of the League of Nations had been symbolically located in neutral Switzerland. The headquarters of the newly formed United Nations was built in New York City.

The United States also played a leading economic role. America had emerged untouched from the horrendous destruction of the Second World War. Other nations needed American goods and

### >> Objectives

**Analyze** the postwar American economy.

**Identify** developments in American society and government.

**Explain** how Western Europe rebuilt and moved toward greater unity.

**Describe** how Japan changed after World War II.

### >> Key Terms

suburbanization

interdependence

recession

segregation

discrimination

Dr. Martin Luther

King, Jr.

Konrad Adenauer

welfare state

Margaret Thatcher

European Union

gross domestic

product (GDP)



services, and foreign trade helped the United States achieve a long postwar boom. The long postwar peace among democratic nations helped to spread this boom worldwide.

**An Economic Boom** In 1945, the United States produced 50 percent of the world's manufactured goods. Factories soon shifted from making tanks and bombers to peacetime production. With the Cold War looming, government military spending increased, creating many jobs in defense industries.

During the 1950s and 1960s, the American economy was booming. At home, a growing population demanded homes, cars, refrigerators, and thousands of other products. Overseas, American businesses were investing in Europe's recovery and expanding into new markets. American cultural influences spread, and people around the globe enjoyed American movies, television programs, and music—especially jazz and rock and roll.

America's postwar economic strength impacted social systems in the United States. Although segments of the population were left behind, many Americans grew more affluent and moved from the cities to the suburbs. The movement to communities outside an urban core is known as **suburbanization**.

Suburbanites typically lived in single-family houses with lawns and access to good schools. Suburban highways allowed residents to commute to work by car.

During the postwar decades, many Americans also moved to the Sunbelt, or the states in the South and Southwest of the United States. Jobs in these states were becoming more plentiful than in the industrialized North. The warmer climate was an added bonus. The availability of air conditioning and water for irrigation helped make the movement to the Sunbelt possible.

**A Wider Role for Government** In the postwar decades, the government's role in the economy grew. Under President Truman, Congress created generous benefits that helped veterans attend college or buy homes. Other Truman programs expanded FDR's New Deal, providing greater security for the elderly and poor.

Truman's successor, Dwight Eisenhower, tried to reduce the government's role in the economy. At the same time, he approved government funding to build a vast interstate highway system. This program spurred the growth of the auto, trucking, and related industries. Highways and home building changed the face of the nation. Suburbanization led to the decay of many inner-city neighborhoods.

**The United States and the Global Economy** In the postwar decades, the United States profited from the growing global economy. But **interdependence**—mutual dependence of countries on goods, resources, and knowledge from other parts of the world—brought problems, too. In the 1970s, a political crisis in the Middle East led to a global oil shortage and soaring oil prices. In the United States, people waited in long lines for costly gasoline, which made Americans aware of how much they relied on imported oil.

The oil crisis and other economic issues brought periods of **recession**, or economic downturn. For the most part, recessions were fairly mild.


Other economic issues, however, such as competition from nations in Asia and elsewhere posed challenges for the United States. During the 1980s, the United States lost manufacturing jobs to Asia and Latin America. Some American corporations even moved their operations overseas to take advantage of lower wages.

Still, the United States remained a rich nation and a magnet for immigrants. These newcomers came largely from Latin America and Asia. By the 1980s, some Americans were calling for stricter laws to halt illegal immigration.

**?** How was the U.S. economy linked to the broader global economy during the Cold War?



>> In the postwar boom, Americans moved out of the cities and into the suburbs, where they could own a home with a yard. **Connect** What role did the car play in the suburbanization of America?

 **Interactive Gallery**



# The United States Responds to New Challenges

The 1950s seemed a peaceful time within the United States. Yet changes were underway that would reshape American society. Among the most far-reaching was the Civil Rights Movement, which sought to ensure the promise of equal opportunity for all Americans.

