

Post-WWII Economy

THE IMPACT OF THE GI BILL To help ease veterans' return to civilian life, Congress passed the Servicemen's Readjustment Act, or the **GI Bill of Rights**, in 1944. In addition to encouraging veterans to get an education by paying part of their tuition, the GI Bill guaranteed them a year's worth of unemployment benefits while job hunting. It also offered low-interest, federally guaranteed loans. Millions of young families used these benefits to buy homes and farms or to establish businesses.

HOUSING CRISIS In 1945 and 1946, returning veterans faced a severe housing shortage. Many families lived in cramped apartments or moved in with relatives. In response to this housing crisis, developers like William Levitt and Henry Kaiser used efficient, assembly-line methods to mass-produce houses. Levitt, who bragged that his company could build a house in 16 minutes, offered homes in small residential communities surrounding cities, called **suburbs**, for less than \$7,000.

Levitt's first postwar development—rows of standardized homes built on treeless lots—was located on New York's Long Island and named Levittown. These homes looked exactly alike, and certain zoning laws ensured that they would stay the same. Despite their rigid conformity, Americans loved the openness and small-town feel to the planned suburbs. With the help of the GI Bill, many veterans and their families moved in and cultivated a new lifestyle.

REDEFINING THE FAMILY Tension created by changes in men's and women's roles after the war contributed to a rising divorce rate. Traditionally, men were the breadwinners and heads of households, while women were expected to stay home and care for the family. During the war, however, about 8 million women, 75 percent of whom were married, entered the paid work force. These women supported their families and made important household decisions. Many were reluctant to give up their newfound independence when their husbands returned. By 1950, more than a million war marriages had ended in divorce.

ECONOMIC READJUSTMENT After World War II, the United States converted from a wartime to a peacetime economy. The U.S. government immediately canceled war contracts totaling \$35 billion. Within ten days of Japan's surrender, more than a million defense workers were laid off. Unemployment increased as veterans joined laid-off defense workers in the search for jobs. At the peak of postwar unemployment, in March 1946, nearly 3 million people were seeking work.

Rising unemployment was not the nation's only postwar economic problem, however. During the war, the Office of Price Administration (OPA) had halted inflation by imposing maximum prices on goods. When these controls ended on June 30, 1946, prices skyrocketed. In the next two weeks, the cost of consumer products soared 25 percent, double the increase of the previous three years. In some cities, consumers stood in long lines, hoping to buy scarce items, such as sugar, coffee, and beans. Prices continued to rise for the next two years until the supply of goods caught up with the demand.

While prices spiraled upward, many American workers also earned less than they had earned during the war. To halt runaway inflation and to help the nation convert to a peacetime economy, Congress eventually reestablished controls similar to the wartime controls on prices, wages, and rents. (A)



▲ The suburbs were a mass phenomenon, even on moving day.

Background

See *unemployment rate* on page R47 in the *Economics Handbook*.

MAIN IDEA

Identifying Problems

(A) What problems did Americans face after World War II?

MAIN IDEA

Evaluating Leadership

E What were some of Truman's achievements as president?

THE FAIR DEAL After his victory, Truman continued proposing an ambitious economic program. Truman's **Fair Deal**, an extension of Roosevelt's New Deal, included proposals for a nationwide system of compulsory health insurance and a crop-subsidy system to provide a steady income for farmers. In Congress, some Northern Democrats joined Dixiecrats and Republicans in defeating both measures.

In other instances, however, Truman's ideas prevailed. Congress raised the hourly minimum wage from 40 cents to 75 cents, extended Social Security coverage to about 10 million more people, and initiated flood control and irrigation projects. Congress also provided financial support for cities to clear out slums and build 810,000 housing units for low-income families. **E**

Republicans Take the Middle Road

Despite these social and economic victories, Truman's approval rating sank to an all-time low of 23 percent in 1951. The stalemate in the Korean War and the rising tide of McCarthyism, which cast doubt on the loyalty of some federal employees, became overwhelming issues. Truman decided not to run for reelection. The Democrats nominated the intellectual and articulate governor Adlai Stevenson of Illinois to run against the Republican candidate, General Dwight D. Eisenhower, known popularly as "Ike."

