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The Role of the Second World War in the Revival of the American Economy

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Dedication

In the name of Allah, most gracious, most merciful

I dedicate this work to my mother who made everything easier and made the man I am

Her care, love and sacrifices gave me courage to fulfill this work

To my father and my sisters and brother who supported me all the way

To my friends who I shared five years in university with all its ups and downs great thanks to “Mohamed”, “Ismail”, “Rabeh”, “Hmida” and “Walid”

And a special thanks to my friend and big brother “Abed Elkader”

Who support and encouragement is unparalleled

To all my teachers and instructors who helped me and taught us to became better persons

HABIB Hadj Aissa

Dedication

In the name of Allah, most gracious, most merciful

I dedicate this work and all my studies to my dear dead father “Mohamed”

To my mother who did encourage me and give me love and care, she experienced great happiness whenever I made step forward in my studies; I thank her for all sacrifices.

To my dead grandmother

All my brothers “Bendouad”, “Abed el Hafid”, and to my lovely sisters “Mbarka”,”Fatima”

For their love care and encourgment

To all my friends “Sadam”,”Hadj Aissa” “Ismail” “Mohamed”

To my nephews “Mohamed” and “El Elmi”

HAMADI Belkheir

Abstract

The main concern of this dissertation is to draw a critical attention to the situation of the American economy before the World War II, which was characterized by an economic crisis, known as the Great Depression. Moreover, this work discusses the reasons of the American intervention in the Second World War, and the economic growth, if it exists, during and after the war. Hence, this study is an attempt to uncover the policies and measurements took by the American government to overcome the Great Depression. In this work, a descriptive and analytical study is carried out and through the analysis and the data collected, we noticed that the American economy was paralyzed, hence production levels during the war helped to restore the economic prosperity and reduction in the unemployment rates, and by the end of the World War II the United States became a supreme economic power.

ملخص:

تلقي الدراسة الحالية الضوء على وضعية النظام الاقتصادي الأمريكي قبل الحرب العالمية الثانية، و التي تميزت بأزمة اقتصادية عرفت بالكساد الأعظم الذي استمر لأكثر من عقد من الزمن، و كذا تناقش أسباب التدخل الأمريكي في الحرب و النمو الاقتصادي أثناء و بعد الحرب العالمية الثانية، تهدف هذه الدراسة لإثبات أن الحرب العالمية الثانية كانت سبب مباشر لتخطي الكساد الأعظم و قيادة الاقتصاد الأمريكي الى الريادة و لبلوغ الأهداف السابقة تم إتباع دراسة وصفية تحليلية، هذا و من خلال التحليل و المعلومات المحصل عليها لاحظنا أن الاقتصاد الأمريكي كان مشلولا، كذلك مستويات الإنتاج خلال الحرب ساعدت على عودة الازدهار الاقتصادي و تخفيض نسب البطالة، ومع نهاية الحرب العالمية الثانية أصبحت الولايات المتحدة قوة اقتصادية عظمى .

AAA: Agricultural Adjustment Act

CCC: Civilian Conservation Corps

CWA: Civil Works Administration

FAP: Federal Art Project

FDIC: Federal Deposit Insurance Corp

FERA: Federal Emergency Relief Admin

FHA: Federal Housing Administration

FLSA: Fair Labor Standards Act

FMP: Federal Music Project

FSA: Farm Security Administration

FTP: Federal Theater Project

FWP: Federal Writers Project

GDP: Gross Domestic Product

GNP: Gross National Product

IRA: Indian Reorganisation Act

NLRA: National Labor Relations Act

NRA: National Recovery Administration

NYA: National Youth Administration

PWA: Public Works Administration

REA: Rural Electrification Administration

SEC: Securities and Exchange Commission

SSA: Social Security Administration

TVA: Tennessee Valley Authority

WASP: Women Air Service Pilots

WAVES: Women Accepted for Volunteer Emergency Service

WPA: Works Progress Administration

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General Introduction

The American history is crowded with events that changed the nation's history course and made America the world's leader. The Americans faced several devastating crises with courage hearts and strong will, and they succeeded to overcome all of them; from the Civil War, to the Panic of 1893 which was a financial crash occurred when investors tried to convert their holdings into gold, and the American Banking Panic of 1907 that took place when the stock market collapsed losing nearly 50% of its value. However, one of the most atrocious influential economic crises in the United States history was the Great Depression, which lasted for more than a decade and almost drove the country into bankruptcy and ruin destroying what they have built since the independence. When he Great depression hit the country, millions of people lost their jobs and houses, poverty and despair spread among Americans and they were in desperate need for a leader to save the country, yet the government could do nothing till the coming of Franklin Delano Roosevelt. The President came with ambitious plans and promised to end the depression with the so called "the New Deal». Though, it helped to ease the effects of the crisis, but it did not end it perpetually.

The American involvement in the Second World War was the first step on the road towards recovery. A massive wave of industrial mobilization converted factories from peace to wartime production, in addition to the army enrolment which created millions of jobs for men and women alike. Therefore, was improved and the country could feel prosperity thanks to the massive production.

It is worth mentioning that the American participation in the war helped the Allies in defeating the Axis in the Second World War, which most of the Americans considered "a good war", as it put an end to the Great Depression and made the United States emerge as the world’s biggest economic and political power, a supremacy never attained before and would last forever.

The Second World War had a great effect on the United States socially, culturally and most importantly economically. As it saved the Americans from poverty and unemployment, it helped in the revival of the nation’s economy by mobilizing its economy for the Second World War via producing large quantities and importing products to make large profits. Therefore, this study seeks to demonstrate the role of the war production on the recovery of American economy. This dissertation should be able to help readers to understand the gigantic transformation of the American economy in relation to the Second World War.

The present study aims at investigating the relation between American involvement in the Second World War and the Great Depression. It points to the effects of the economic crisis on industry, agriculture and employment. Likewise, it discloses the USA’s strategies to overcome the economic obstacles encountered before the war.

There are four questions to be investigated in this research:

1. Did the Great Depression affect America’s economy? Or to what extent did the New Deal help the country to prevail over the Great Depression?
2. What were the real reasons behind America’s involvement in WWII?
3. Did mobilization help American in its economic convalescence?
4. How did the United States dominate the world’s economic scene after the WWII?

The American government worked hard to stop the Great Depression and restore the confidence of its people; however the governmental measures and legislation only eased the crisis, but did not put an end to it. The Second World War was the solution for the economic crisis. This leads us to hypothesize that:

If the United States government continued its isolationist policy and did not enter the war, then it could not overcome the devastating effects of the Great Depression. The American intervention in the Second World War opened the doors for its economic supremacy after a long period of economic crisis caused by the Great Depression. The productivity expansion reduced the effects of the crisis and the unemployment levels.

In recent years The Great Depression and the New Deal have come to the front ground chiefly within the context America’s isolationist policy. Several researches were built to provide an understanding of how America is going to prevail over its devastating economic crisis.

Bryn O’Callaghan, *An illustrated History of the USA*, *A History of The American People,*Paul Johnson and *A People's History of the United States*-Howard Zinn. More resources were used which concentrated only on the effects of the Second World War on U.S economy: *Economic-Consequences-of-War on the U.S economy, World War II and the American Home Front, statistical review of World War II* and *The Impact of the Second World War on U.S. Productivity Growth.* All the previous mentioned resources shared the same vision about the Great Depression and its effects considering it as the worst economic crisis and a dark point in the American history

This work will have a descriptive and an analytical nature that attempts to describe and analyze as well the American economy in pre, during and post-World War II. Much emphasis will be given to the transformation of the American economy and the achievement accomplished, if they exist, in the first half of the twentieth century. Likewise, it will cover the measures that were taken to fulfil such transformation.

The structure of this dissertation is composed of three chapters. The first chapter revolves around the economic situation in pre-World War II era; the economic crisis of the Great Depression and finally concluded with the American involvement in the war. The second chapter draws on a discussion of the industrial transformation, productivity growth, and the economic situation during the which lead to the American economic supremacy later on. The last chapter, however, is an empirical study that summarizes the first two chapters by providing charts and tables.

I-Chapter One: the American Economy in the Pre- Second World War Era

Introduction

The American economy witnessed a period of prosperity and economic boom during the 1920's, which was reflected in the lifestyle of Americans yet, this prosperity did not last as the stock market crushed in October 1929. The later, marked the beginning of the Great Depression and triggered an economic crisis that would leave the country paralyzed and devastated. The United States government sought to find a solution to this crisis by adopting multiple programs and measures among which the New Deal. After a long period of the Isolationist Policy, the Pearl Harbor attacks in December 1941 came as a struck to the American people, but it only unified and made them stand behind the government and urge it to take a part in the Second World War. This chapter discusses the impact of the Great Depression on industry and employment in addition to agriculture. Furthermore, it negotiates the effects of the New Deal, and the American involvement in the World War II.

I.1 An economic crisis (The Great Depression)

The 1920's was a golden era for the American people, an era of fast industrial growth and spread of the mass consumption culture, this decade was referred to as the ''Roaring Twenties''[1]. The United States was very rich in these years, because of the First World War; other countries owed it a lot of money. It had plenty of raw materials and plenty of factories. Its national income, the total earnings of all its citizens - was much higher than that of Britain, France, Germany and Japan put together (O'Callaghan1990, p.92). The industrial growth was reflected on the Americans as they could buy consumer goods including cars, radios, stoves, refrigerators and vacuum cleaners due to high wages and installment plan which made it easier to purchase any product and pay for it later. The demands were higher than ever which made factories increased their production rates to cover the growing demands, but these goods faced competition from foreign imported goods leading congress to put high taxes and tariff policies on European merchandise, such as the Fordney-McCumber Tariff[1] of 1922 and the Hawley-Smoot Tariff[2] of 1930 (history outline208), as a way to encourage domestic products and private business. These tariff policies would affect later on economic relations and intensified the world economy. In the Wall Street[3] people were buying shares on the margin which was system that enabled people to buy by credits from the banks, hoping that they could sell their shares in high prices, pay the bank and make a fortune for themselves." By 1929 buying and selling shares "playing the market", had become almost a national hobby. You could see this from the rise in the number of shares changing hands. In 1923 the number was 236 million; by 1928 it had grown to 1,125 million" (O'Callaghan 1990, p.96).

In 1929, investors were buying shares by massive numbers which made the prices went up, however some investors started having doubts as the profits of the firms were not relevant to the prices of shares since firms' profits were decreasing for some time which would soon cause these shares to drop in value. This fall made some people selling their shares, and soon others started doing the same and the panic kept going on. The fall of prices did not stop leading to great loses, On Thursday, October 24. 1929 known as Black Thursday[4], 13 million shares were sold. On the following Tuesday, October 29 known as Terrifying Tuesday[5], 16.5 million were sold.

[1]The Fordney–McCumber Tariff of 1922 was a law that raised American tariffs on many imported goods in order to protect factories and farms. Congress displayed a pro-business attitude in passing the tariff and in promoting foreign trade through providing huge loans to Europe, which in turn bought more American goods.

[2] Hawley-Smoot Tariff Act, US. legislation (June 17, 1930) that raised import duties to protect American businesses and farmers

[3] stock exchange located at 11 Wall Street, Lower Manhattan, New York City, New York its considered the largest equities-based *exchange* in the world, based on total *market* capitalization of its listed securities. Formerly run as a private organization,

[4] October 24, 1929, Black Thursday was the most devastating stock market crash in the history of the United States, when taking into consideration the full extent and duration of its after effects

[5] The Wall Street Crash of 1929, also known as Black Tuesday

"By the end of the year the value of all shares had dropped by S40, 000 million. Thousands of people, especially those who had borrowed to buy on the margin[6], found themselves facing debt and ruin" (O'Callaghan 1990, p.97).

After the events of the 24, and 29 of October the Great Depression came as a surprise, deeply affected the American economy starting a major economic crisis which lasted for almost two decades. The effects of the Great Depression were immense on many levels and domains especially unemployment, agriculture, banking and finance and industry.