**The Civil Rights Movement** Although African Americans had won freedom nearly a century before, many states, especially in the South, denied them equality. **Segregation**, or forced separation, was legal in education and housing. African Americans also faced **discrimination**, or unequal treatment and barriers, in jobs and voting. The Civil Rights Movement of the 1950s and 1960s renewed earlier efforts to end racial injustice.

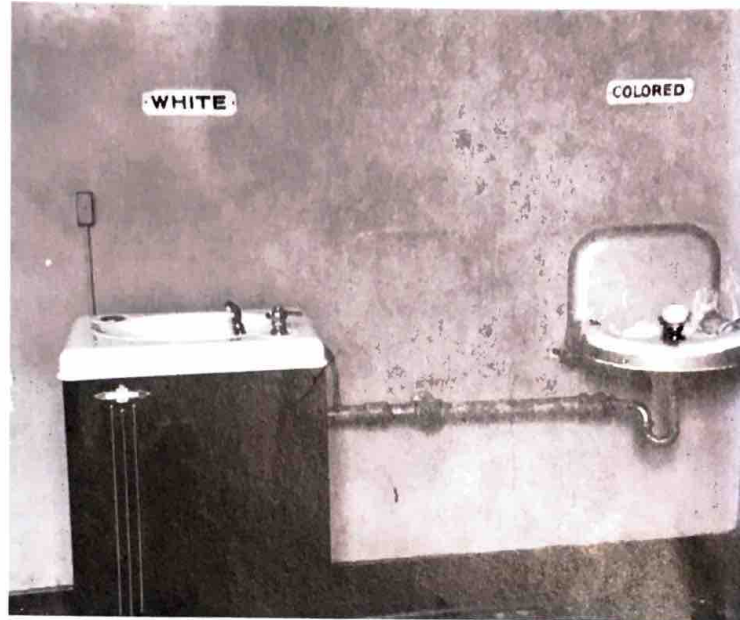
In 1954, the Supreme Court issued a landmark ruling in *Brown v. Board of Education of Topeka*. It declared that segregated schools were unconstitutional. President Eisenhower and his successors used federal power to uphold the order to desegregate public schools.

**Martin Luther King, Jr.** By 1956, a gifted preacher, **Dr. Martin Luther King, Jr.**, had emerged as a leader of the Civil Rights Movement. Inspired by Gandhi's campaign of civil disobedience in India, King organized boycotts and led peaceful marches to end segregation in the United States. Many Americans of all races joined the Civil Rights Movement. Their courage in the face of sometimes brutal attacks stirred the nation's conscience.

In 1963, at a huge civil rights rally, King made a stirring speech. "I have a dream," he proclaimed, "that one day this nation will rise up and live out the true meaning of its creed: 'We hold these truths to be self-evident, that all men are created equal.'"

**Progress and Problems** In time, Congress responded. It outlawed segregation in public accommodations, protected the rights of black voters, and required equal access to housing and jobs. Despite these victories, racial prejudice survived, and African Americans faced many economic obstacles. Poverty and unemployment plagued African American communities in urban areas.

Still, the Civil Rights Movement provided wider opportunities. Many African Americans won elected offices or gained top jobs in business and the military.



>> Segregated drinking fountains were a common sight in the southern states.



>> People from all over the country came to the March on Washington, held on August 28, 1963. Martin Luther King Jr. was a keynote speaker. **Analyze Information** How do the demands on the signs represent the civil rights movement?



**Other Groups Demand Equality** The Civil Rights Movement inspired other groups, such as Native Americans and Latinos, to campaign for equality. Women, too, renewed their efforts to gain equal rights. New civil rights laws banned discrimination based on gender as well as race in hiring and promotion. More women won political office, and some made progress into high positions in business.

**The Great Society** During the 1960s, the government further expanded social programs to help the poor and disadvantaged. President Lyndon Johnson created a program that he called the Great Society. It funded Medicare, which ensured health care for the elderly, job training and low-cost housing for the poor, and support for education. Many Americans came to rely on these programs in the next decades.