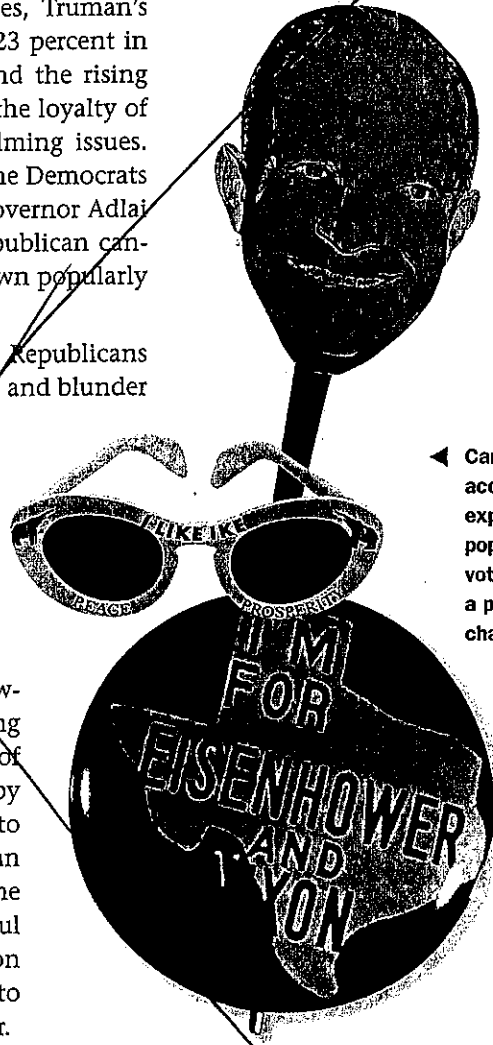
I LIKE IKE! During the campaign, the Republicans accused the Democrats of "plunder at home and blunder abroad." To fan the anti-Communist hysteria that was sweeping over the country, Republicans raised the specter of the rise of communism in China and Eastern Europe. They also criticized the growing power of the federal government and the alleged bribery and corruption among Truman's political allies.

Eisenhower's campaign hit a snag, however, when newspapers accused his running mate, California Senator Richard M. Nixon, of profiting from a secret slush fund set up by wealthy supporters. Nixon decided to reply to the charges. In an emotional speech to an audience of 58 million, now known as the "Checkers speech," he exhibited masterful use of a new medium—television. Nixon denied any wrongdoing, but he did admit to accepting one gift from a political supporter.

A PERSONAL VOICE RICHARD M. NIXON

"You know what it was? It was a little cocker spaniel dog in a crate, that he'd [the political supporter] sent all the way from Texas. Black and white spotted. And our little girl—Tricia, the six-year-old—named it Checkers. And you know the kids, like all kids, love the dog and I just want to say this right now, that regardless of what they say about it, we're going to keep it."

—"Checkers speech," September 23, 1952



◀ Campaign accessories expressed Ike's popularity and voters' desire for a positive political change.

Vocabulary

slush fund: a fund often designated for corrupt practices, such as bribery

REMARKABLE RECOVERY Most economists who had forecast a postwar depression were proved wrong because they had failed to consider consumers' pent-up accumulation of needs and wants. People had gone without many goods for so long that by the late 1940s, with more than \$135 billion in savings from defense work, service pay, and investments in war bonds, Americans suddenly had money to spend. They snatched up everything from automobiles to houses. After a brief period of postwar economic readjustment, the American economy boomed. The demand for goods and services outstripped the supply and increased

production, which created new jobs. Judging from the graphs (shown left), many Americans prospered in the 1950s in what the economist John Kenneth Galbraith called "the affluent society."

The Cold War also contributed to economic growth. Concern over Soviet expansion kept American defense spending high and people employed. Foreign-aid programs, such as the Marshall Plan, provided another boost to the American economy. By helping nations in Western Europe recover from the war, the United States helped itself by creating strong foreign markets for its exports. **B**

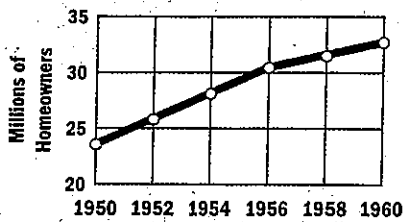
MAIN IDEA

Analyzing Causes

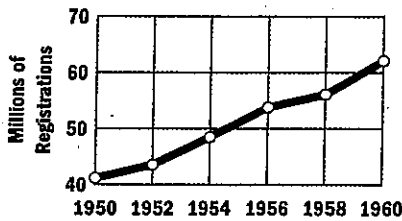
B What factors contributed to the American postwar economic boom?