I.2 Unemployment and Industry in the Depression Era

Unemployment was a major issue and one of the main concerns of the American government, many people started to lose their jobs and the unemployment rates kept rising hitting new records. By the end of 1931 nearly eight million Americans were out of work (O'Callaghan98), their employers had either to lay off a number from the staff and cut the wages or even close down their business affected by the recession." Industrial production fell by 50 percent, and by 1933 perhaps 1.5 million (no one knew exactly) - one-fourth or one-third of the labor force-were out of work. The Ford Motor Company[7], which in the spring of 1929 had employed 128,000 workers, was down to 37,000 by August of 1931. By the end of 1930, almost half the 280,000 textile mill workers in New England were out of work". (Zinn 1980, p.361)

Industrial sector suffered from heavy losses, and witnessed regression in production rates and numbers of workers, escalating the situation even more. Industrial production,

[6] Buying on margin is the purchase of an asset by paying the margin and borrowing the balance from a bank or broker. Buying on margin refers to the initial or down payment made to the broker for the asset being purchased; the collateral for the borrowed funds is the marginable securities in the investor's account

[7] The Ford Motor Company is an American multinational automaker headquartered in Dearborn, Michigan, a suburb of Detroit. It was founded by Henry Ford and incorporated on June 16, 1903.

which had been 114 in August 1929, was 54 by March 1933. Business construction, which had totaled $8.7 billion in 1929, fell to $1.4 billion in 1933. There was a 77 percent decline in the production of durable manufactures during this period[…]Unemployment had been only 3.2 percent in 1929. It rose to 24.9 percent in 1933 and 26.7 percent in 1934. (Johnson 1997 ,p.489)

I.3 Agriculture in the Depression Era

Farmers were deeply affected by the Great Depression, tension between them and the authorities kept rising as they could not sell their products or get a fair price. As a result, debt was piling up and many lost their lands as a result of tax and foreclosure sales, unwilling to give up their farms and houses often gathered to prevent such actions armed with shotguns and rifles causing clashes and violence with the authorities who replayed in the same way. "In Hoover we trusted, now we are busted" (O'Callaghan 1990,p.98) words were often repeated by angry farmers who lost faith and confidence in President Hoover's ability to find a solution to their problems.

During the Roaring Twenties farmers increased production and enjoyed the high prices due to high demands, which encouraged them to invest and buy new lands to meet the demands, the government in order to ensure productivity levels provided loans for farmers to buy new tools and machinery. Farmers were able to pay payments from their loans, yet the stock market crash of 1929 deeply effected agricultural sector and farmers as prices dropped as a result to the decreased demands caused by the collapse of the purchase ability of the Americans, however farmers had to keep planting large lands in the hope of getting enough money to pay off debts and bank loans.

I.4 Governmental measures to deal with the Great Depression

Herbert Hoover was elected in 1929 and after a few months the Great Depression hit the American economy .The American people's first aim was to elect a leader who has the ability to restore the economic prosperity of the twentieth century. Hoover promised to fight the Great Depression , he worked to balance the budget by cutting the government's spending in addition to that his government negotiated with businessmen and unions because they are the backbone of economy. Thousands of families were evicted from their houses because could not pay the rent were obliged to live in ''the Homerville's''[8]. In December 1931 Hoover introduced the Reconstruction Finance Corporation (RFC) [9] a program of a nine point, the RFC's capital was increased by nearly 100 percent to 3.8$ billion and the new Emergency Relief and construction Act extended its positive role : in 1938 alone it gave credit of 2.3$ billion plus 1.6$ billion in cash (Johnson 1997p.488). The American government faced a serious budget deficit and the only way to cover it was by increasing taxes, by the 1932 Revenue Act which made Hoover's earlier tax cut removed under the pressure of the congress which tempted to put an end to the deficit grow each year, despite Hoover's economic policies to revive the American economy , the numbers showed that the rates of unemployment and deficit were getting higher and the American people sow Hoover's government as the main reason behind the Great Depression . Hoover declared: ''they have a conviction that I am a sort of a superman that no problem is beyond my capacity'' (qtd.in Johnson 487), which was clear evidence that his plans ended in failure.

[8] A "Hooverville" was a shanty town built during the Great Depression by the homeless in the United States. They were named after Herbert Hoover, who was President of the United States during the onset of the Depression and was widely blamed for it.

[9] The Reconstruction Finance Corporation (RFC) was a government corporation in the United States between 1932 and 1957 that provided financial support to state and local governments and made loans to banks, railroads, mortgage associations, and other businesses.

I.5 the New Deal to Revive the Economy

Perhaps one of the greatest challenges for young historians of the Great Depression is grasping the severity of the economic problems of the time and the extent of human suffering. Losses were immense and not just of fortunes and wealth, but of human dignity, hope for the future, and the sense of a stable society. While the Great Depression meant poverty, unemployment, homelessness and frustration for many, this was not the universal experience. Indeed, for some Americans it was a period of great creativity, political change, and social innovation it was a time when government created institutions and legislation to improve the lives of many people.

With the coming of Franklin Delano Roosevelt in November 1932, the nation's hope got higher, he declared later:

> First of all, let me assert my firm belief that the only thing we have to fear is fear itself nameless, unreasoning, unjustified terror that paralyze needed effort to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigor has met that understanding and support of the people themselves, which is essential to victory. I am convinced that you will again give that support to leadership in these critical days. (March 4, 1933).

Roosevelt promised to eradicate the depression by introducing a set of programs and legislations which were known as ''The New Deal''[10]. In his first hundred days in office, Roosevelt called Congress into emergency session and launched a record of fifteen major pieces of legislation. Between 1933 and 1938 the administration and Congress created dozens of federal programs, and often referred to as the "Alphabet Agencies." Which sought to fulfill three main objectives: Relief, Reform and Recovery (the three R's)

[10] The New Deal was a series of programs, including, most notably, Social Security, that were enacted in the United States between 1933 and 1938, and a few that came later.

I.5.1 New Deal for Relief

Relief is one of the three main objectives which sought to help and provide immediate relief to the Americans by creating jobs and employing the jobless. As 13 million of Americans more than a quarter of the labor force were out of work this helped to restore the faith and established an atmosphere of confidence. On the contrary of president Herbert Hoover who did not do much to help the Americans, president Franklin Delano Roosevelt established several agencies which were specialized and dedicated to achieve relief such as the [11]Civil Works Administration (CWA) and the Civilian Conservation Corps (CCC) [12].

I.5.2 New Deal for Recovery

To get the economy lacks into high gear or recover; to help people find stable jobs and businesses with which they can support themselves, in addition to repair and rebuil the nation's infrastructure. The American Government build new roads, factories, airports, dams and electrical power which provided many job opportunities and the American government benefited from those facilities after the end of the economic crisis. Programs such as Agricultural Adjustment Act (AAA) [13], and Federal Housing Administration (FHA) [14].

[11] The Civil Works Administration (CWA) was a short-lived U.S. job creation program established by the New Deal during the Great Depression to rapidly create manual labor jobs for millions of unemployed workers.
[12] The Civilian Conservation Corps (CCC) was a public work relief program that operated from 1933 to 1942 in the United States for unemployed, unmarried men from relief families as part of the New Deal.
[13] The Agricultural Adjustment Act (AAA) was a United States federal law of the New Deal era which boosted agricultural production by paying farmers subsidies not to plant on part of their land and to kill off excess livestock
[14] The Federal Housing Administration (FHA) is a United States government agency created in part by the National Housing Act of 1934. It sets standards for construction, underwriting, and insures loans made by banks and other private lenders for home building.

I.5.3 New Deal for Reform

The third goal of the New Deal policies was to reform the banking and financial sector of the economy to curb bad lending practices, poor trading techniques, and corruption. The president's decision to take the country off the gold standard proved to be a smart move because it boosted people's confidence in the U.S. dollar. The Federal Deposit Insurance Corporation[15] (FDIC), created under the Glass-Steagall Act, eliminated untrustworthy banks that had plagued the country for more than a century. Once Americans became confident that their funds would be safe, the number of bank deposits surged. Likewise, the Securities and Exchange Commission in 1934, which weeded out bad investment habits, gave Americans more confidence in the stock market.

In his first term, President Roosevelt initiated the first New Deal which guaranteed a landslide victory in the elections of 1936, and continued the economic reformations with the second New Deal. Briefly stated, the New Deal sought **relief** for the needy, economic **recovery**, and **reform** of American capitalism. For each program or legislation listed below, Roosevelt's 3 R's that this program specifically addresses.

I.6 The New Deal Agencies and their Function

There were several agencies established under the New Deal program known as the Alphabet Agencies each has its own function and goal

I.6.1 Agricultural Adjustment Act (Recovery)

Created in 1933, the AAA paid farmers for not planting crops in order to reduce surpluses, increase demand for seven major farm commodities, and raise prices. Farm income

[15] Federal Deposit Insurance Corporation **(FDIC),** independent U.S. government corporation created under authority of the Banking Act of 1933 (also known as the Glass-Steagall Act), with the responsibility to insure bank deposits in eligible banks against loss in the event of a bank failure and to regulate certain banking practices.

rose, but many tenants and share-croppers were pushed into the ranks of the unemployed. In 1936 the Supreme Court voided the AAA.

I.6.2Civilian Conservation Corps (Relief)

Created in 1933, the CCC took unmarried men aged 18-25 from relief rolls and sent them into the woods and fields to plant trees, build parks, roads, and fight soil erosion on federal lands. Young men sent their $30 a month home to their families and left a legacy of outdoor recreation areas (including the Blue Ridge Parkway). The CCC provided jobs for 2.5 million young men during its ten years.

I.6.3 Fair Labor Standards Act (Reform)

The last major piece of New Deal legislation (1938), this important labor law set minimum wage (25 cents and hour) and maximum hour standards (establishing the 40-hour work week). It also severely curbed the use of child labor.

I.6.4 Farm Security Administration (Relief)

The FSA was created in 1937 (formerly called the Resettlement Administration in 1935) to aid sharecroppers. The FSA set up temporary housing for "Okies" and "Arkies" (Dust Bowl refugees from Oklahoma and Arkansas) who migrated to California in hope of finding work

I.6.5 Federal Deposit Insurance Corp (Reform)

To restore confidence in banks and encourage savings, Congress created the FDIC to insure bank customers against the loss of up to $5,000 their deposits if their bank should fail. Created by the Glass-Steagall Banking Reform Act of 1933, the FDIC is still in existence.

I.6.6 Federal Emergency Relief Admin (Relief)

Created in 1933, FERA supported nearly five million households each month and funded thousands of work projects for the unemployed. It also provided vaccinations and literacy classes for millions of poor people.

I.6.7 Federal Housing Administration (Recovery)

The FHA was created in 1934 to stimulate the building industry by providing small loans for home construction. A related program, also created in 1934, was the Home Owners' Loan Corporation (HOLC).

I.6.8 Indian Reorganisation Act (Reform)

The Indian Removal Act of 1934 (called the "Indian New Deal, reversed the forced-assimilation policies in effect since the Dawes Act of 1887. The IRA tried to stop the loss of Indian lands and encouraged Native American tribes to establish local self-government and to preserve their native crafts and traditions

I.6.9 National Labor Relations Act (Reform)

The NLRA (also called the Wagner Act) of 1935 created the National Labor Relations Board to protect the rights or organized labor to organize and collectively bargain with employers.

I.6.10 National Recovery Administration (Recovery)

The National Industrial Recovery Act of 1933 created the NRA to promote economic recovery by ending wage and price deflation and restoring competition. The NRA set business codes and quotas. Under its symbol of a blue eagle and slogan ("We Do Our Part"), the NRA temporarily restored investor confidence and consumer morale, but it failed to stimulate industrial production. In 1935 the Supreme Court declared the NIRA unconstitutional

I.6.11 National Youth Administration (Relief)

Created under the Emergency Relief Act of 1935, the NYA provided more than 4.5 million jobs for young Americans

I.6.12 Public Works Administration (Relief/Recovery)

Established by the NIRA in 1933, the PWA was intended both for industrial recovery and unemployment relief. Eventually over $4 billion was spent on 34,000 construction projects including public buildings, highways, bridges (e.g., San Francisco's Golden Gate Bridge), and dams for water and power.

I.6.13 Rural Electrification Administration (Reform)

Before the New Deal, only 10 percent of the country outside cities and towns had electricity. The REA (1935) gave low-cost loans to farm cooperatives to bring power into their communities. By 1941, the REA succeeded in raising to 40 percent the number of farms with electricity.

I.6.14 Securities and Exchange Commission (Reform)

The SEC was created in 1934 to serve as a federal "watchdog" administrative agency to protect public and private investors from stock market fraud, deception and insider manipulation on Wall Street. The SEC is still in existence [its reputation was tarnished a bit by the Enron collapse in 2001-02.

I.6.15 Social Security Administration (Reform)

The Social Security Act of 1935 established the SSA to administer a national pension fund for retired persons, an unemployment insurance system, and public assistance programs for dependent mothers, children, and the physically disabled. The pension was financed by a payroll tax to begin in 1937. It exists to this day as the nation's most important and expensive domestic program, covering over 40 million Americans and accounting for about one-fourth of the federal budget

I.6.16 Tennessee Valley Authority (Reform)

Perhaps the most ambitious undertaking of the New Deal, the TVA was a comprehensive federal agency created in 1933 for the economic development of the Tennessee River watershed. The TVA built twenty dams to control flooding, generate hydroelectrical power, increase agricultural production, and revitalize the Tennessee Valley region. The TVA also provided jobs, low-cost housing, reforestation and other services.