**The Conservative Response** In the 1980s, conservatives challenged costly social programs and the growth of government. President Ronald Reagan called for cutbacks in government spending on social programs. Congress ended some welfare programs, reduced government regulation of the economy, and cut taxes. At the same time, military spending increased.

Government spending and tax cuts greatly increased the national deficit, the gap between what a government spends and what it takes in through taxes and other sources. As the deficit grew, conservatives

crusaded for deeper cuts in social and economic programs. Debate raged about how far to cut spending on programs ranging from education and welfare to environmental protection.

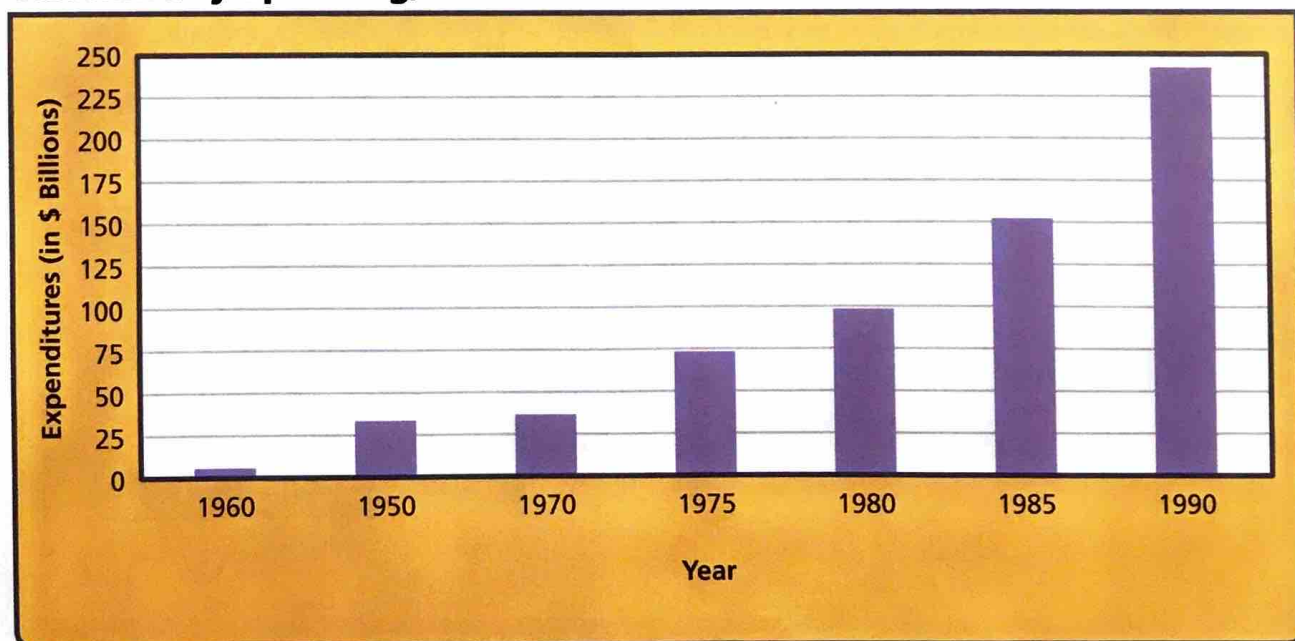
**? CITE EXAMPLES** Over time, how did the U.S. government expand opportunities for individuals? Give examples.

## Rebuilding Western Europe

The impact of—and recovery from—World War II on the political and economic systems of Europe was profound. With Marshall Plan aid from the United States, Western European countries recovered from World War II. They rebuilt industries, farms, and transportation networks destroyed during the war. In the 1950s, economies in Western Europe boomed. Standards of living rose dramatically, and people began to enjoy comforts unheard of in earlier times.

**West Germany's Economic Miracle** The early postwar years were a desperate time for Germany. People were starving amid a landscape of destruction. The Cold War left Germany divided. West Germany was a member of the Western alliance. East Germany lay

### U.S. Military Spending, 1960-1980



**>> Analyze Charts** U.S. military spending increased dramatically during the Cold War years. In which five-year period did military spending increase the most?