A Dynamic Economy

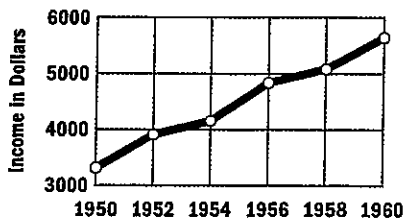
Home Ownership



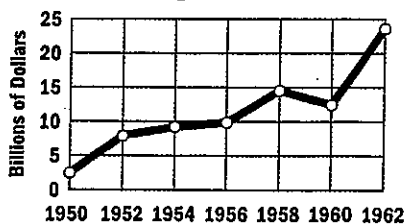
Automobile Registrations



Median Family Income



Savings Accounts



Source: Historical Statistics of the United States, Colonial Times to 1970

Meeting Economic Challenges

Despite an impressive recovery, Americans faced a number of economic problems. Their lives had been in turmoil throughout the war, and a desire for stability made the country more conservative.

PRESIDENT TRUMAN'S INHERITANCE When **Harry S. Truman** suddenly became president after Franklin D. Roosevelt's death in 1945, he asked Roosevelt's widow, Eleanor, whether there was anything he could do for her. She replied, "Is there anything we can do for you? For you are the one in trouble now." In many ways, President Truman was in trouble.

A PERSONAL VOICE HARRY S. TRUMAN

"I don't know whether you fellows ever had a load of hay fall on you, but when they told me yesterday what had happened [Roosevelt's death], I felt like the moon, the stars, and all the planets had fallen on me."

—excerpt from a speech, April 13, 1945

Despite his lack of preparation for the job, Truman was widely viewed as honorable, down-to-earth, and self-confident. Most important of all, he had the ability to make difficult decisions and to accept full responsibility for their consequences. As the plaque on his White House desk read, "The Buck Stops Here." Truman faced two huge challenges: dealing with the rising threat of communism, as discussed in Chapter 18, and restoring the American economy to a strong footing after the war's end.

SKILLBUILDER

Interpreting Graphs

1. From 1950 to 1960, by what percentage did each of the economic indicators shown above increase?
2. Which years show the biggest increases for each of the graphs above?

The American Dream in the Fifties

MAIN IDEA

During the 1950s, the economy boomed, and many Americans enjoyed material comfort.

WHY IT MATTERS NOW

The “American dream,” a notion that was largely shaped by the 1950s, is still pursued today.

Terms & Names

- conglomerate
- franchise
- baby boom
- Dr. Jonas Salk
- consumerism
- planned obsolescence

One American's Story

Settled into her brand new house near San Diego, California, Carol Freeman felt very fortunate. Her husband Mark had his own law practice, and when their first baby was born, she became a full-time homemaker. She was living the American dream, yet Carol felt dissatisfied—as if there were “something wrong” with her because she was not happy.

A PERSONAL VOICE CAROL FREEMAN

“As dissatisfied as I was, and as restless, I remember so well this feeling [we] had at the time that the world was going to be your oyster. You were going to make money, your kids were going to go to good schools, everything was possible if you just did what you were supposed to do. The future was rosy. There was a tremendous feeling of optimism. . . . Much as I say it was hateful, it was also hopeful. It was an innocent time.”

—quoted in *The Fifties: A Women's Oral History*

After World War II ended, Americans turned their attention to their families and jobs. The economy prospered. New technologies and business ideas created fresh opportunities for many, and by the end of the decade Americans were enjoying the highest standard of living in the world. The American dream of a happy and successful life seemed within the reach of many people.

