

Post WWII Economics

Social Studies 30-1

Consider This...

In 1927, Joseph Stalin predicted the following:

“...there will emerge two centers of world significance: a socialist center, drawing to itself the countries that incline towards socialism, and a capitalist center, drawing to itself the countries that incline towards capitalism. Battle between these two centers for command of the world economy will decide the fate of capitalism and of communism in the entire world.”

—Joseph Stalin

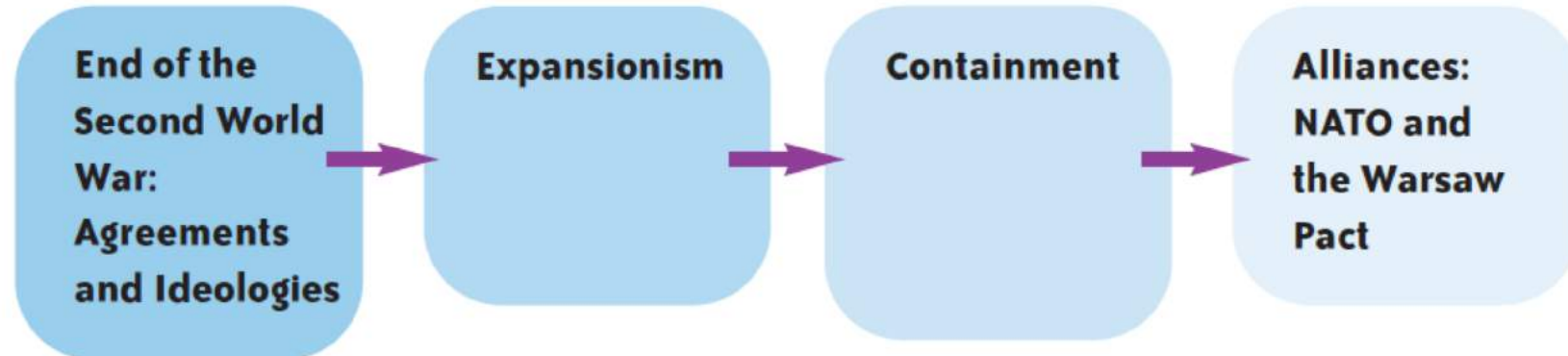
As we begin this section think about Stalin’s prediction and ask yourself to what extent it was correct. Also, think about what other international tensions have developed because of competing ideologies.

Competing Ideologies

Question for Inquiry

1. How can competing ideologies create tension in international relations?

In this section ...



Chapter Issue:

To what extent can ideological conflict influence international relations?

Question for Inquiry #1:

How can competing ideologies create tension in international relations?

Question for Inquiry #2:

In what ways can governments escalate international tensions?

Question for Inquiry #3:

In what ways can international tensions be reduced?

As the Second World War was ending, the Allied leaders of Britain, the United States, and the Soviet Union began to make plans for the future of Europe.

- What would happen to all of the territory that Germany had occupied during the war?
- How would European governments be structured after six years of war?
- What rewards could each Allied country claim as a winner of a world war?

As early as 1943, British prime minister Winston Churchill, American president Franklin Roosevelt, and Soviet leader Joseph Stalin began discussing their own visions of Europe after the defeat of Nazi Germany. Tensions grew among the Allied governments as it became clear that the communist Soviet Union's vision of Europe was significantly different from the models proposed by Britain and the United States. It became clear to each leader that their common goal was the unconditional surrender and demilitarization of Germany; however, ongoing differences could lead to future disagreements when the war was over. The values of the Western Allies (Britain and the United States) were not shared by their Eastern wartime ally (the Soviet Union).

The Yalta Conference

In 1945, the Second World War was in its last stage, and it was clear that the Allied powers would defeat Nazi Germany and Japan. Of all the countries involved in the war, most had lost power, but the United States and the Soviet Union had gained power and became known as the two “superpowers.” Their militaries and their economies were both strong, but the countries were in direct ideological conflict. In the final stages of the war, tensions increased as both countries tried to gain the upper hand in territory and weapons technology.

When the “Big Three” met at the Yalta Conference in the city of Yalta in southern Ukraine in February 1945, they were planning the end of the war and the postwar future of Europe. They were set to “redraw the map” of Europe.

Initially, the atmosphere at Yalta was hopeful. It was clear that the war in Europe was ending, and that the time had come to plan for the future of a region that six years of open warfare had devastated. The sense of a shared victory led many to believe that postwar co-operation among the Big Three was still possible.