# EAST AND WEST GERMANY IN 1968 AN ECONOMIC COMPARISON

## HOUSEHOLD EXPENSES



FOOD  
47.7%  
SERVICES  
15.3%  
DURABLE  
CONSUMER  
GOODS  
37.0%



## COST OF DURABLE CONSUMER GOODS

(in Deutsche Marks)

4,625

### WEST GERMANY

## COST OF FOOD

(in Deutsche Marks)

1.16

2.42

9.74

15.46

.59

1.56

.74

1.18

296  
300  
680  
563

Electric Stove  
Refrigerator  
Washing Machine  
Television  
Automobile

642  
1,350  
1,200  
2,110  
17,750

### EAST GERMANY

Cabbage/1 kg  
Potatoes/10 kg  
Beef/1 kg  
Coffee/1 kg  
Chocolate/1 kg  
Oranges/1 kg  
Milk/1 litre  
Bread/1kg

.40  
.85  
9.80  
70.00  
3.85  
5.00  
.68  
0.52

Source: Schnitzer, Martin  
East and West Germany  
A Comparative Economic Analysis  
(New York: Praeger), 1972.

>> **Analyze Charts** What types of goods were expensive in East Germany in 1968? What types of goods were inexpensive?



in the Soviet orbit. Over the next decades, differences between the two Germanys widened.

Early on, the United States rushed aid to West Germany in order to strengthen it against the communist tide sweeping Eastern Europe. From 1949 to 1963, a strong-minded chancellor, **Konrad Adenauer** (AD eh now er), led West Germans as they rebuilt cities, factories, and trade.

Despite high taxes to pay for the recovery, West Germany created a booming industrial economy. This "economic miracle" raised European fears of a German revival. But West German leaders worked closely with France and the United States in NATO and other international organizations.

While West Germany remained a capitalist country, some later chancellors belonged to the Socialist party. They expanded the **welfare state**. Under this political system, a government keeps most features of a capitalist economy but takes much responsibility for the social and economic needs of its people. In the welfare state, a government provides national health care, unemployment insurance, old-age pensions, and support for qualified students to attend college.

**Germany Reunites** The postwar decades brought no economic miracle to East Germany. Under communist rule, its economy stagnated. The Soviet Union exploited East German workers and industry for its own benefit.

Still, unemployment was low, and East German workers had some basic benefits such as health care and free education.

By 1989, communism was declining in the Soviet Union. Without Soviet power to back them, East Germany's communist leaders were forced out of office. The Berlin Wall was torn down, and in 1990, Germany was reunited.

While Germans welcomed unity, the change brought new challenges. Prosperous West Germans had to pay higher taxes to finance the rebuilding of the east. At the same time, East Germans faced a difficult transition to a market economy.

**Britain Recovers** World War II left Britain physically battered and economically drained. After the war, Britain could no longer afford its overseas colonies, which demanded independence. Britain gave up global leadership to its close ally, the United States.

The war also impacted the British political system. After the war, British voters elected a Labour Party government, which began building a welfare state. The government nationalized industries and expanded social welfare benefits. It built housing for the poor and opened new state-funded universities. A national health service extended free or low-cost medical care to all citizens. To pay for these benefits, taxes rose tremendously.



By 1979, Britain and the rest of Europe faced economic hard times. Britain's Conservative party, led by **Margaret Thatcher**, won power and set out to roll back the welfare state. Thatcher privatized government-run industries, curbed the power of labor unions, reduced the size of the government bureaucracy, and cut back welfare services.

**Other Western Nations Achieve Prosperity** Other nations in Western Europe, including France, the Netherlands, and Belgium, rebuilt after the war, helped by Marshall Plan aid. Like Britain, these Europeans powers had to give up their overseas colonial empires. France faced bloody conflicts in Vietnam and Algeria, which it tried to hold on to in the face of nationalist demands for independence.

The Scandinavian countries of Norway, Sweden, and Denmark created extensive socialist welfare programs. By the 1990s, rising costs revived debate about how much people were willing to pay for the welfare state. Yet many peoples saw these social programs as essential to a democratic society.