The Organization and the Organization Man

During the 1950s, businesses expanded rapidly. By 1956, the majority of Americans no longer held blue-collar, or industrial, jobs. Instead, more people worked in higher-paid, white-collar positions—clerical, managerial, or professional occupations. Unlike blue-collar workers, who manufactured goods for sale, white-collar workers tended to perform services in fields like sales, advertising, insurance, and communications.



▲ The dream woman of the 1950s was depicted in advertising and on TV as doing constant housework, but always with a smile.

CONGLOMERATES Many white-collar workers performed their services in large corporations or government agencies. Some of these corporations continued expanding by forming **conglomerates**. (A conglomerate is a major corporation that includes a number of smaller companies in unrelated industries.) For example,

one conglomerate, International Telephone and Telegraph (ITT), whose original business was communications, bought car-rental companies, insurance companies, and hotel and motel chains. Through this diversification, or investment in various areas of the economy, ITT tried to protect itself from declines in individual industries. Other huge parent companies included American Telephone and Telegraph, Xerox, and General Electric.

FRANCHISES In addition to diversifying, another strategy for business expansion—franchising—developed at this time. A **franchise** is a company that offers similar products or services in many locations. (*Franchise* is also used to refer to the right, sold to an individual, to do business using the parent company's name and the system that the parent company developed.)

Fast-food restaurants developed some of the first and most successful franchises. McDonald's, for example, had its start when the McDonald brothers developed unusually efficient service, based on assembly-line methods, at their small drive-in restaurant in San Bernardino, California. They simplified the menu, featured 15-cent hamburgers, and mechanized their kitchen.

Salesman Ray Kroc paid the McDonalds \$2.7 million for the franchise rights to their hamburger drive-in. In April 1955, he opened his first McDonald's in Des Plaines, Illinois, where he further improved the assembly-line process and introduced the golden arches that are now familiar all over the world.

MAIN IDEA

Comparing

How were conglomerates and franchises alike and how were they different?

NOW THEN

FRANCHISES

In the decades since Ray Kroc opened his first McDonald's (shown below), franchising has become all but a way of life in the United States. Today, there are nearly 3,000 franchised companies operating over 500,000 businesses throughout the country. Officials estimate that franchises account for nearly one-third of all U.S. retail sales. American franchises today provide a wide array of goods and services, from car maintenance, to tax services, to hair care.

In an attempt to tap into the international market, hundreds of U.S. companies have established overseas franchises. The franchise with perhaps the greatest global reach is the one that started it all. In addition to its more than 10,000 U.S. franchises, McDonald's now operates over 14,000 franchises in dozens of countries around the world.

A PERSONAL VOICE RAY KROC

"It requires a certain kind of mind to see the beauty in a hamburger bun. Yet is it any more unusual to find grace in the texture and softly curved silhouette of a bun than to reflect lovingly on the . . . arrangements and textures and colors in a butterfly's wings? . . . Not if you view the bun as an essential material in the art of serving a great many meals fast."

—quoted in *The Fifties*

SOCIAL CONFORMITY While franchises like McDonald's helped standardize what people ate, some American workers found themselves becoming standardized as well. Employees who were well paid and held secure jobs in thriving companies sometimes paid a price for economic advancement: a loss of their individuality. In general, businesses did not want creative thinkers, rebels, or anyone who would rock the corporate boat.



Consumerism Unbound

By the mid-1950s, nearly 60 percent of Americans were members of the middle class, about twice as many as before World War II. They wanted, and had the money to buy, increasing numbers of products. **Consumerism**, buying material goods, came to be equated with success.

NEW PRODUCTS One new product after another appeared in the marketplace, as various industries responded to consumer demand. *Newsweek* magazine reported in 1956 that “hundreds of brand-new goods have become commonplace overnight.” Consumers purchased electric household appliances—such as washing machines, dryers, blenders, freezers, and dishwashers—in record numbers.

