

History 12

Lecture Notes: Economic Resurgence; Europe and Japan

After World War II, the economies of Japan and of the nations of Europe were in a shambles. The situation looked hopeless at the time. Yet, after 50 years, both areas show evidence of a startling resurgence. In the case of Europe, it was international cooperation in the sphere of trade that seemed to rebuild European economic strength. In Japan, it was mostly due to a concerted national effort.

Europe:

The driving force behind the Western European resurgence was certainly the Marshall Plan, which provided the financial wherewithal. More than this, there was a growing sentiment in favour of coordinated economic planning - partly a result of Western fear of Soviet expansionism. The same sentiment that led to the formation of NATO also helped bring about European economic union.

- In 1943, Winston Churchill had spoken of a need for a Council of Europe, and in a 1946 Zurich speech he argued that only as a United States of Europe could the region have much influence in the world.
- In 1947 the OEEC (Org. for European Economic Cooperation) was established to apportion Marshall Plan aid to the 16 participating European countries. Trade between its member nations doubled within 6 years. It was later expanded to include Canada and the U.S., in 1961, and later Japan and Australia, under the new name OECD (Organization for Economic Cooperation and Development).
- The formation of NATO in 1949 led to military coordination and a need for standardized military equipment.
- In 1949 the Council of Europe began the move toward political unity. Based at Strasbourg, it includes representatives of all of the 16 member nations, and though lacking the power to overrule the decisions of its sovereign members, it can make recommendations.

The most significant development came later, with the formation of the EEC (European Economic Community), or the Common Market, as it came to be known in Britain.

- In 1944, the exiled governments of Belgium, Holland and Luxembourg decided to form a customs and trading association known as the Benelux Union, which began operation in 1947.
- In 1951 the ECSC (European Coal and Steel Community) was founded, the pet project of Robert Schuman, the French Foreign Minister. It linked six countries: France, West Germany, Italy, Belgium, Holland and Luxembourg. It was, in effect, a sectoral free trade arrangement on trade in coal, iron and steel. Britain chose not to join because

it did not want to give up sovereignty to an international body. The Community proved a resounding success, raising output almost 50% in the first 5 years.

- In 1957, the six countries sought to increase the scope of free trade in the Treaty of Rome, which announced the gradual reduction of all tariffs between member nations, though tariff walls would remain against outsiders. By 1967, the EEC machinery had come to include a Council of Ministers, a Secretariat, a Court of Justice, and even a European Parliament, with elected representatives from all member states. Within 5 years, the EEC was the world's biggest exporter and buyer of raw materials and 2nd, behind the U.S.A., in the production of steel.

Britain again neglected to join the new organization when it came into being, fearing a loss of sovereignty and not wishing to cast aside its special trading relationships with Commonwealth nations (the EEC feared competition with New Zealand lamb and butter). The advantages of EEC membership soon became apparent, however, as Europe grew economically while Britain stagnated. Britain tried to have the best of both worlds by helping to organize EFTA (the European Free Trade Area) along with Denmark, Norway, Sweden, Switzerland, Austria and Portugal, but a lack of common trade policy left this organization far less effective than the EEC. By 1961, Britain had changed its mind and was seeking membership in the EEC, only to be blocked by the French, under Charles DeGaulle.

- DeGaulle feared that Britain's close trans-Atlantic ties with the United States might result in undue American influence within Europe.
- Furthermore, DeGaulle feared that the highly subsidized French farmers would have difficulty competing with British competition.

It was not until January 1, 1973 that Britain joined the EEC, along with Eire (Southern Ireland) and Denmark. Later more members were added - Greece, Spain and Portugal.

By the end of the 1970's it appeared that Europe had peacefully achieved what individual nations had sought to create for the past two centuries, a unified Europe. Today, workers from Denmark or Britain can move freely about Europe in search of employment. Manufacturers do not have to limit their activities to the limited confines of individual nations. The result has been unprecedented prosperity in all member nations. On the other hand, friction between rival nations persists within the EEC and movement toward political union has been slow. High tariffs against non-member goods has led to unhappiness with EEC trade practices as well. The over-all results of the deal have been positive, however.