Postwar Italy faced many challenges, including a multiparty political system that led to frequent changes of government. Corruption and financial scandals

shook the government. Despite these problems, Italy made impressive economic gains.

**Building the European Union** Europe's postwar recovery was helped by economic cooperation. In 1952, six nations—West Germany, the Netherlands, Belgium, Luxembourg, France, and Italy—set up the European Coal and Steel Community. It eased barriers to trade in coal and steel, which spurred economic growth. Later, these nations formed the European Community to expand free trade. Over time, it ended tariffs, or taxes on imports, and allowed workers and capital to move freely across national borders.

In 1993, the European Community was renamed the **European Union (EU)**. Since then, it has expanded to include 28 nations, including Britain, Ireland, Denmark, and other European countries. The EU set up a common currency, the euro, which is used by 17 European nations. The EU became a powerful economic force and promoted regional trade and peace by replacing destructive competition with an amazing degree of cooperation.

**? COMPARE** What are some advantages and disadvantages of the welfare state in Europe?

## Japan Is Transformed

In 1945, Japan, like Germany, lay in ruins. It had suffered perhaps the most devastating damage of any nation involved in World War II. Tens of thousands of Japanese were homeless and hungry.

**Occupation Bring Changes** The war had a deep impact on the political system of Japan. Under General Douglas MacArthur, the American military government set two main goals for the occupation of Japan: to destroy militarism and to ensure democratic government. Japan's armed forces were disbanded. War crime trials were held to punish those responsible for wartime atrocities.

In 1946, Japan adopted a new constitution, which set up a parliamentary democracy. Although the Japanese emperor lost all political power, he remained the symbolic head of the nation. Japan renounced war and banned any military forces, except for its own defense.

To build Japanese democracy, American occupying forces backed changes to the economic and social systems. They opened the education system to all people and emphasized legal equality for women. A land-reform program bought out large landowners and gave land to tenant farmers, erasing lingering traces of



>> British miners protest the closure of a government-operated coal mine. Many British industries were once again privatized under Prime Minister Margaret Thatcher.



feudalism in Japan. Other reforms protected the rights of workers.

**Japan and the Cold War** By 1950, Japan was on the road to recovery. At the same time, the Cold War was making the United States eager to end the occupation. As the Cold War erupted into armed conflict in nearby Korea, the United States and Japan signed a peace treaty, and in 1952, the occupation ended.

Japan and the United States had close ties during the Cold War. The American military operated out of bases that they had set up in Japan, while Japan enjoyed the protection of the American “nuclear umbrella.” The two nations were trading partners, and in time, competitors for global markets.

**The Japanese Economic Miracle** Between 1950 and 1975, Japan produced its own economic miracle, even more spectacular than Germany’s. It chalked up huge jumps in **gross domestic product (GDP)**. GDP is the total value of all goods and services produced by a nation in a particular year.

Japan’s success was built on producing goods for export. At first, it manufactured textiles. Later, it shifted to selling steel and machinery. By the 1970s, Japanese cars, cameras, and televisions found eager buyers on the world market. Soon, a wide range of Japanese electronic goods were competing with Western, and especially American, products.

Japan’s economic miracle was due in part to its new modern factories built after the war. Because Japan spent little on its military, it could invest more in its economy. It benefited from an educated and skilled workforce and imposed tariffs and regulations that limited imports and helped Japanese manufacturers at home.

By the 1980s, Japan was seen as an economic superpower. Its vast trade network reached around the world and resulted in a trade surplus for Japan. By the 1980s, United States manufacturers were angered by what they saw as unfair competition, and the United States pushed Japan to open its economy to more imports. Japan’s stunning economic growth ended in the 1990s. However, it continued as a major world economic power.

**? IDENTIFY** What factors explain Japan’s economic success in the decades after World War II?



>> The American occupation of Japan lasted about seven years and resulted in a firm friendship between the former enemies.



>> Japan became an export powerhouse by building cars, electronics, and other products.