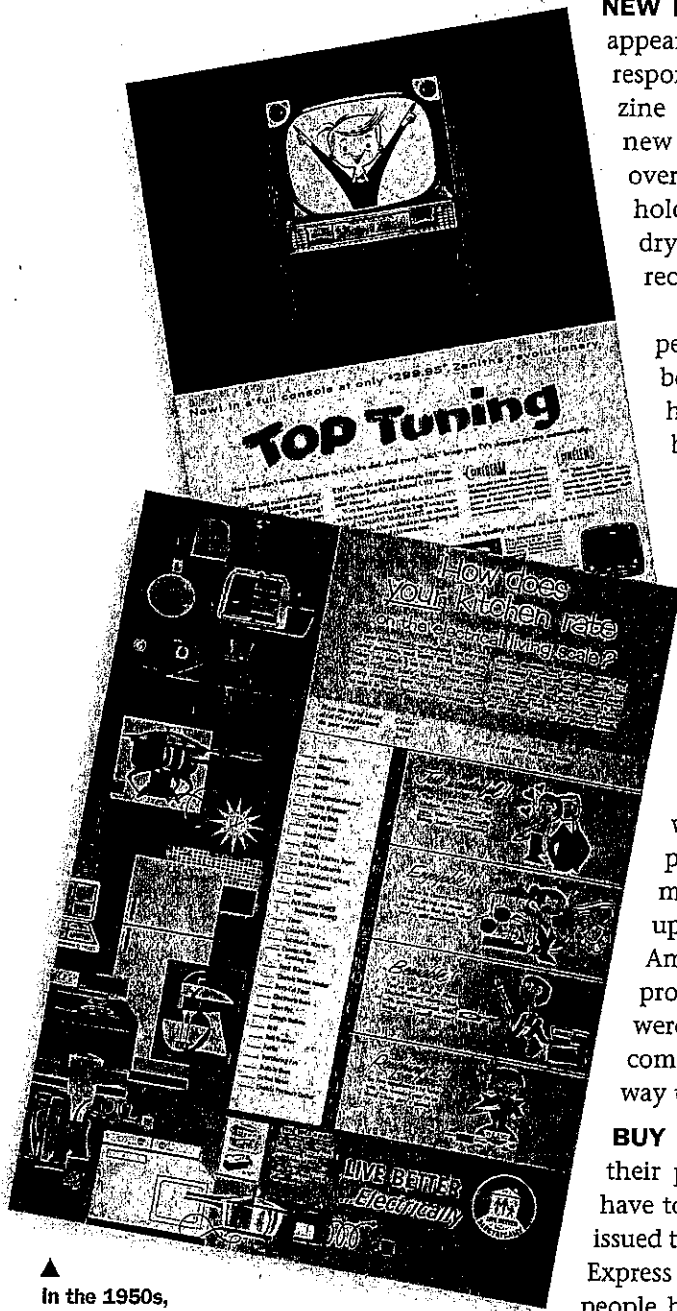
With more and more leisure time to fill, people invested in recreational items. They bought televisions, tape recorders, and the new hi-fi (high-fidelity) record players. They bought casual clothing to suit their suburban lifestyles and power lawn mowers, barbecue grills, swimming pools, and lawn decorations for their suburban homes.

PLANNED OBSOLESCENCE In addition to creating new products, manufacturers began using a marketing strategy called **planned obsolescence**. In order to encourage consumers to purchase more goods, manufacturers purposely designed products to become obsolete—that is, to wear out or become outdated—in a short period of time. Carmakers brought out new models every year, urging consumers to stay up-to-date. Because of planned obsolescence, Americans came to expect new and better products; and they began to discard items that were sometimes barely used. Some observers commented that American culture was on its way to becoming a “throwaway society.”

BUY NOW, PAY LATER Many consumers made their purchases on credit and therefore did not have to pay for them right away. The Diner’s Club issued the first credit card in 1950, and the American Express card was introduced in 1958. In addition, people bought large items on the installment plan and made regular payments over a fixed time. Home

mortgages (loans for buying a house) and automobile loans worked the same way. During the decade, the total private debt grew from \$73 billion to \$179 billion. Instead of saving money, Americans were spending it, confident that prosperity would continue.

THE ADVERTISING AGE The advertising industry capitalized on this runaway consumerism by encouraging even more spending. Ads were everywhere—in newspapers and magazines, on radio and television, and on billboards along the



▲ In the 1950s, advertisers made “keeping up with the Joneses” a way of life for consumers.