The Yalta Conference

By the end of the conference, it was clear to the Western leaders that the tone of negotiations with the Soviet Union would be far different in the postwar era. The agreements made at the Yalta Conference included:

- dividing Germany into four zones of occupation (British, American, French, and Soviet)
- having free elections in the newly liberated countries of Europe, in keeping with “the right of all people to choose the form of government under which they will live.”

To what extent did the hope reflected in the agreements from Yalta represent a feeling that the countries could overcome the ideological differences between the superpowers?

Bretton Woods Conference

Recall from Social Studies 10-1

- As the Second World War dragged on, the democratic Allied countries, led by the United States, became concerned about rebuilding the global economy after the war.
- In 1944, delegates from 44 Allied countries met in the United States at Bretton Woods, New Hampshire, to discuss the postwar economic order. The end result was the signing of the Bretton Woods Agreement.
- This agreement established a system of rules, institutions, and procedures for the postwar global economy. The Bretton Woods Agreement effectively established a new international monetary system—a global network of institutions to promote international trade and the regulation of currency (money) among Western countries.
- **The Bretton Woods Agreement of 1944 was one of the foundations of economic globalization as it created the World Bank, the International Monetary Fund, and a system of international trade for the world's major industrial countries.**



John Maynard Keynes was an honored guest at the summit. As an internationally renowned economist and financial adviser at the British Treasury by this time, his economics policies were going to be implemented and by the rest of the world.

Germany - 1945

The separation of Berlin began in 1945 after the collapse of Germany following WW2. The country was divided into four zones, where each superpower controlled a zone. In 1946, reparation agreements broke down between the Soviet and Western zones. Response of the West was to merge French, British, and American zones in 1947.

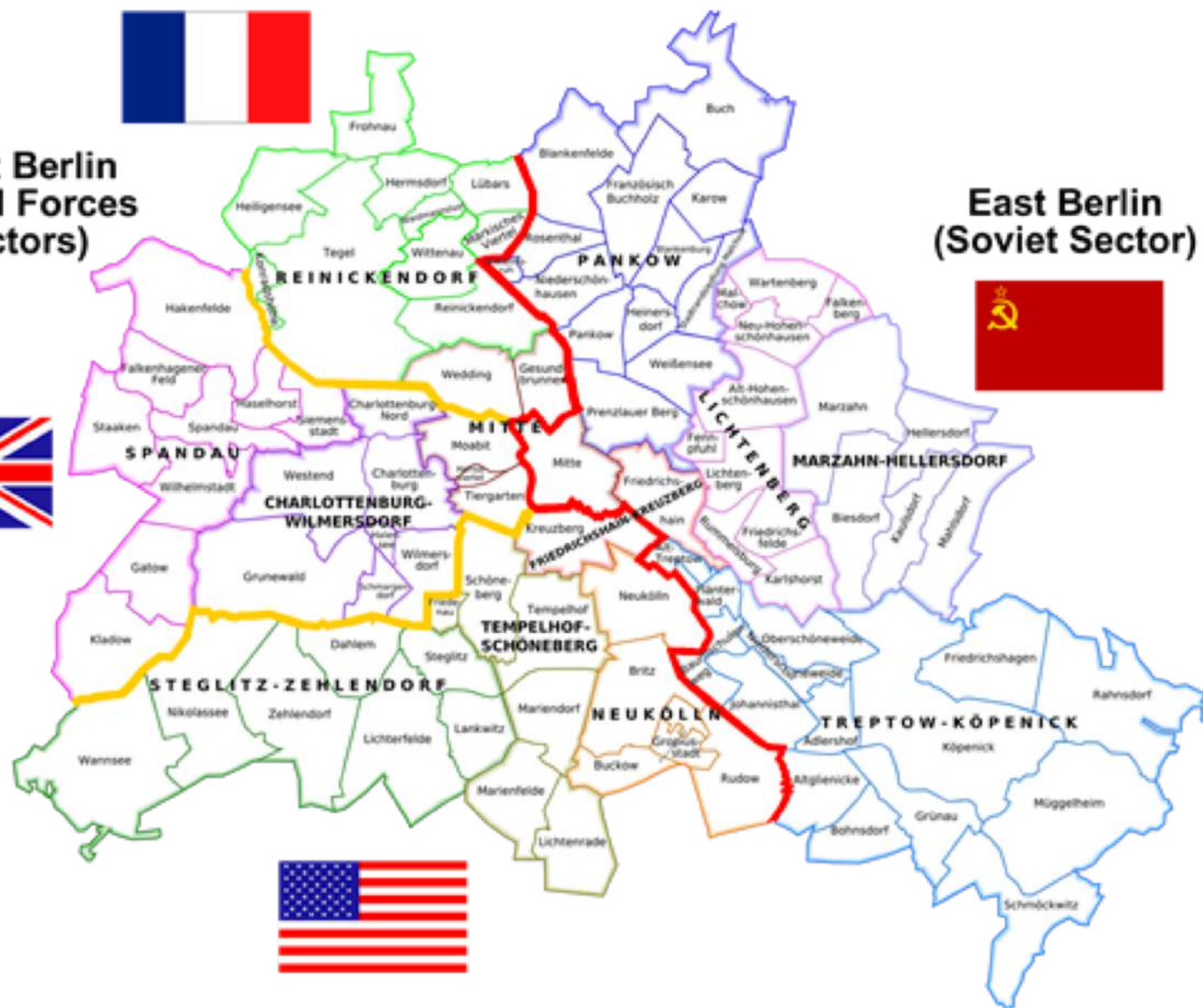
The West wanted to revive the German economy and combine the three western zones into one area. Soviet Union feared this union because it gave the one combined zone more power than its zone. On June 23, 1948, the western powers introduced a new form of currency into the western zones, which caused the Soviet Union to impose the **Berlin Blockade** one day later. **After Germany was divided into two parts, East Germany built the Berlin Wall to prevent its citizens from fleeing to the west.** The wall physically divided the country into eastern communism and western democracy. Many East Germans tried to escape to the west because it was economically prosperous and granted its citizens more freedoms.