I.6.17 Works Progress Administration (Relief)

Established under the $4.8 billion Emergency Relief Appropriation Act of 1935, the WPA lasted until 1943 and employed at least 8.5 million people at an average of $2 a day. They built thousands of roads, bridges, schools, post offices and other public construction projects. In addition, under the WPA's Arts Program, thousands of unemployed writers, musicians, artists, actors, and photographers temporarily went on the federal payroll, producing public projects ranging from murals to national park guidebooks. The WPA's Arts Program included the Federal Writers Project (FWP), which produced nearly a thousand publications; the Federal Music Project (FMP) commissioned musical compositions and funded touring orchestras; the Federal Art Project (FAP) funded sculptures, illustrations, and paintings--most notably murals on the walls and ceilings of thousands of post offices and other public buildings; the Federal Theater Project (FTP) funded plays [many of which were so controversial that the House Un-American Activities Committee and Congress shut down the project in 1939.(Virginia Community Colleges)

Hamby (2007) stated:

> From 1932 to 1938 there was widespread public debate on the meaning of New Deal policies to the nation's political and economic life. Americans clearly wanted the government to take greater responsibility for the welfare of ordinary people, however uneasy they might be about big government in general. The New Deal established the foundations of the modern welfare state in the United States (219).

However the increasing power intervention of the government in managing the nation's affairs especially economic policies made some politicians and businessmen criticize those policies and accused the New Deal for being a socialist program, furthermore, there was raising fear that the Americans would became more dependent and idle. Roosevelt's New Deal was to some extent working, but the effects of the Great Depression were still clear.

I.7 The American involvement in the Second World War

By the early part of 1939 the German dictator Adolf Hitler had become determined to invade and occupy Poland. Poland for its part, recived guarantees of French and British military support if it was attacked by Germany, but first Hitler had to neutralize the possibility that the Soviet Union would resist the invasion of its western neighbor, secret negotiation led on August 23-24 to the signing of the German-Soviet Nonaggression Pact in Moscow[16]. They agreed that Poland should be divided between them, ignoring the diplomatic efforts of the Western powers to restrain Hitler. Finally on August 31, 1939, Hitler ordered hostilities against Poland to start attack. The next morning, in response, Great Britain and France declared war on Germany on September 3; respectively World War 2 had begun. The war had

[16] German-Soviet Nonaggression Pact, an agreement in which the two countries agreed to take no military action against each other for the next 10 years.

two conflicting parts: the Allies (France, Great Britain, USSR and the United States of America and to lesser extent China); the Axis (Germany, Italy and Japan).

Isolationist ideas were very strong in congress during the 1930s. It passed a number of laws called Neutrality Acts[17]. These said that American citizens would not be allowed to sell military equipment, or lend money to any nations at war. Even nonmilitary supplies such as foods would be sold to warring countries only if they paid cash to them and collected them in their own ships.

> Roosevelt had already persuaded the Congress to approve the first peacetime military conscription in American history and to suspend the Neutrality Acts. Now he sent Britain all the military equipment that the United States could spare- rifles, guns, ships. Early in 1941 the British ran out of money. In March Roosevelt persuaded Congress to accept his Lend Lease Plan[18]. (O'Callaghan1990, p.105)

In August, the President Roosevelt met with Prime Minister Churchill off coast of Newfoundland. The two leaders issued a "joint statement of war aims," which they called the [19]Atlantic Charter … America was now neutral in name only. (Hamby 2007, p.220)

Japan fully depended on the American oil to run its industry; however, the colonial policy of Japan in Asia which was represented in the invasion of Manchuria 1931, China 1937 and Indochina in 1941. Concerns in USA started rising fearing for its economic interests in the region. The US government cut the oil supplies, and set an embargo on the export of scrap

[17] The Neutrality Acts were laws passed in 1935, 1936, 1937, and 1939 to limit U.S. involvement in future wars.
[18] Proposed in late 1940 and passed in March 1941, the Lend-Lease Act was the principal means for providing U.S. military aid to foreign nations during World War II

[19] The Atlantic Charter was a joint declaration released by U.S. President Franklin D. Roosevelt and British Prime Minister Winston Churchill on August 14, 1941 following a meeting of the two heads of state in Newfoundland. The Atlantic Charter provided a broad statement of U.S. and British war aims.

iron, in addition to freezing assets as a response to the Japanese refusal to stop its policies, which created a diplomatic crisis between the two countries.

There were several meetings and diplomatic talks between Japan and USA; Japan demanded from the US to release the assets and to cancel the economic sections, on the other side, the Americans countered this proposal by demanding Japanese withdrawal from all its conquests. Japan strongly rejected the American proposal, and pretended to negotiate stalling to win time and get ready for a surprise attack. On December 7, 1941, most of American naval fleet was anchoring in Pearl Harbor, Hawaii, the Japanese launched a surprise attack causing a massive damage; “twenty-one ships were destroyed or temporarily disabled; 323 aircraft were destroyed or damaged; 2,388 soldiers, sailors, and civilians were killed” (Hamby 2007, p.221). On December, 8 President Roosevelt in his speech addressed congress and asked to declare war on Japan describing the attack ‘’ a date which will live in infamy’’ (qtd in Johnson 513). As a response Germany and Italy declared war on the United States which will join the allies.

Conclusion

To conclude, we can say the Great Depression era was a time of despair and suffers as the nation faced several problems in all sectors from unemployment, poverty and bankruptcy. President Herbert Hoover failed to deliver a solution, however President Franklin Delano Roosevelt came with the New Deal which helped to some extent the American economy. The American involvement in the World War II started a new epoch which would help to revive the economy and save the nation.

II Chapter two: The Economic Boom during/post the Second World War

Introduction

The American involvement in the Second World War 1941 opened the gates for a new era of economic boom and superiority. Industrial production was the key to win the most devastating war ever; America converted its peacetime economy to war production in way that was a big surprise to its enemies. This war conversion became possible through a large wave of mobilization; America produced weapons and equipments in large quantities to fully equip not only its forces and those of the Allies against the Axis whom had the upper hand before American intervention. War production helped in creating millions of jobs and reducing unemployment rates which was a big issue in the pre-war period. In this chapter, we highlight the economic transformation of the United States and its leading role to win the World War, and finally, by the end of the war the United States of America managed to resolve its economic problems and emerge as the world's greatest economic power.

II.1 Mobilizing Industry

When the World War II broke out in Europe in 1939, the Nazi Germany was dominating the war, the only power that had the potential to produce and stand against the Nazi was the United States, however it had an isolation policy that kept it from entering wars in addition to the limited military spending forced by the economic crises, but this did not stop the Americans to mobilize and modernize their industry and military forces. President Roosevelt had the intention to develop the American arsenal, therefore he contacted his Republican opponent William Knudsen[20] who opposed the president for a long time, and asked him to put a plan to mobilize and construct the American industry, and Knudsen

[20] William Signius Knudsen (March 25, 1879 – April 27, 1948) was a leading automotive industry executive and an American general during World War II. His experience and success as a key senior manager in the operations sides of Ford Motor Company and later General Motors led the Franklin Roosevelt Administration to commission him as a Lieutenant General in the United States Army to help lead the United States' war materiel production efforts for World War II.

accepted the offer asking for only a 18 months to achieve such task. On December 1941 the Japanese forces launched a surprise attack on Pearl Harbor which forced the United States to enter the war after a long period of isolation. Knudsen, by the time Japanese attacked Pearl Harbor fulfilled his task in a way that surprised not only the Axis, but also the Americans themselves. Japanese estimations that the United States would not be able to launch a Pacific attacks, however thanks to the elaborated plan of Knudsen America contradicted those estimations and became able to launch attacks on multiple fronts and even supplying the Allies with military and non-military supplies under the Lend Lease program and this was just the beginning of the American industrial transformation, the United States became in a real sense “the arsenal of democracy” (Roosevelt qtd.in Johnson 515). Several factories all over the country changed their activities and others were built; assembly lines now are producing war products by massive numbers, in1942 American military production exceeded that of the entire Axis, and by 1943 United states exceeded the Nazis, USSR and Britain, Ford Motor Company was producing more than all Italy.

II.2Weapons Production

The Congress set constrains on military spending since the Great Depression crisis, to control the raising budget deficits and ease the crisis, till the coming of President Roosevelt who pushed for increasing defense spending fearing the threats of the growing threats in Europe and the Pacific Ocean. In the First World War The United States heavily depended on British and French weapons as they were unable to produce their own weapons, yet this changed in the Second World War. American manufacturers concentrated on using technology to develop new weapons and to limit military casualties, as the emphasis was on producing new weapons in large quantities Production of tanks reached 24000, and aircrafts 48000. Production rates kept rising reaching high levels, where it exceeded total production of the Axis put together, and it doubled again in 1944; as the factories built large numbers of equipment 296000 plans, 102000 tanks and 88000 ships and landing –craft. (Johnson 514).

Air force was considered a key factor in winning battles, therefore, President Roosevelt gave priority to aircraft production and its development to ensure victory in battles and the American superiority in the air." Great priority was given to aircraft production even before the War. President Roosevelt called for an annual production of 50,000 planes" (U.S Department of the Interior 3). American aircraft production in 1940 was less than 13000, however by the American involvement in the war in 1941, it increased sharply reaching 18,500, and by 1942 production reached 47,000 then doubled in 1943 to 84,900 aircraft. Aircraft production kept making record numbers as production in 1944 reached 96,300 planes, producing 11 planes per hour more than the Axis combined (Office of Air force History .Table 79)

The two coasts of America on the Atlantic and the Pacific Ocean needed protection; therefore, there was a vital need for a strong navy. American shipyards started producing in large numbers to fight two ocean wars and created a whole new class of ships, and production was not exclusively for war ships, shipyards also produced merchant ships. "Navy yards and government-built shipyards produced 1,500 naval vessels, 5,600 merchant ships, and 80,000 landing craft (U.S Department of the Interior 3).

The tank was a major factor on World War battlefields. America produced 4,000 tanks in 1940 and 41. The United States rapidly retooled its huge automobile industry to build military vehicles. Chrysler, Cadillac and other Detroit auto makers converted to produce tanks (U.S. Department of the Interior 87). America by 1942 was producing 4,000 Sherman M-4 tanks a month. Germany could only produce 4,000 tanks annually. Hitler announced plans to expand production to 800 per month in 1943, but less than 15 percent of what Franklin Roosevelt planned for American plants in 1943 (Goodwin 363). American tank production reached nearly 30,000 in 1943 America would supply 37,000 tanks to her Allies, while tanks attracted great attention; the humble truck played a critical role in rapidly moving men and equipment and no country produced trucks like America, an overall two million tanks were produced among which 800,000 tanks to her Allies (U.S. Department of the Interior 3). The United States produced the best infantry rifle of the War--the M-1 Garand. 20 million rifles and other small arms, and 41 billion rounds of ammunition, Two million were delivered to America's allies.

II.3 Mobilizing Agriculture

In 1939, when the Second World War started in Europe, almost all Great Plains Farmers wanted to stay out of the conflict. They were afraid of losing their lives and their sons, and perhaps their farms if the United States became involved. The collapse of agricultural economy after World War I was not forgotten, still many farmers considered the war as an opportunity to make up for the losses during the economic crisis and to make profits by selling surplus agricultural goods to Great Britain and France. Wartimes demands would soon increase farm prices and furthermore improve farmers' income and the standards of living across the nation. The war in Europe paralyzed the agricultural production, which resulted in insufficient food supplies, and created a big issue in providing supplies the Allies armies, the gape created by the decrease of European production, encouraged the American farmers to double the production to fill this gape.

> Overall agricultural production increased by 17 percent from 1940 to 1944. Between 1940 and1943, production of livestock and related products grew by 28 percent; between 1940 and 1944, crop production increased by 14 percent. Much of this went to the home front. Despite shortages and rationing of some items, personal

> consumption expenditures on food and beverages rose from $19.2 billion to $41.6 billion from 1939 to 1945. Even allowing for inflation, this was a significant surge that contributed to the rising living standards on the American home front (US Department of the Interior 19).

By mid-1941, the increased British demands for food as well as an expanding U.S. military had substantially resulted in increased agricultural prices. Farmers now enjoyed 25 percent more purchasing power than during the previous year, and agricultural experts predicted another 25 percent increase the next year. In September 1941, Great Plains farmers became even more optimistic when Secretary of Agriculture Claude R. Wickard called for "the largest production in the history of American agriculture to meet the expanding food needs of this country and nations resisting the Axis." (1941. 2)

II.4 Employment during the War

II.4.1 Women's participation in the economy

Unemployment rates were at a staggering level during the Great Depression years; it reached 25%, yet by the American involvement in the World War and mobilization of the economy helped in providing and creating millions of job opportunities. By 1939, unemployment rates fall to 17% and kept falling. As the nation fought on two fronts; in Asia against Japan, and in Europe against Germany, the armed forces recruited millions of American men, leaving jobs in factories unoccupied which will be filled by African Americans, the elderly, and other groups and especially women, who made competition between industries over the available labor supply, became more intense. "Women found new employment opportunities in factory work and, to a much greater extent, in secretarial and clerical jobs." (Department of the Interior 5). The Second World War provided unprecedented opportunities for American women to enter into jobs that had never before been open to women, particularly in the defense industry. World War II is often falsely identified as the first time that American women worked outside of the home in large numbers. In fact, about a quarter of women worked outside the home in 1940. World War II changed both the type of work women did and the volume at which they did it. "The government began to urge women to enter the workforce (many were reluctant to do so at first), and to urge employers to hire them [...] by 1943, the 8,000 women working at the plant constituted over 30 percent of the workforce".(The Department of the Interior 23)

Five million women entered the workforce between 1940-1945. The gap in the labor force created by departing soldiers meant opportunities for women. In particular, World War II led many women to take jobs in defense plants and factories around the country. These jobs provided new opportunities to move into occupations previously thought of as exclusive to men, especially the aircraft industry, where a majority of workers were women by 1943. The defense industry was not the only field that women succeeded to engage in, actually many worked in other fields such as factory or office jobs that had been held by men. Although women often earned more money than ever before, it was still far less than men received for doing the same jobs. Nevertheless, many achieved a degree of financial self-reliance that was enticing.