MAIN IDEA

Analyzing Causes

⊙ How did manufacturers influence Americans to become a “throwaway society”?

highways—prompting people to buy goods that ranged from cars to cereals to cigarettes. Advertisers spent about \$6 billion in 1950; by 1955, the figure was up to \$9 billion. Since most Americans had satisfied their basic needs, advertisers tried to convince them to buy things they really didn't need.

A PERSONAL VOICE VANCE PACKARD

“On May 18, 1956, *The New York Times* printed a remarkable interview with a young man named Gerald Stahl, executive vice-president of the Package Designers Council. He stated: ‘Psychiatrists say that people have so much to choose from that they want help—they will like the package that hypnotizes them into picking it.’ He urged food packers to put more hypnosis into their package designing, so that the housewife will stick out her hand for it rather than one of many rivals.

Mr. Stahl has found that it takes the average woman exactly twenty seconds to cover an aisle in a supermarket if she doesn't tarry; so a good package design should hypnotize the woman like a flashlight waved in front of her eyes.”

—*The Hidden Persuaders*

More and more, ad executives and designers turned to psychology to create new strategies for selling. Advertisers appealed to people's desire for status and “belongingness” and strived to associate their products with those values.

Television became a powerful new advertising tool. The first one-minute TV commercial was produced in 1941 at a cost of \$9. In 1960, advertisers spent a total of \$1.6 billion for television ads. By 2001, a 30-second commercial during the Superbowl cost an advertiser \$2.2 million. Television had become not only the medium for mass transmission of cultural values, but a symbol of popular culture itself.

SECTION 2

ASSESSMENT

1. TERMS & NAMES For each term or name, write a sentence explaining its significance.

- conglomerate
- franchise

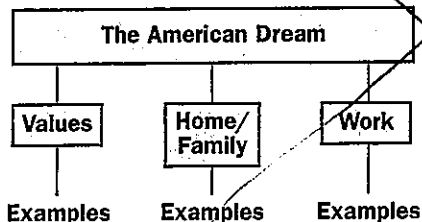
- baby boom
- Dr. Jonas Salk

- consumerism
- planned obsolescence

MAIN IDEA

2. TAKING NOTES

In a graphic organizer like the one below, list examples of specific goals that characterized the American dream for suburbanites in the 1950s.



What do you think the most important goal was?

CRITICAL THINKING

3. ANALYZING EFFECTS

In what ways do you think current environmental consciousness is related to the “throwaway society” of the 1950s? Support your answer.

Think About:

- the purchasing habits of 1950s consumers
- the effects of planned obsolescence
- today's emphasis on recycling

4. EVALUATING

Do you think that the life of a typical suburban homemaker during the 1950s was fulfilling or not? Support your answer.



5. INTERPRETING VISUAL SOURCES

This ad is typical of how the advertising industry portrayed housewives in the 1950s. What message about women is conveyed by this ad?

The Other America

MAIN IDEA

Amidst the prosperity of the 1950s, millions of Americans lived in poverty.

WHY IT MATTERS NOW

America today continues to experience a marked income gap between affluent and nonaffluent people.

Terms & Names

- urban renewal
- bracero
- termination policy

One American's Story

James Baldwin was born in New York City, the eldest of nine children, and grew up in the poverty of the Harlem ghetto. As a novelist, essayist, and playwright, he eloquently portrayed the struggles of African Americans against racial injustice and discrimination. He wrote a letter to his young nephew to mark the 100th anniversary of emancipation, although, in his words, "the country is celebrating one hundred years of freedom one hundred years too soon."

A PERSONAL VOICE JAMES BALDWIN

"[T]hese innocent and well-meaning people, your countrymen, have caused you to be born under conditions not very far removed from those described for us by Charles Dickens in the London of more than a hundred years ago. . . . This innocent country set you down in a ghetto in which, in fact, it intended that you should perish. . . . You were born where you were born and faced the future that you faced because you were black and for no other reason."

—*The Fire Next Time*



▲ James Baldwin

For many Americans, the 1950s were a time of unprecedented prosperity. But not everyone experienced this financial well-being. In the "other" America, about 40 million people lived in poverty, untouched by the economic boom.