The Berlin Wall is the climax to the separation of Berlin. It was built on the night of August 12 with barbed wire entanglements that stretched along the thirty mile line that divided Berlin.

**West Berlin
(Allied Forces
Sectors)**



**East Berlin
(Soviet Sector)**



The Iron Curtain

The **Iron Curtain** was initially a non-physical boundary dividing Europe into two separate areas from the end of WWII. In 1945 until the end of the Cold War in 1991. The term symbolizes the efforts by the Soviet Union (USSR) to block itself and its satellite states from open contact with the West and its allied states.

- On the east side of the Iron Curtain were the countries that were connected to or influenced by the Soviet Union
- While on the west side were the countries that were NATO members or neutral.

It later became a term for the 7,000 KM long physical barrier of fences, walls, minefields, and watchtowers that divided the "east" and "west". The Berlin Wall was also part of this physical barrier.

Separate international economic and military alliances were developed on each side of the Iron Curtain.



Anti-Communist map from the January 2, 1950, issue of *Time*.
The Cold War split much of the world into Soviet and American spheres of influence.

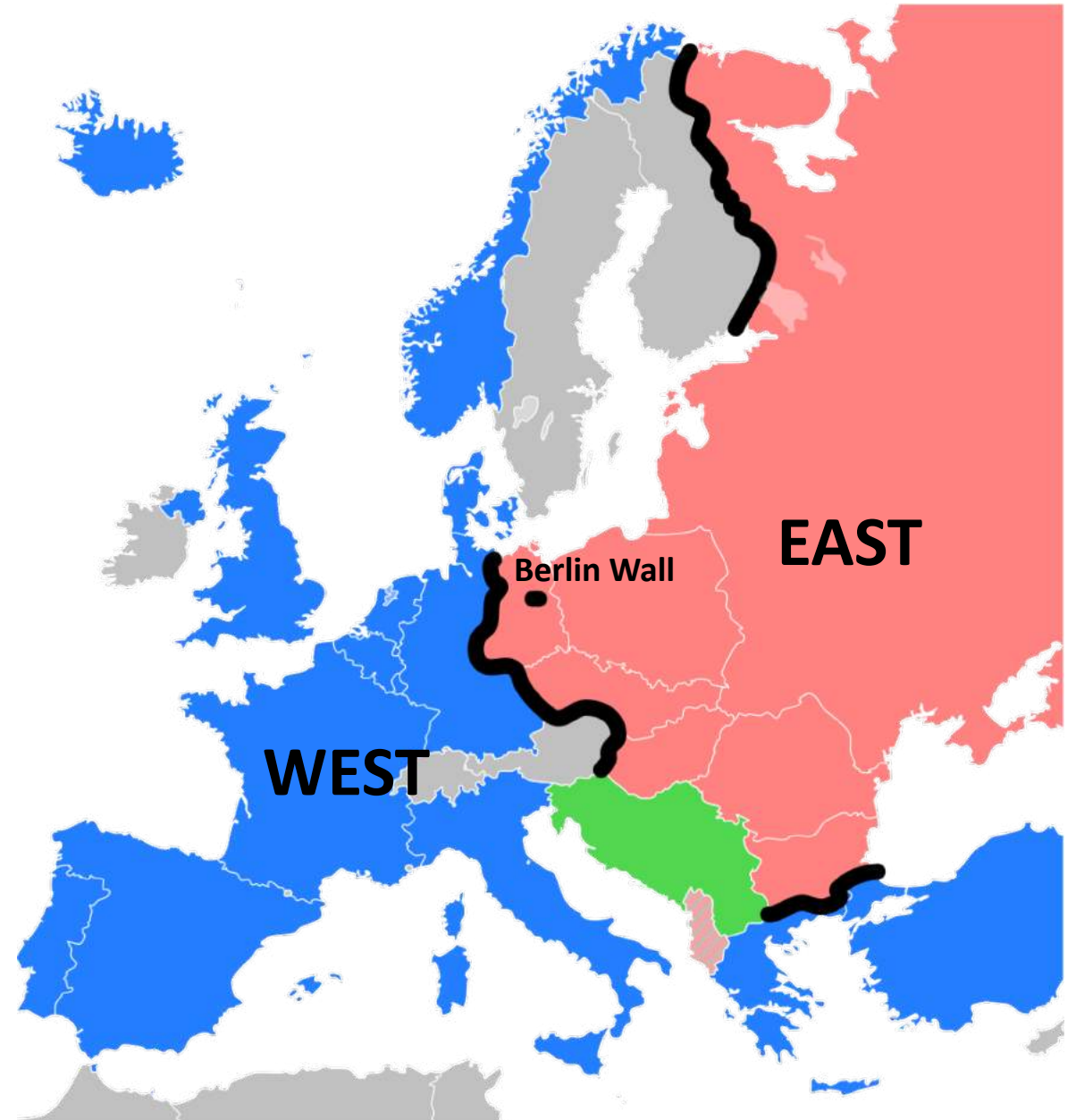
We'll come back around to the major societal and political differences on this when we move onto our Politics unit, including an in-depth explanation of the Cold War period. For now, use this as a basis for your understanding of the economic differences between the **West** and the **East**.

The Economic Struggle: Planned or Free Markets

- Western Solution: Keynesian Economics
- Eastern Solution: Planned Economy

The Iron Curtain, in black

	Warsaw Pact countries
	NATO members
	Militarily neutral countries
	Yugoslavia, member country of the Non-Aligned Movement.



West Germany	East Germany
<ul style="list-style-type: none">➤ Developed into a western capitalist country with a market economy and a democratic parliamentary government➤ There was continual economic growth starting in the 1950s that created an “economic miracle” (this refers to Germany's rebirth as a global economic power after the devastation of World War II).	<ul style="list-style-type: none">➤ Developed into an authoritarian government with a soviet-style planned economy

Soldiers were ordered to patrol the wall to stop anybody from crossing and would shoot those attempting to escape. East German officials always claimed that the wall was erected to protect the communist regime from the pernicious influences of Western capitalism and culture.

The United States - Lyndon B. Johnson

Lyndon Johnson becomes president of the United States in the 1963 election. He passes an ambitious set of legislations aimed at ending poverty, preserving the environment, reducing crime and creating equality amongst citizens. This was his idea of a “Great Society.”



President Lyndon B. Johnson outlines the goals of 'the Great Society' in his 1965 speech