Women's contributions in war production work, armed forces, and at the home were also crucial for victory. During the war, large numbers of patriotic American women responded to their nation's call for help by volunteering for military service. The WACs (Women's Army Corps) enlisted 140,000 women, while 100,000 served in the Navy's WAVES (Women Accepted for Volunteer Emergency Service) and 39,000 in the Marine Corps and Coast Guard (MCCG). Another 75,000 women served in the Army and Navy's Nursing Corp, 2,000 women also served as pilots in the Women's Auxiliary Ferrying Squadron (WAFS), and the Women Air Service Pilots (WASPs).

The female labor force grew by 6.5 million in 1944, 37% percent of all adult women were employed, contributing with a 35.4% percent of the civilian labor force, and by 1945 a 36.1% percent making a number of 19,170,000 women at peak of the war, making a total of 50% of the labor force between 1940 and 1945. From 1940 to 1944, the percentage of women workers employed in factories increased from 20% to 30% percent, as a result the percentage of women workers employed as domestic servants declined from 17.7% to 9.5% percent, yet women's greatest success was to enter defense industries as it was restricted for them; it grew by 462% percent from 1940 to 1944. (Metropolitan State University of Denver)

Year	Total labor force (*1000)	of which Male (*1000)	of which Female (*1000)	Female share of total (%)
1940	56,100	41,940	14,160	25.2
1941	57,720	43,070	14,650	25.4
1942	60,330	44,200	16,120	26.7
1943	64,780	45,950	18,830	29.1
1944	66,320	46,930	19,390	37.2
1945	66,210	46,910	19,304	36.1
1946	60,520	43,690	16,840	27.8

Table1: the development of the United States labor force by sex during the war years
https://en.wikipedia.org/wiki/United_States_home_front_during_World_War_II

The table shows the development of the United States labor force by sex during the Second World War years, the development of percentage of women's participation from the overall labor force.

II.5 the Expansion of U.S Military Forces

The America army had the biggest share in employment more than any other sector, the size of the U.S. military exploded in World War II, as army numbers alone soared from only 174,000 in1939 to over 11 million by 1941. The Regular Army was supplemented by the National Guard, which had just 200,000 men. An Organized Reserve, which existed for the purpose of supporting mobilization, contained a pool of over 100,000 trained officers, mainly graduates of the Reserve Officers' Training Corps. President Franklin Delano Roosevelt planed worst case scenario, and started strengthening the army forces in numbers of personnel, and developing its equipments under a declaration of a limited national emergency on 8 September,1939 raising the strength of the Regular Army to 227,000. Then, with the growing war in Europe, the US Government approved the Selective Service Act in September 1940. This authorized the Army's strength to be increased to 1.4 million men 500,000 Regulars, 270,000 Guardsmen, and 630,000 Selectees.

> America's men, and 350,000 of women, responded to their nation's call to arms. Many American men were drafted in accordance with the Selective Service Act of 1940. The first draft numbers were selected on October 29, 1940, and 1.2 million men were inducted. Still, a year later, fewer than 2 million people were serving on active duty. (U.S. Department of the Interior 57)

In January 1940, 4 months after the outbreak of the Second World War, President Roosevelt in his budget message to the Congress asked for a modest defense supplemental appropriation for fiscal year 1940 and a like increase in defense spending in fiscal year 1941 In 1940, defense expenditures were more than $1 billion, about 14 percent of the budget. In his January 1941 budget message, Roosevelt asked for $25 billion in defense expenditures, 62 percent of the budget, reflecting a world at war. In his January 1942 budget message, President Roosevelt asked for $53 billion for defense, 90 percent of the budget, reflecting a nation at war in a world at war.

Year	Total labor force (*1000)	Armed forces (*1000)	Unemployed (*1000)	Unemployment rate (%)
1939	55,588	370	9,480	17.2
1940	56,180	540	8,120	14.6
1941	57,530	1,620	5,560	9.9
1942	60,380	3,970	2,660	4.7
1943	64,560	9,020	1,070	1.9
1944	66,040	11,410	670	1.2
1945	65,290	11,430	1,040	1.9
1946	60,970	3,450	2,270	3.9

Table 2: The development of the United States labor force, the armed forces and unemployment during the war years

https://en.wikipedia.org/wiki/United_States_home_front_during_World_War_II

In the table above shows an overview of the development of the United States labor force, the armed forces and unemployment during the war years, and the decreasing unemployment rates due to the army enrolment.

II.6 the End of the World War

1945 represents the final throes of the Second World War. In Europe at the end of 1944, the battle of Bulge which is an incredibly bloody battle, the US forces took the lead of the Allies forces and lost roughly 20000 troops, but by January, 1945 they were able to break through and invade Germany, after this the Allies were on their march through Western Germany. On the east the Soviets were marching westward and by the end of January they were able to take Warsaw and from there continued marching westward toward Berlin. The Allies leaders met at Yalta in February 1945 to discuss their future steps and to determine the faith of Europe after the war. They continued to fire bomb major cities of Germany such as Hamburg and Dresden;" the climax of this terror bombing was the bombing of Dresden in early 1945, in which the tremendous heat generated by the bombs created a vacuum into which fire leaped swiftly in a great firestorm through the city. More than 100,000 died in Dresden.*"*(Zinn, 394).

In April the Allies occupied major chunks of Germany, they were able to push Axis Forces outside Italy. On April 27th, 1945, Benito Mussolini was captured when he was trying to escape to Switzerland, and was executed the next day and this directly led to the surrender of the Italian Fascist forces. The Soviets were able to capture Berlin and in the same day April 30th the Nazi leader committed suicide with several other major leaders fearing of being captured. On 8th of May 1945, the allies declared victory in Europe. At the Potsdam Conference of July-August 1945, U.S. President Harry S. Truman, the British Prime Minister Winston Churchill and the Soviet Union President Joseph Stalin discussed the on-going war with Japan as well as the peace settlement with Germany. Post-war Germany would be divided into four occupation zones, to be controlled by the Soviet Union, Britain, the United States and France.

The war was still going on in the Pacific; starting the year in January the Allies were able to take the island of Luzon, in particular Manila, then in February, they began the invasion of Iwo Jima which was incredibly a bloody campaign, 70,000 marines invaded the island against 22,000 Japanese troops, 7000 deaths on the American side, and 19,000 was the number of Japanese casualties. The Allies continued bombing major Japanese cities such as Tokyo and the invasion of Okinawa which was a very bloody campaign thousands of soldiers and civilians were killed, however the Japanese did not surrender. In parallel the United States was developing a new weapon that would change the course of the war under the Manhattan Project[21] in which the atomic bomb was created, but it was not clear the extent of damage it can cause. President Harry Truman who took office after the death of Roosevelt in April 1945, gave the order to drop the first atomic bomb on Hiroshima in 6th August, three days August 9 later another bomb was dropped on Nagasaki causing almost 200,000 casualties. By August 14th, Japan declared unconditional surrender; however it became official in September 2nd, 1945 marked the end of the World War II.

World War II proved to be the most devastating international conflict in history, taking the lives of 35 to 60 million people, including 6 million Jews who died at the hands of the Nazis. Millions more were injured, and still more lost their homes and property. The legacy of the war would include the spread of communism from the Soviet Union into Eastern Europe as well as its eventual triumph in China, and the global shift in power from Europe to two rival superpowers–the United States and the Soviet Union, which would soon face off against each other in the Cold War.

[21] Project Manhattan is the code name of the research project that produced the first atomic bomb during the Second World War. It was led by the United States with the participation of the United Kingdom and Canada.

II.7 Economic Supremacy

By the end of the World War, Americans were celebrating not only their victory but also the end of the Great Depression, an economic strength Americans never experienced before which made the United States the leader of the world in politics and economy . Mamta Aggarwal said:

> The Second World War had done no damage to the US economy. In fact, the problems created by the Great Depression had been overcome during the war. The post-war period was one of unprecedented economic prosperity. From 1940 to 1987, the GNP rose from about $ 100 billion to about $ 5,200 billion while the population rose from about 132 million to about 240 million. The affluence of the American people was reflected in the growth of what is usually described as "consumer culture" or "consumerism"

One of the major features that made the United States build a strong economy and dominate the world's economic scene was its massive industrial capacity which started to emerge after declaration of war in 1941, and reached its peak after the World War and its superiority over the rest of the world was clear. In the second half of the 1940s the United States had a productive preponderance over the rest of the world never before attained by any one power, and most unlikely never to be experienced ever again. With only 7 percent of the world's population, it had 42 percent of its income and half its manufacturing capacity. It produced 57.5 percent of the world's steel, 43.5 percent of its electricity, 62 percent of its oil, 8o percent of its automobiles. It owned three quarters of the world's gold. Its per capita income was $1,450; the next group (Canada, Great Britain, New Zealand, Switzerland) was only between $700 and $900. Paul Johnson wrote about the economic prosperity post World War era:" in global terms the dollar was almighty, and the federal government had the disposal of huge sums. In 1939 its income had been $9.4 billion only. By 1945 it had risen to $95.2 billion, partly by raising the national debt, from $56.9 billion in December 1941 to $252.7 billion in December 1945, but partly by massive increases in taxation. Income tax rose steadily and steeply, especially after the tax withholding system from paychecks was introduced in 1943. Nor did it return to pre-war levels after the end of the war. the contrary: rates peaked in the 1950s with a range of 20 to 91 percent on individuals and a 52 percent corporate rate. Actual federal income fell after 1945, dropping to a postwar low of $36.5 billion in 1948, and then rising again until it reached $43.1 billion just before the start of the Korean War. During the 1940s and continuing into the early 1960s, taxation in relation to Gross National Product was higher in the United States than at any other period in the country's history, and this meant that the government had at its disposal the means to bolster, sustain, and reinvigorate the world, and especially Europe, in the face of Soviet encroachments. Truman was the first American statesman to grasp that the United States was physically and financially able to rescue the world not merely in war, but in peace too, and to keep up the effort for the foreseeable future. Truman felt that this burden could be shouldered without prejudice to the country's future because of the speed at which the US economy had grown and continued to grow. GNP (in constant 1939 dollars) had risen from $88.6 billion in 1939 to $135 billion in 1945. The war had enormously benefited the US economy, raising its productive capacity by nearly 50 percent and its actual output of goods to well over 50 percent. The economy had been growing at the rate of 15 percent annually, a rate never reached before, or since, and much of this was civil production to meet the demands of a nation now enjoying full employment and high wages.

The economic prosperity was reflected on the society especially the middle class, who had high living standards provided by the GI Bill[22] which helped the US service members with the opportunity and resources to create better life for themselves and their families, for veterans leaving the army this assistance meant a chance to attend school, facilitated the purchase of homes and helped create new businesses by giving low interest loans. The American government was about to embark on its biggest house building project, houses have been built before but never on this scale, 13 million over the next decade to meet the high demands due to the baby boom. Million acres were used each year of the 1950's for housing plots, it's the birth of new suburbia the next innovation building houses outside the cities called Levittown. For 100$ down payment ordinary Americans could buy a new house in Levittown which allowed them to own their houses, a thing that was not available before, financed by the GI Bill of Rights[3].

After the war factories converted to peacetime industry, and started producing different goods thanks to technology and new innovations which helped to spread a consumer culture. American workers could afford to buy such products as they received high wages. Dr. Mamta Aggarwal explained it:

> The growth of economy was, as in the earlier periods, accompanied by the growing centralisation of the economy. Most of the economy was controlled by a relatively small number of companies and corporations. There was tremendous increase in the

[22]The GI Bill (officially titled Servicemen's Readjustment Act of 1944) is an American law passed in June 1944Providing demobilized World War II soldiers with funding for their university studies or vocational training as well as a year of unemployment insurance. This law also provided different types of loans to buy a home or start a business.