The Urban Poor

Despite the portrait painted by popular culture, life in postwar America did not live up to the "American dream." In 1962, nearly one out of every four Americans was living below the poverty level. Many of these poor were elderly people, single women and their children, or members of minority groups, including African Americans, Latinos, and Native Americans.

WHITE FLIGHT In the 1950s, millions of middle-class white Americans left the cities for the suburbs, taking with them precious economic resources and isolating themselves from other races and classes. At the same time, the rural poor migrated to the inner cities. Between the end of World War II and 1960, nearly 5 million African Americans moved from the rural South to urban areas.

The urban crisis prompted by the “white flight” had a direct impact on poor whites and nonwhites. The cities lost not only people and businesses but also the property they owned and income taxes they had paid. City governments could no longer afford to properly maintain or improve schools, public transportation, and police and fire departments—and the urban poor suffered.

THE INNER CITIES While poverty grew rapidly in the decaying inner cities, many suburban Americans remained unaware of it. Some even refused to believe that poverty could exist in the richest, most powerful nation on earth. Each year, the federal government calculates the minimum amount of income needed to survive—the poverty line. In 1959, the poverty line for a family of four was \$2,973. In 2000, it was \$17,601. **A**

MAIN IDEA

Analyzing Effects

A What effect did white flight have on America's cities?

Background

See *poverty* on page R43 in the Economics Handbook.

After living among the nation's poor across America, Michael Harrington published a shocking account that starkly illuminated the issue of poverty. In *The Other America: Poverty in the United States* (1962), he not only confirmed that widespread poverty existed but also exposed its brutal reality.

A PERSONAL VOICE MICHAEL HARRINGTON

“The poor get sick more than anyone else in the society. . . . When they become sick, they are sick longer than any other group in the society. Because they are sick more often and longer than anyone else, they lose wages and work, and find it difficult to hold a steady job. And because of this, they cannot pay for good housing, for a nutritious diet, for doctors.”

—*The Other America*

URBAN RENEWAL Most African Americans, Native Americans, and Latinos in the cities had to live in dirty, crowded slums. One proposed solution to the housing problem in inner cities was **urban renewal**. The National Housing Act of 1949 was passed to provide “a decent home and a suitable living environment for every American family.” This act called for tearing down rundown neighborhoods and constructing low-income housing. Later, the nation's leaders would create a new cabinet position, Housing and Urban Development (HUD), to aid in improving conditions in the inner city.

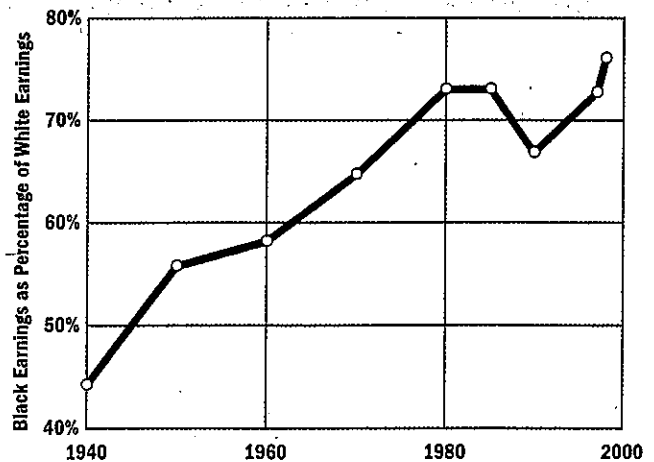
Although dilapidated areas were razed, parking lots, shopping centers, highways, parks, and factories were constructed on some of the cleared land, and there was seldom enough new housing built to accommodate all the displaced people. For example, a *barrio* in Los Angeles was torn down to make way for Dodger Stadium, and poor people who were displaced from their homes simply moved from one ghetto to another. Some critics of urban renewal claimed that it had merely become urban **removal**. **B**

MAIN IDEA

Analyzing Effects

B Why were attempts at urban renewal viewed as less than successful?

Income Gap in America
(Ratio of Black Male Earnings to White Male Earnings*)



*Figures are for year-round, full-time employment.
Source: *The First Measured Century*, Theodore Caplow, 2001

SKILLBUILDER Interpreting Graphs

1. What trend does the graph show from 1940–1980?
2. What factors affecting people's lives might contribute to the income gap?