The Great Society

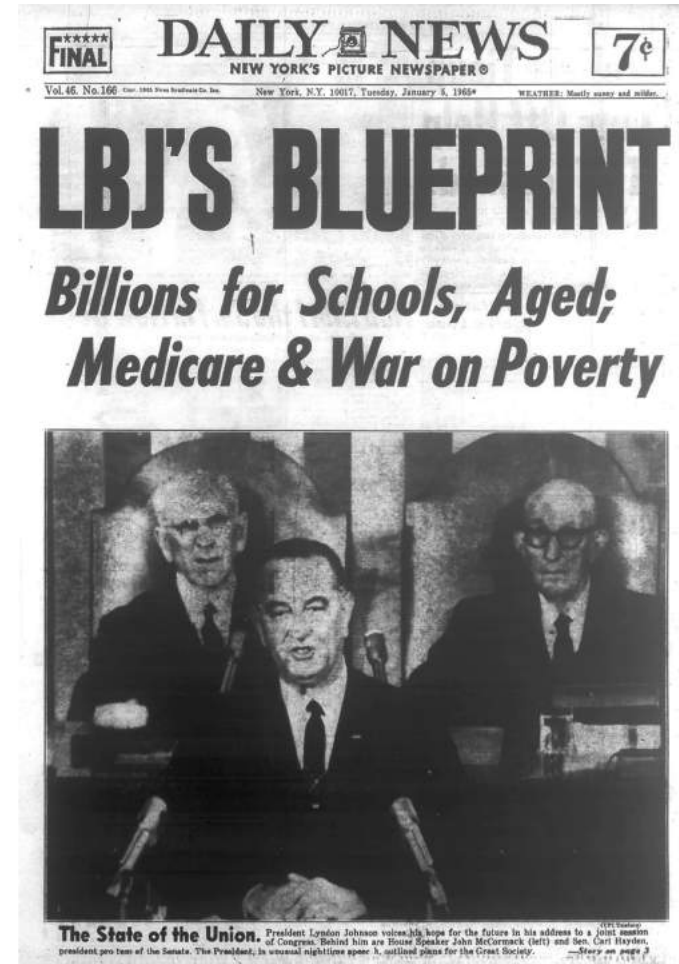
In order to make this hope a reality, he needed a variety of initiatives to promote this idea. Some of the initiatives that were started by Johnson included:

1. The War on Poverty

- a. Breaking the cycle of poverty by educating men and providing skilled workers to the workforce.
- b. Job Corps - providing jobs for 100 000 men.
- c. Providing work training programs for another 200 000 men and women.

2. Medicare and Medicaid

- a. Medicare and Medicaid became law.
- b. Medicare covered hospital care for the elderly who qualified.
- c. Medicaid covered healthcare costs.



The Great Society

3. Head Start and Education Reform

- a. 8 week summer camps
- b. Elementary and Secondary Education Act guaranteed federal funding for schools whose majority population was below the poverty line.

4. Urban Renewal

- a. The Housing and Urban Development Act (1965) provided federal funding to cities for urban renewal and development (mass amounts of people left to the suburbs after WW2, leaving affordable housing in the city hard to find).
- b. Providing easier access to mortgages and rent-subsidies.



A 1965 photograph of a teacher distributing Project Head Start diplomas. The program, provides early childhood education opportunities to children from low-income families. Over the years, over twenty million children have participated in the program.

Yup – it still exists!

The Great Society

5. Support for Arts and Humanities

- a. National Foundation on the Arts and Humanities Act (1965) allowed funding and support of cultural organizations such as museums, libraries and public broadcasting.

6. Environmental Initiatives

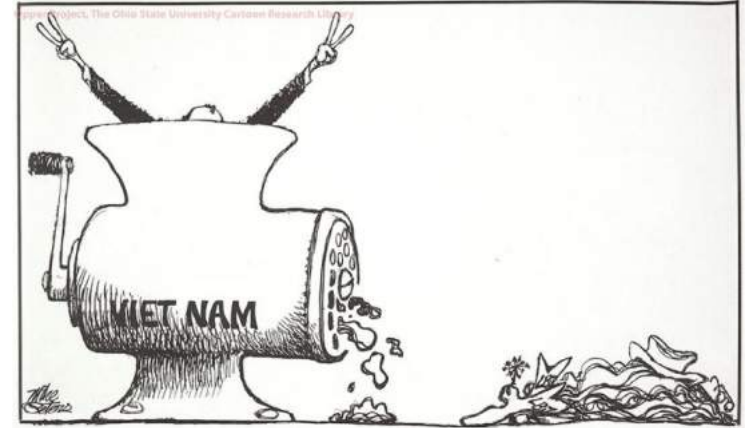
- a. Water Quality Act (1965)
- b. Motor Vehicle Air Pollution Control Act
- a. Legislation to protect wildlife and rivers and to create parks and pathways.



The Great Society

“The Great Society” also focused on regulation ensuring consumer safety and fairer immigration policies. It ended nationality quotas but still focused on reuniting families (although it did still limit immigrants per country and the total number of immigrants per year).

Despite Johnsons bold policies much of it is overshadowed by the **Vietnam War**. Much of the funding for the War on Poverty was diverted into the war. Johnson is often remembered for entering a war in which the U.S.A felt they could not win and suffered 58000 American casualties.



Consider This...

To what extent can ideological conflict influence international relations?