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growth of industries connected with armaments and a huge amount of government funds were spent for procuring defence equipment which benefited a few big corporations. (2016)

To Europeans only just ending rationing the American abundance seemed beyond their reach and the gap was huge, the average American's income was twice high as the British workers and four times as high as the Italians, they could buy a range of goods unknown in Europe. People in the new suburbs depended on the car, in 1955 there was one car to every three Americans while in Britain it was still only one to every ten, cheap fuel kept the boom raising and helped America dominating the world's banking and trading system

II.8 the Marshall Plan

In 1947, the British announced that they no longer could support the pro-western government of the Mediterranean in their fight against communism if the US could not take the burden; the whole region was in danger of falling under communist rule. The Truman administration responded decisively on March 12, 1947 the president went before a joint session of congress to request aid for the countries of Greece and Turkey in the amount of $400,000,000, the administration sent a clear message to the Soviet Union, "I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures the free people of the world look to us for support in maintaining their freedom.[23]" The president's appeal was quickly dubbed The Truman Doctrine, it represented a dramatic change in the US foreign policy, but it merely laid the ground work for what followed; a month later Secretary of State George C. Marshall travelled to Europe he witnessed the physical ruin, social disintegration and economic collapse left by the war. Marshall warned that under these conditions European would turn to

[23] http://avalon.law.yale.edu/20th_century/trudoc.asp

communism as an alternative to starvation and death, two months later Marshall proposed a program of massive economic assistance the Marshall Plan; "our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos it purpose should be the revival of a working economy in the world.*"*[24] Europeans reaction was quick and positive as the British Foreign Secretary Ernest Bevin hailed it as a life line to sinking men. " From 1948 to 1952, the US had provided about $ 12 billion to the countries of Western Europe under the European Recovery Plan" (Mamta Aggarwal). American aid was on its way to Europe, food was distributed, machinery and technical support spurred new production homes and businesses were rebuilt. Marshall Plan aid provided nets for Flemish fishermen, money to rebuild Italian automotive factories, construction equipment for France and call to fuel Danish industry. Marshall Plan was an overwhelming success at launching Western Europe on the road to recovery and beat back the threat of communism in the region and established the United States as the world's dominant economic super power.

Conclusion

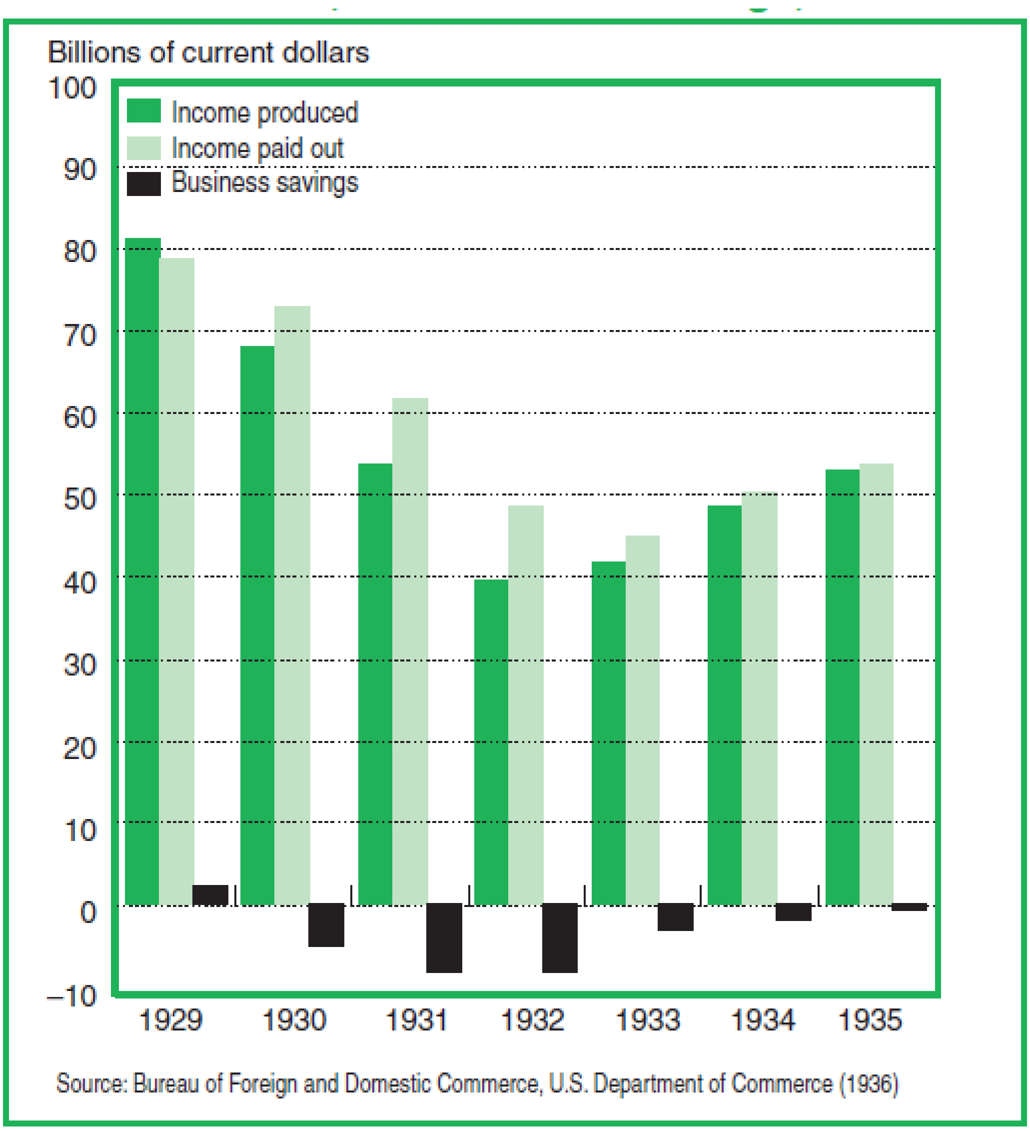
Before the Second World War the United States was facing major economic problems that could led the country to ruin and bankruptcy, however after the Pearl Harbor attacks the nation was obliged to be a part of a war most of Americans did not want, yet it soon proved to be more beneficial for the country. The United States government started mobilizing its economy to face new challenges and stand up for the eminent danger of the Axis. The mobilization boosted the American economy and finally in a decade the U.S economy was starting to recover from long lasting effects of the Great Depression that affected the country. The American intervention in the war changed the power balance from the Axis to the Allies, by the end of the war America emerged as the dominant economic and military power of the world.

[24] http://www.oecd.org/general/themarshallplanspeechatharvarduniversity5june1947.htm

III – Chapter Three : Study Findings

Introduction

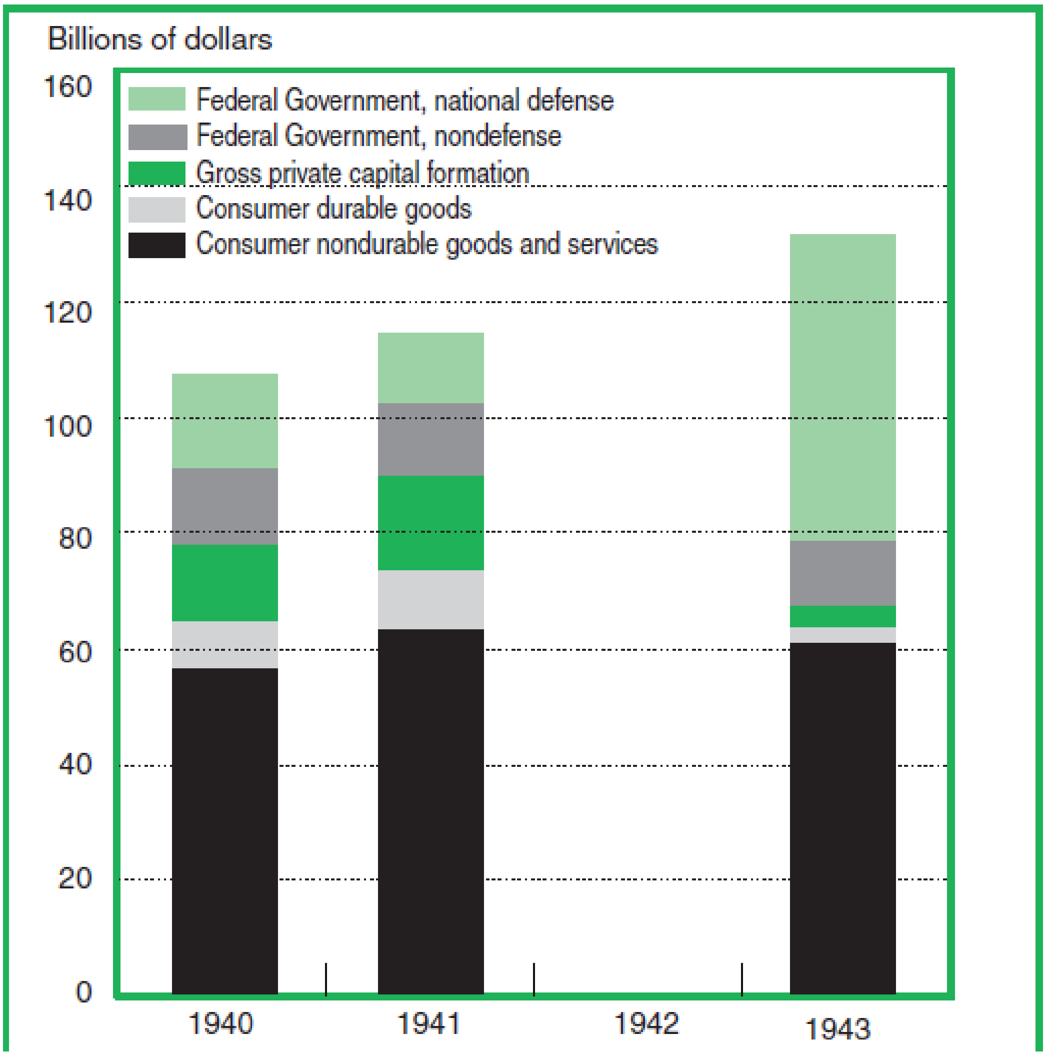
This chapter is a summary to the period from the Great Depression crisis 1929, to the post Second World War economic supremacy of the United States of America in a form of statistical study. The provided charts and tables formulated by experts and economists showing the deep effects of the Great Depression on the economy which lasted till the American involvement in the World War, when the country geared its economy and the prosperity that followed mobilising the economy, to the economic supremacy and dominance of the United States over world's economy, all this is clarified in numbers and statistics.



Graph 1: U.S National Income Produced, National Income Paid Out, and Business Savings, 1929-35

(History Article P35)

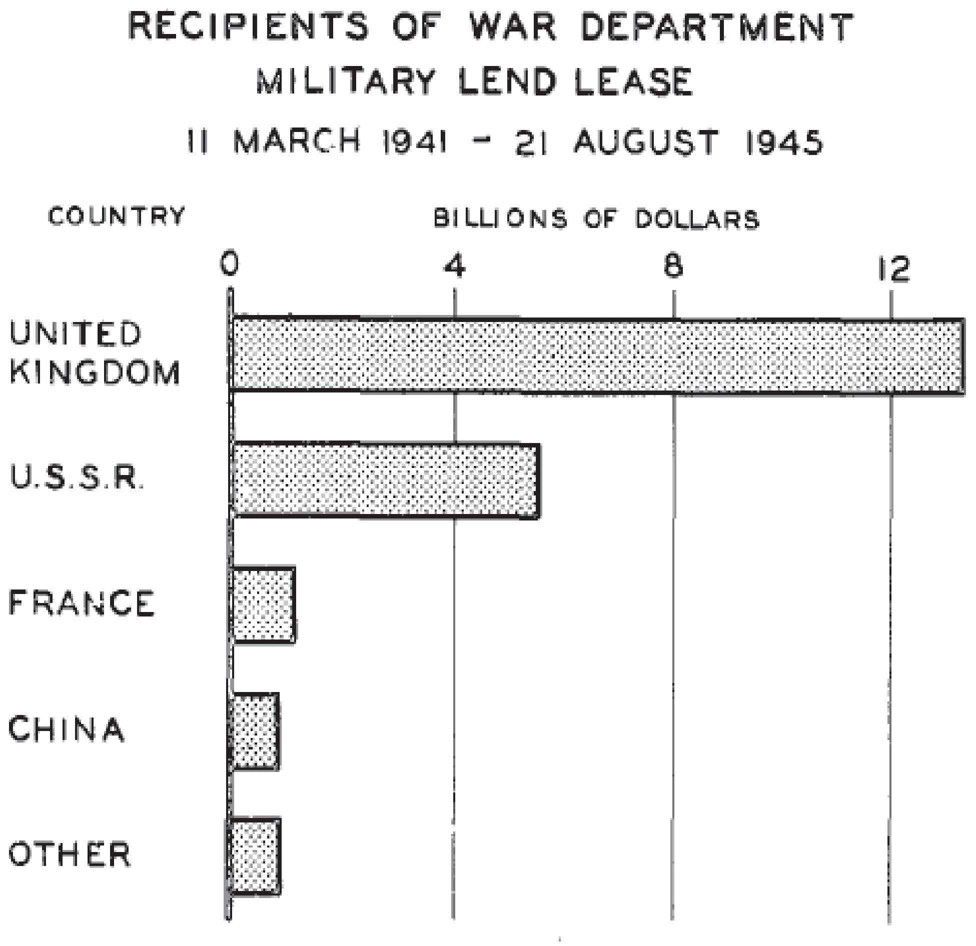
The chart shows how the Great Depression affected the national income which decreased over this period, and its levels went down under the income paid out creating a deficit in budget having a huge effect on business savings which were in constant decrease each year and this reduction reached its peak between 1930 to 1935.



Graph 2: Gross National Product, 1940 and 1941 Compared with War Program Objectives for 1943

NOTE. The 1943 estimate for national defense is the Roosevelt Administration's objective for the war program. The other 1943 estimates show the disposition of resources required to meet that war program. The 1943 estimates are measured in 1941 prices and are fiscal-year estimates. The 1940 and 1941 estimates are calendar-year estimates. Source: March 1942 SURVEY OF CURRENT BUSINESS (History Article P39).

The chart indicates an increase on several levels starting from the year 1941 which marked the American involvement into the World War II till the year 1943. Federal Government spending on national defense kept rising which was embodied in the government plan for war program by the Roosevelt's Administration.



Graph 3: The Lend Lease Aid Program, 1941-1945

(Statistical Review p46)

The Lend Lease Program provided a military aid for the Allies, the United Kingdom benefited from over 12 billion dollars in order to hold back the Nazi forces, in addition to provide food and other non-military supplies, to compensate the deficit created by the huge military spending of the British. The USSR, France, China and other countries benefited from the American program in the period from 1941 to 1945.

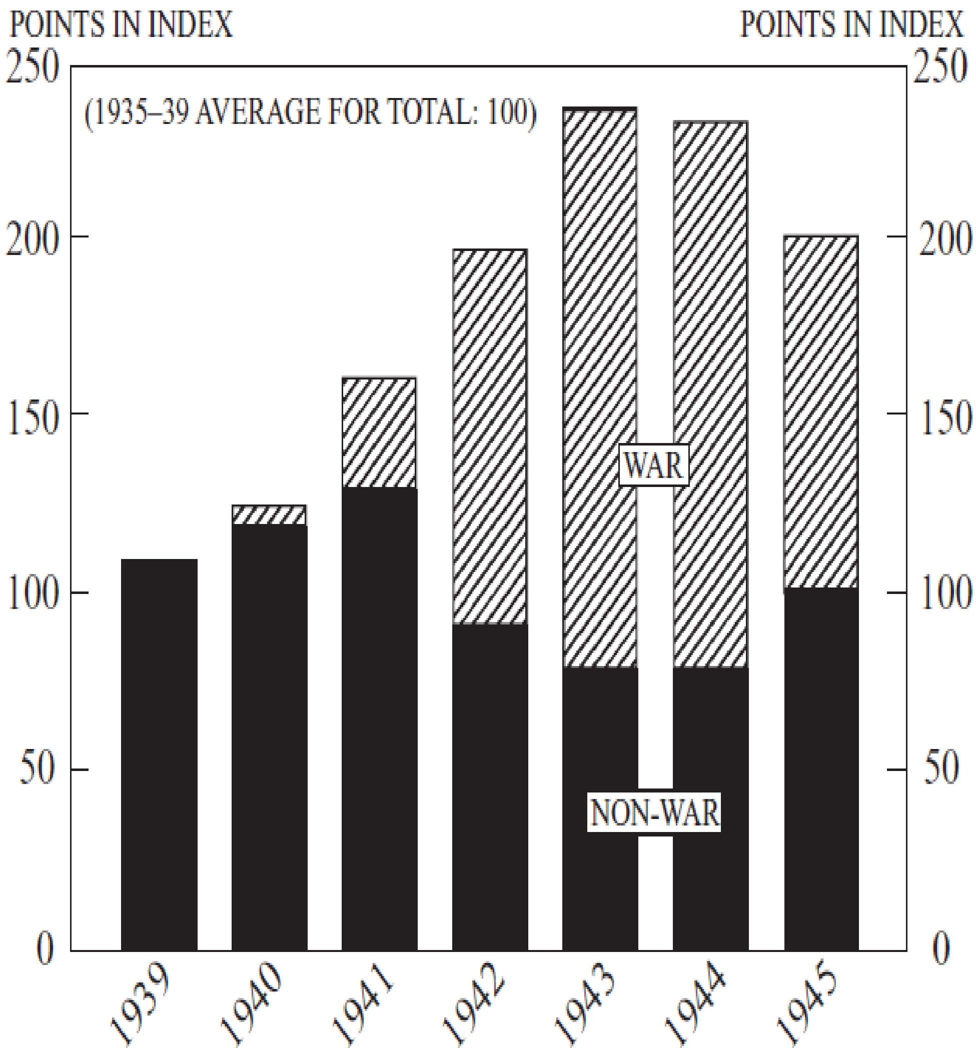
LEND-LEASE ITEMS IN EXCESS OF $100,000,000

Item	Number	Value (Millions)	* Principal Recipient
Tank, medium, M4A4 (for 75mm gun)	7,436	$ 512	UK
Tank, medium, M4A2 (for 75mm gun)	7,414	481	UK
Truck, 2½ ton, 6x6, cargo, wo/w, Studebaker	101,479	256	USSR
Truck, 2½ ton, 6x4, cargo, w/w and wo/w	91,286	256	USSR
Truck, 1½ ton, 4x2, cargo	106,188	199	USSR
Truck, ¼ ton, 4x4, command	181,925	191	UK
Tank, medium, M4 and M4A1 (for 75mm gun)	3,105	179	UK
Locomotive, steam, CB, 60" Gauge, 105T, 2-10-0	1,761	152	USSR
Tank, medium, M3 series	4,373	142	UK
Tank, light, M3, Gas	3,166	134	UK
Tank, medium, M4A2 (for 76mm gun)	2,115	123	USSR
Shell, QF, AP, 2-Pounder, Mk IV and VI	2,529,000	114	UK
Truck, 10 ton, 6x4, GSLC	12,125	114	UK
Truck, 1½ ton, 4x4, cargo, wo/w	57,686	109	USSR
Carrier, Universal, T16	19,469	109	UK
Tank, light, M3A3, Gas	3,345	106	UK

Table 3: Number and Value of Lend Lease Supplies

(Statistical Review p47)

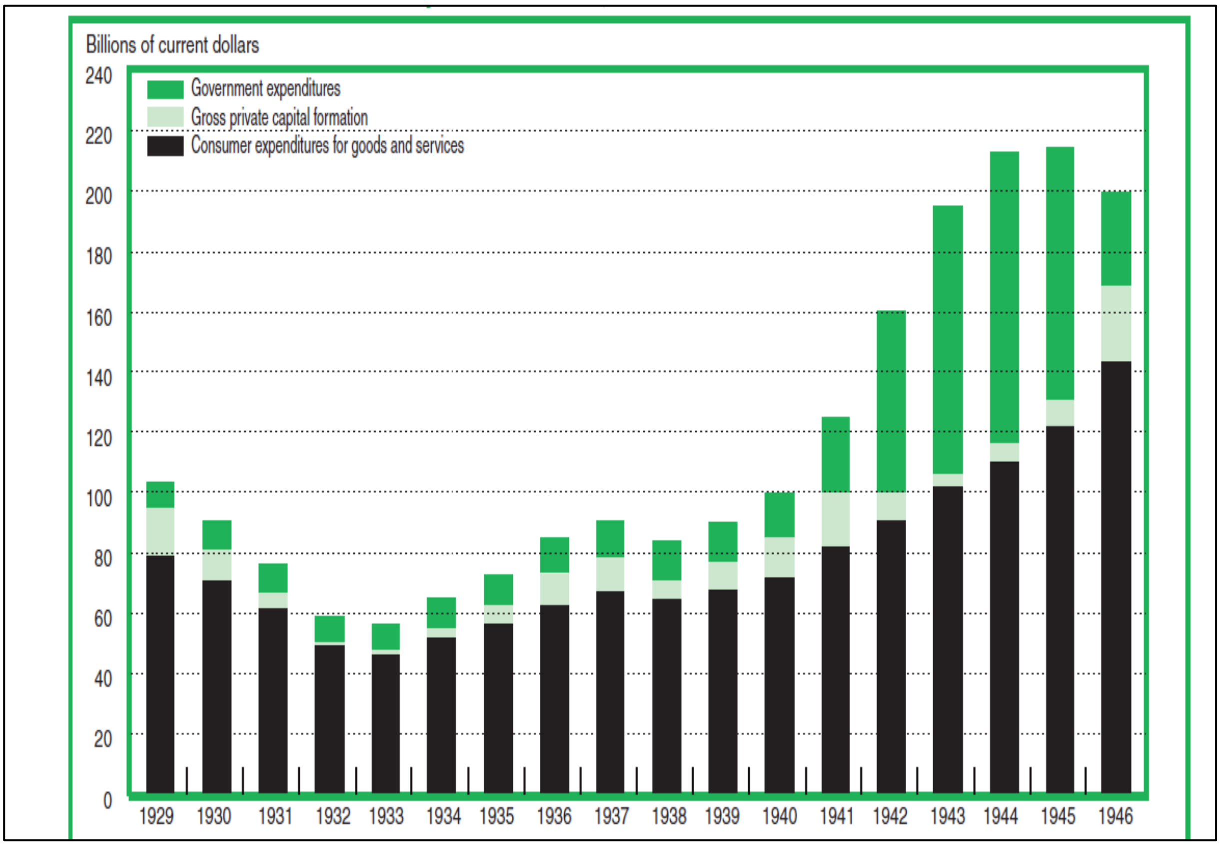
The United States provided it Allies with several equipment and supplies under the Lend Lease program, the United Kingdom and the Soviet Union were on top of the list of recipient collecting almost 20 billion dollars from the Americans. The United States provided a large number of tanks, trucks, and ammunition.



Graph 4: The production rates of war and non-war products

(Field,_The_Impact_of_the_Second_World_War_on_U.S._Productivity_Growth P9)

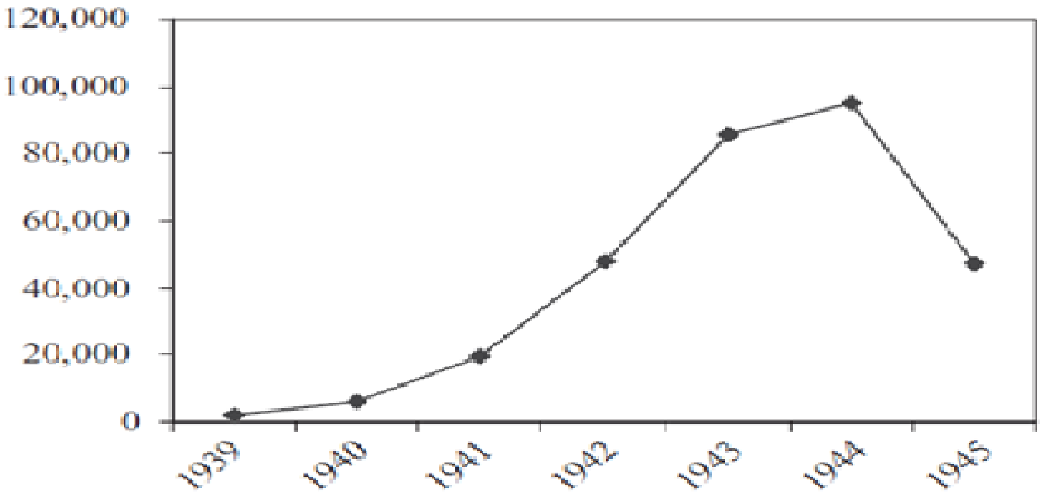
The result obtained from this graph shows that points in index had different form while in 1930's decade was only the non-war period. The the beginning of 1940's the points in index of war started rising till it reaches its pick during1943 and 1944.



Graph 5: Gross National Product by Use of Product, 1929-1946

(History Article P41)

It is clear from the graph that billions of current dollars differentiate and it started from 1929 to 1946 as it is clarified in this graph. In the first years in this chart from 1929 to 1940 were including the government expenditures and the gross private capital formation with majority of consumer expenditures for goods and services; they were wavering till the beginning of 1940 that witnessed huge increase specially in both government expenditures and consumer expenditures for goods and services.



Graph 6: U.S. Productivity Growth, 1939-1945

(Field,_The_Impact_of_the_Second_World_War_on_U.S._Productivity_Growth P8)

This graph shows the development of the U.S productivity from 1939 to 1945. The production started to rise from the beginning of the war in1939 to cover the Allies needs; however, in 1941-1944 the U.S doubled the production level because it entered to the war.

	1939	1940	1941	1942	1943	1944	1945	Total
USA								
No. of months	..	..	1	12	12	12	8	45
Thousands								
Rifles, carbines	..	..	38	1542	5683	3489	1578	12330
Machine pistols	..	..	42	651	686	348	207	1933
Machine guns	..	..	20	662	830	799	303	2614
Guns	..	..	3	188	221	103	34	549[a]
Mortars	..	..	0.4	11.0	25.8	24.8	40.1	102.1
Tanks and SPG	..	..	0.9	27.0	38.5	20.5	12.6	99.5
Combat aircraft	..	..	1.4	24.9	54.1	74.1	37.5	192.0
Units								
Major naval vessels	..	..	544	1854	2654	2247	1513	8812

Table 4: War production of the United States, 1939 to August 1945

(WW II Overview 1998 p30)

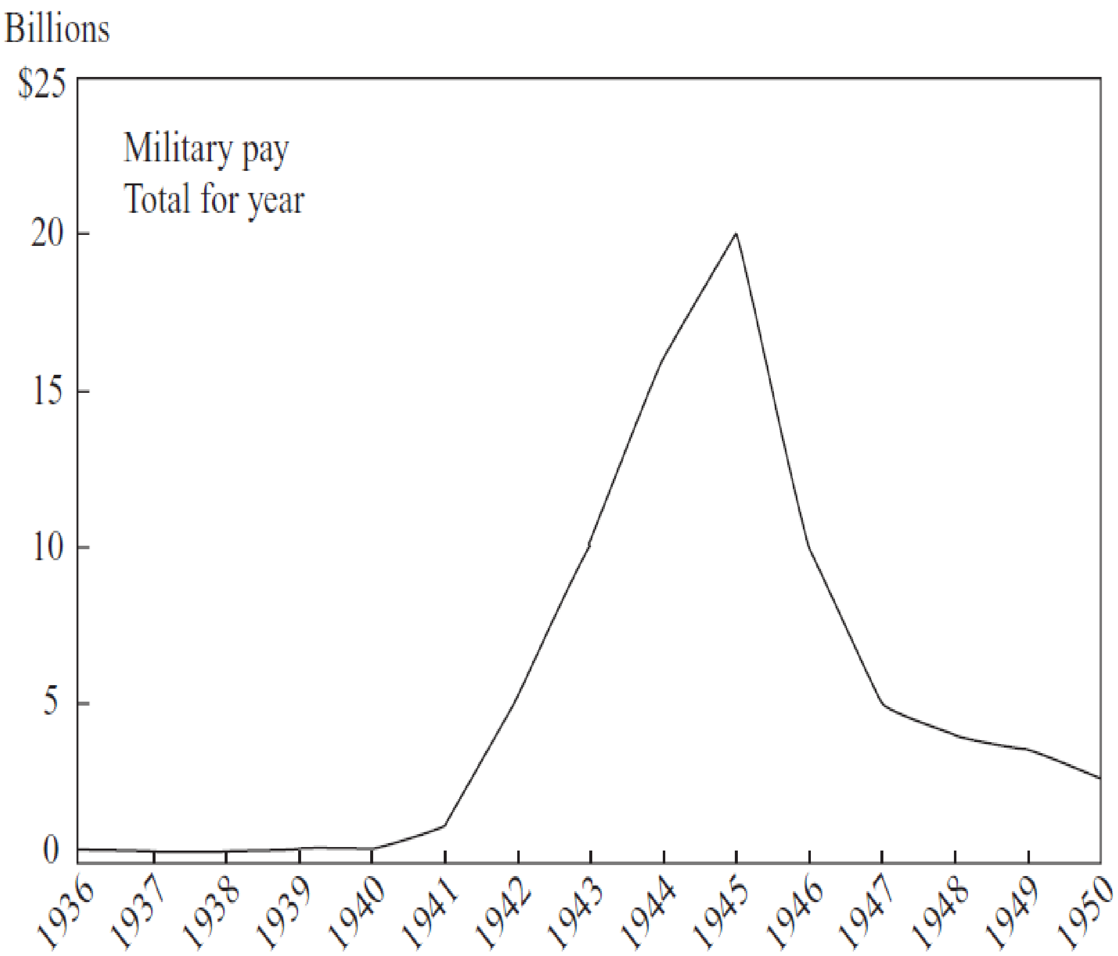
The United States of America involvement in the war induced war production reaching new high levels, in order to meet the growing demands of its own forces and those of the Allies. These productivity growth rates which were achieved by mobilising the economy helped to increase national income.

	1	2	3	4	5
	Price index	*Army and navy*		*All national defence*	
	National defence	*Nominal*	*Real*	*Nominal*	*Real*
1940	100.0	1.8	1.8	2.5	2.5
1941	106.7	6.3	5.9	14.3	13.4
1942	104.4	22.9	21.9	51.1	48.9
1943	105.5	63.4	60.1	84.2	79.8
1944	103.8	76.0	73.2	94.5	91.0
1945	104.5	80.5	77.0	82.0	78.5
Total		250.9	240.0	328.6	314.2

Table 5: US military spending, nominal and real,1940–1945 (billion dollars)

(Field,_The_Impact_of_the_Second_World_War_on_U.S._Productivity_Growth P6)

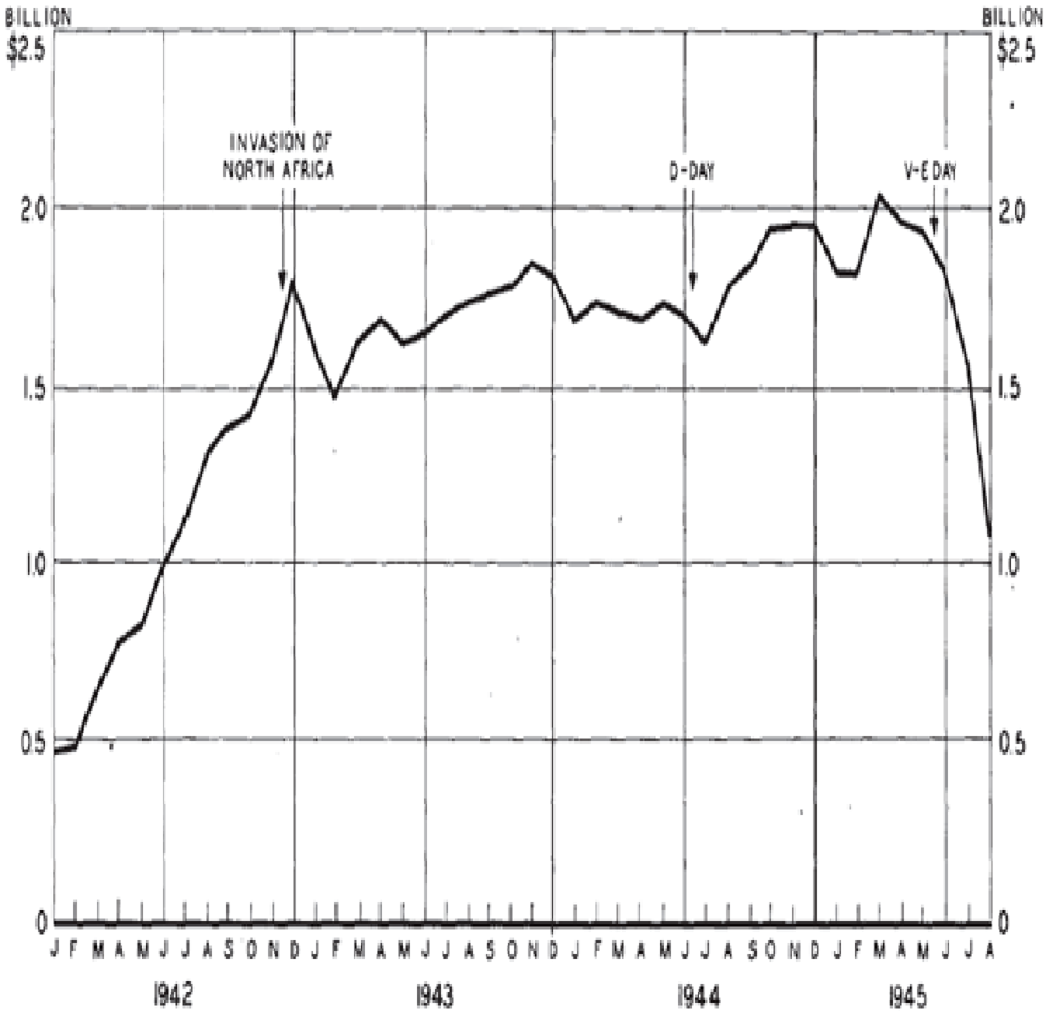
It is clear from the table the increase of the army and national defence during the war years from 1940 to 1945. There is a balance between the nominal and the real in the U.S military spending in both Army and all national defence.



Graph 7: Military personnel and pay, 1936-50

(Field,_The_Impact_of_the_Second_World_War_on_U.S._Productivity_Growth P7)

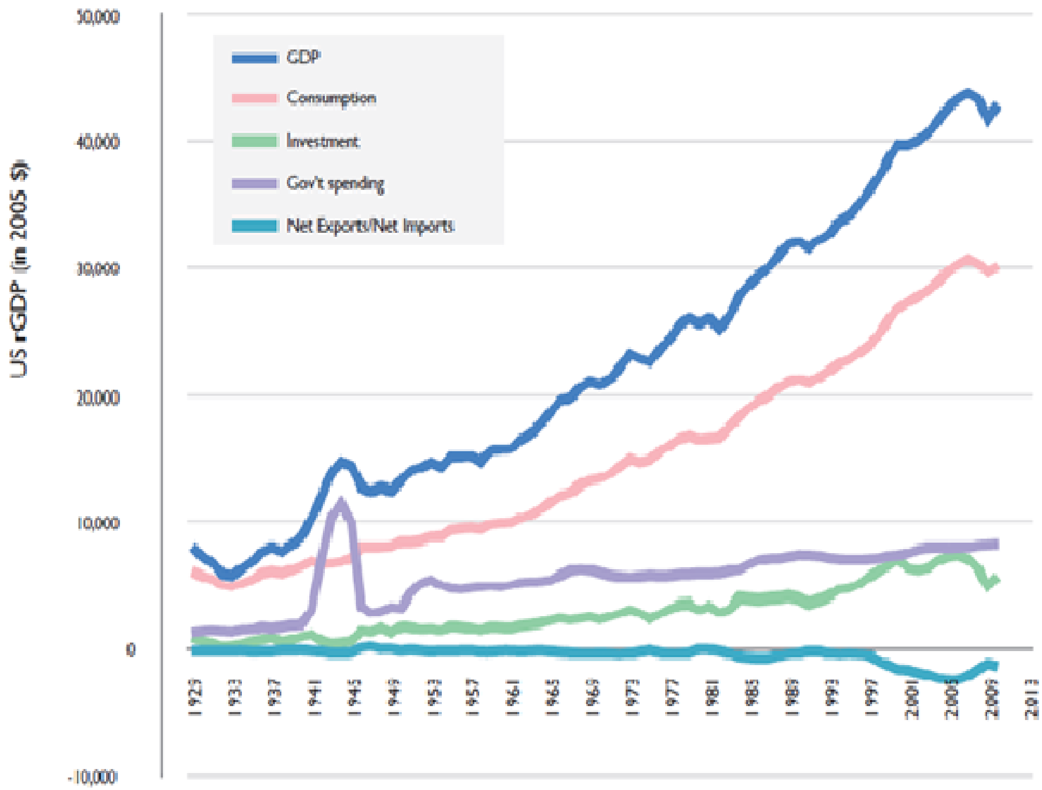
This graph shows the rise of military pay starting from the date of the involvement in the war 1941 and reached its pick by the end of the war 1945 then started decrease till 1950. Military pay was in low levels during the Great Depression years from 1936 to 1940.



Graph 8: Army Service Forces Procurement Deliveries in War Period

(Statistical Review p8).

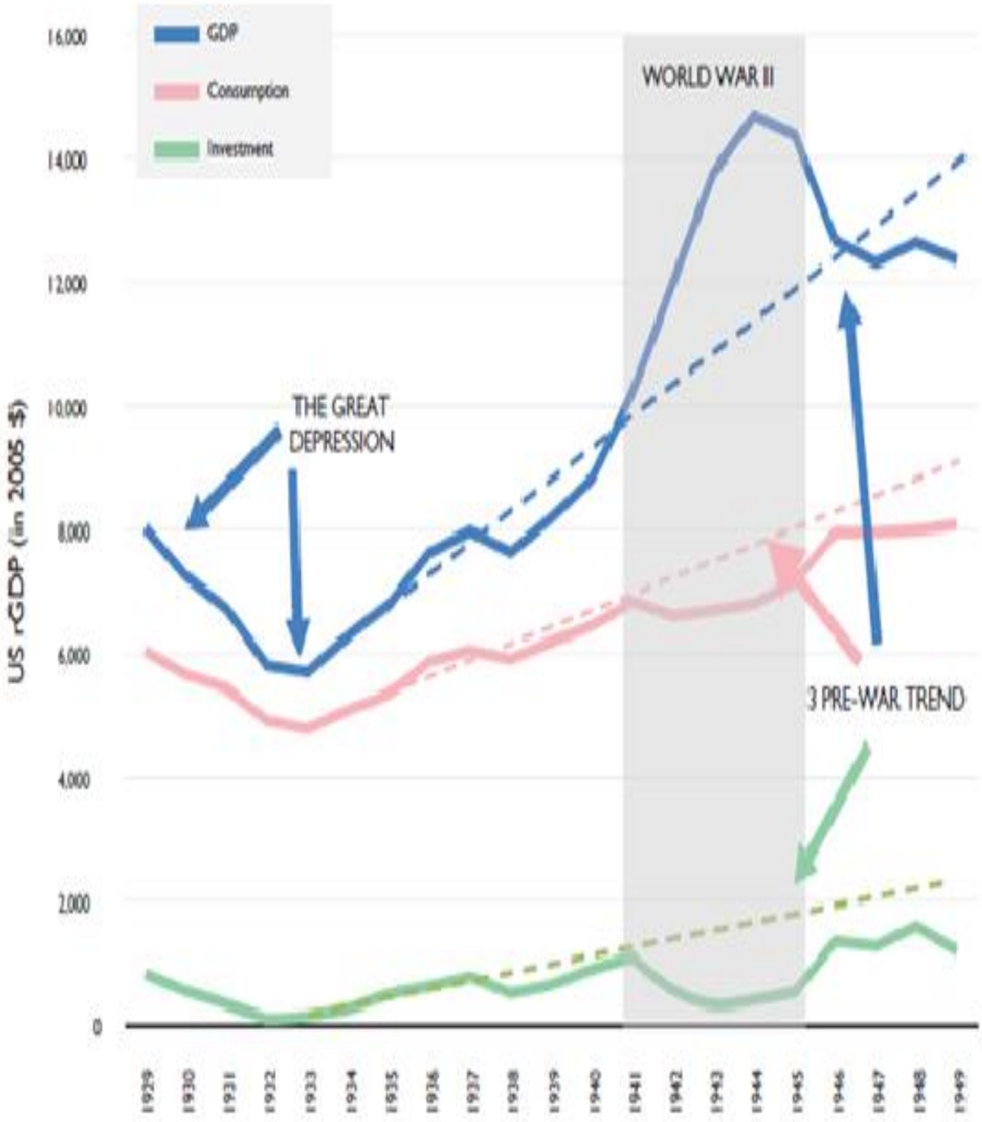
The American government increased its defense budget and spent billions on military forces as it took part in the World War II. The U.S.A recruited millions of American citizens as soldiers to fight on two fronts, in Europe against Germany and Italy; and in Asia against Japan. This military mobilization needed a lots of funds and huge spending, the government used 42% of the national budget to finance its armies making it the largest military budget in the war.



Graph 9: History of U.S. Growth

(Economic Consequences of war of US economy P7).

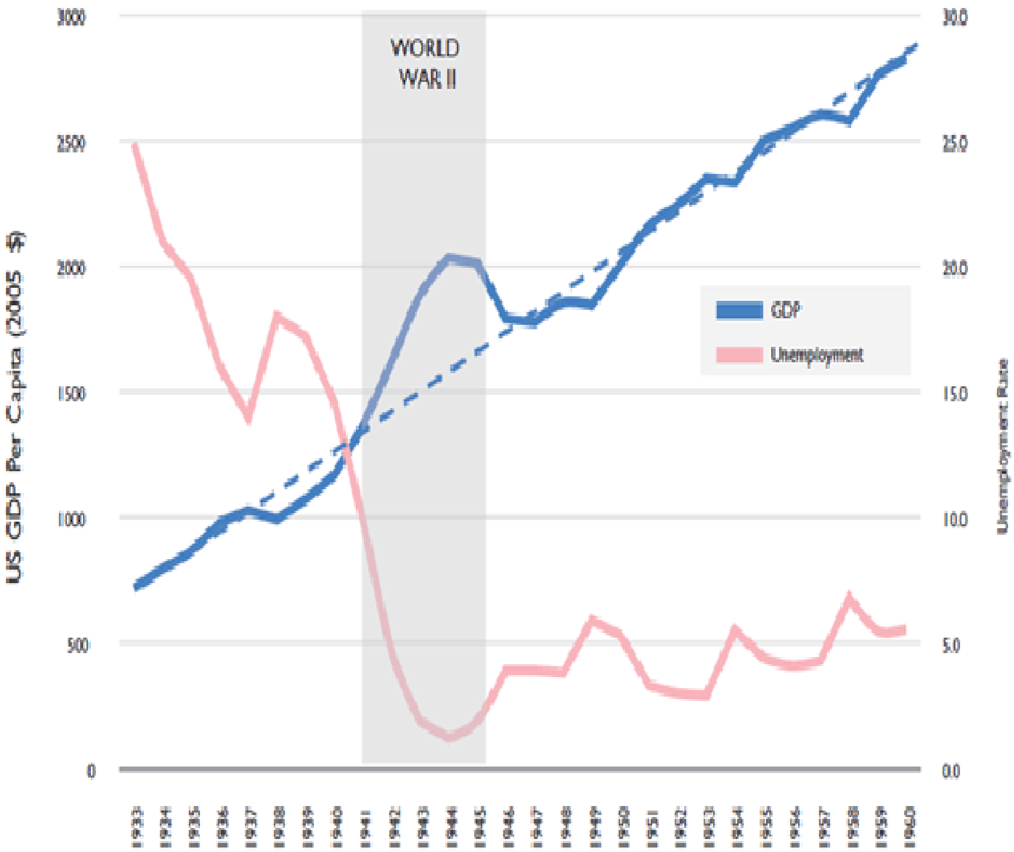
Using data from the Bureau of Economic Analysis, figure one shows the composition of U.S. GDP in consumption, investment, government spending and net exports and imports in per-capita terms. It can be seen the war years of 1941 to 1945 saw one of the most significant short term increases in economic growth in the history of the U.S. economy. The top line in blue is GDP, and the increase around World War II is very visible. This was driven by government spending denominated in purple.



Graph 10: Consumption and Investment were well off trend after the war years

(Economic Consequences of war of US economy P8).

This Graph shows an increase in GDP immediately after the American involvement in the World War, which had an influence on the consumption levels causing an increase which could have get higher if the government did not adopt of rationing and price control.



Graph 11: The war growth bubble and the GDP growth during World War II

(Economic Consequences of War on the U.S. Economy P8)

The massive war production resulted in an increase of GDP level and created millions of job opportunities which severely reduced the unemployment rates.

	1938	1939	1940	1941	1942	1943	1944	1945
Allied powers								
USA	800	869	943	1094	1235	1399	1499	1474
UK	284	287	316	344	353	361	346	331
France	186	199	82	..	..	..	..	101
Italy	..	..	..	..	..	..	117	92
USSR	359	366	417	359	274	305	362	343
Allied total	1629	1721	1757	1798	1862	2064	2325	2342
Axis powers								
Germany	351	384	387	412	417	426	437	310
France	..	..	82	130	116	110	93	..
Austria	24	27	27	29	27	28	29	12
Italy	141	151	147	144	145	137	..	..
Japan	169	184	192	196	197	194	189	144
Axis total	686	747	835	911	903	895	748	466
Allies-to-Axis								
Overall	2.4	2.3	2.1	2.0	2.1	2.3	3.1	5.0
USSR to Germany	1.0	1.0	1.1	0.9	0.7	0.7	0.8	1.1

Table 6: Wartime GDP levels of the great powers, 1939-45

(World War Overview 1998 P27.)

The table shows the difference in GDP levels between the Allies and the Axis which gave them an economic superiority, and the U.S. presided the war fighting countries due to its industrial capacity.

Year	Unemployment Rate (December)	GDP Growth	Inflation (December Year-over-Year)	What Happened
1929	3.2%	NA	0.6%	Market crash
1930	8.7%	-8.5%	-6.4%	Smoot-Hawley
1931	15.9%	-6.4%	-9.3%	Dust Bowl
1932	23.6%	-12.9%	-10.3%	Hoover's tax hikes
1933	24.9%	-1.3%	0.8%	FDR's New Deal
1934	21.7%	10.8%	1.5%	Depression eased thanks to New Deal.
1935	20.1%	8.9%	3.0%	
1936	16.9%	12.9%	1.4%	
1937	14.3%	5.1%	2.9%	Spending cuts
1938	19.0%	-3.3%	-2.8%	FLSA starts min wage
1939	17.2%	8.0%	0%	Drought ended
1940	14.6%	8.8%	0.7%	U.S. draft
1941	9.9%	17.7%	9.9%	Pearl Harbor
1942	4.7%	18.9%	9.0%	Defense tripled
1943	1.9%	17.0%	3.0%	Germany surrendered
1944	1.2%	8.0%	2.3%	Bretton Woods
1945	1.9%	-1.0%	2.2%	War ends. Min wage $.40
1946	3.9%	-11.6%	18.1%	Employment Act
1947	3.9%	-1.1%	8.8%	Marshall Plan
1948	4%	4.1%	3.0%	Truman reelected
1949	6.6%	-0.5%	-2.1%	Fair Deal. NATO
1950	4.3%	8.7%	5.9%	Korean War. Min wage $.75
1951	3.1%	8.1%	6.0%	Expansion

Year	Unemployment Rate (December)	GDP Growth	Inflation (December Year-over-Year)	What Happened
1952	2.7%	4.1%	0.8%	Expansion
1953	4.5%	4.7%	0.7%	Korean War ended
1954	5%	-0.6%	-0.7%	Dow returned to 1929 level
1955	4.2%	7.1%	0.4%	Unemployment fell
1956	4.2%	2.1%	3.0%	Min wage $1.00
1957	5.2%	2.1%	2.9%	Recession
1958	6.2%	-0.7%	1.8%	
1959	5.3%	6.9%	1.7%	Expansion.

Table 7: U.S. Unemployment Rate by Year Compared to GDP Growth, Inflation and Major Events

https://www.thebalance.com/unemployment-rate-by-year-3305506

The result obtained from the table 7 represents the unemployment rate by year compared to GDP growth, inflation and major events. The years from 1929 to 1933 the result of unemployment rate was rising till the years of the depression. From the date of 1933, the rate of unemployment fell into 1.2 percent and that in 1944 before the end of war. After that the next years were wavering and there is no a high rate of unemployment.

Conclusion

The history of the Great Depression in the United States has been overwhelmingly in relation with the sources of the deficiencies in total demand responsible for more than a decade of high rates of unemployment over the 12 year period 1929–1941. These statistics in the chapter shows the transformation of the American economy from the crisis to macroeconomic history of the golden age 1945–1973, the quarter century following the end of demobilization. The emphasis has been on an American economic supremacy in the world which gained a position of dominance not realized before, or in quite the same way.

The United States of America, from its origins as a set of obscure colonies hugging the Atlantic coast to world's leading economic power, has undergone a remarkable transformation in a matter of only 200 years. The American economy suffered from many economic crises, but the most severe and devastating is the Great Depression, which lasted for twelve years (1929-1941). The prosperity of the Roaring Twenties did not last for long, an economic crisis, however, was near and threatening the nation as the stock market crashed in October 1929 leaving the Americans shocked and panicked from the horrific situation. Unemployment rates kept rising to reach record numbers as many factories and employers closed their doors in consequence most of unemployed workers lost their houses due to foreclosure leaving them homeless. Poverty became common and most could not afford food. Therefore, the government provided free soup and bread which became called later 'bread lines'. Consecutive governments tried hard to find a solution to the crumbling economy, President Herbert Hoover (1929-1933) was desperate to rebuild the economy and solve the country's social problems; poverty and unemployment, yet he failed epically and that would cost him the election of 1933 to Franklin Delano Roosevelt who initiated the New Deal program which was successful to some extent, but it did not end the economic recession. The American government adopted an isolationist doctrine; however, the Pearl Harbor attacks obliged the nation to come out of its isolation and be a part in the World War II. The government started mobilizing its economy to prepare for a voracious war, huge spending during the war ended unemployment and rebuilt confidence, consumption and investment declined during the period due to structural changes that were needed for the market economy to focus on the war effort.

The production grew and therefore the Gross National Product and the Gross Domestic Product increased leading the country to better living standards mainly the Middle class. Hence , The military spending grew each year due war demands as the Americans provided supplies for the Allies too, which gave them the upper hand over the Axis, and by 1945 Germany was defeated and divided and the Japanese Empire surrendered after the Americans dropped the atomic bomb on Hiroshima and Nagasaki. By the end of the Second World War, a new economic and political order started emerging, now Europe would no longer be the world's leader; the United States and the Soviet Union dominated the scene instead.

To conclude, the Great Depression was a major economic crisis that almost endangered the nation's future, yet the involvement in the World War II was a direct reason to avoid bankruptcy and rebuild a strong economy that would later in the second half of the twentieth century dominate the world economy and marked the beginning of a new era of American supremacy.

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