Affairs of Individual Nations:

Britain:

- Atlee's Labour government, after the War, introduced important social programmes, which have largely been retained, even by Conservative governments - though ~~some seem threatened by the present Thatcher administration.~~ *The Thatcher began pulling back*
- gort.* - During the 1950's Britain recovered from the devastation of war. Rationing ended, and by the late 50's and early 60's, Prime Minister MacMillan could truthfully tell the average British citizen that they had "never had it so good."
- In the mid to late 1960's Britain's economy failed to keep pace with the rest of Europe. Its balance of payments worsened. Racial strife accompanied the end of empire, as it was perceived that there was a flood of non-white immigration. The ultimate result was a right-wing backlash against these changes. In its most extreme form, the National Front openly preached racism. To a lesser extent, right wing support brought to the fore a new, more radical, leader in the Conservative Party, Margaret Thatcher, who used draconian measures after her election in 1979, to turn around the declining British economy. Britain's productivity improved under her leadership and business prospects improved dramatically - but the cost was increased unemployment and social dislocation. The South of Britain tended to prosper, while the North languished. The employed majority did quite well, while the unemployed slipped into greater poverty. *- A rotten child continues.*

Germany:

Formed in 1949, out of the Western occupation zones, this new country has been a resounding success. Successive conservative governments under Chancellor Adenauer saw an economic resurgence unparalleled until the "Japanese economic miracle." During the 1970's Bonn's economic strength led to diplomatic influence under the Social Democratic leadership of Brandt and Schmidt. Though the leadership of the present leader, Helmut Kohl has been less flashy, it continued in the West German tradition of maintaining social programmes while pursuing financial restraint - until reunification.

The key problem for West Germany was its relationship with East Germany and its place in the Cold War balance. Since the efforts of Willi Brandt in the 1970's in his pursuit of a policy of Ostpolitik, tensions with the Eastern block have improved substantially over the bad old days of brinkmanship and Berlin blockades. The collapse of Communism in Eastern Europe and the pressing need of the Soviet Union for foreign assistance as its economy imploded in the late 1980's coincided with a wave of protests and defections from East Germany as the decade ended. East Germany proved ungovernable as its leaders were unwilling to apply force to contain demands for change.

In the end the only solution was reunification - which the Soviets happily accepted in return for a massive foreign aid package and the promise of continued development assistance. For a time, united Germany was in the curious position of not only employing Western and Eastern bloc troops in the same armed forces, but also housing Soviet troops in a NATO nation.

Unification brought euphoria, but it also brought some pretty severe economic dislocation. East German industries were backwards and inefficient - best symbolized by the state of its almost laughable auto industry. The Trabant was a gas-guzzling, polluting, two cylinder, plastic death trap. At the time of unification a popular joke posed the question "how do you double the value of your Trabbie?" The answer was "fill it with gas." Clearly there would be massive job losses in the East. "Ossies", as the Easterners were called, continued to flood westward, seeking stable employment in the more advanced Western part of the country, while "Wessies" feared wages might be depressed and their pay packets lightened to pay for the East's basket-case economy. An entirely new government department was created to try to sell off the privatizing E. German industries - the Treuhandanstalt, which regularly advertised opportunities ranging from massive chemical plants to "Windmill restaurants".

Financing the eastern zone's transition to capitalism was expensive and costly in terms of reversing the West German policy of low inflation and economic stability. ~~At the time of writing~~ ^{In the early} (1992) Germany was experiencing massive labour unrest for the first time in decades. Still, the opportunities are enormous and East Germany is better placed than any of the Communist bloc areas to make a successful transition - with the helpful assistance of very deep West German pockets.

France:

The Fourth Republic (1946-1958) seemed as plagued by political weakness as the Third. The defeat in Indo-China and high inflation created a volatile situation. The Algerian war brought the government down and elevated Charles DeGaulle to power with the creation of the Fifth Republic.

DeGaulle greatly strengthened the power of the Presidency and in doing so made possible a solution to the Algerian problem and seemed to grant the stability needed for economic growth.

- Despite Colon opposition, DeGaulle withdrew French troops from Algeria in 1962, thus averting possible Civil War in France itself.
- EEC membership brought prosperity for France, as for other member states, though rising expectations and slower growth in the late 60's led to growing criticism.

- Resenting American influence, DeGaulle pulled France out of NATO in 1966 and insisted on France maintaining its own nuclear deterrence, the Force de Frappe. France remained outside NATO, but coordination of defense policies resumed - particularly in the late 1980's, with the formation of a joint West-German and French military unit.
- In 1968, France was swept by violent protest. Students and workers protested and struck to force changes. In the end the government buckled somewhat, promising wage increases and shorter work hours.
- DeGaulle died in 1970. According to Historian Walter Lacqueur, he "outlasted his usefulness. By clinging to power too long, he put in question the achievements of the earlier years of his rule."

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Since DeGaulle, two conservative leaders, Pompidou and Giscard d'Estaing provided stable, though uneventful governments. In 1981, Francois Mitterand was elected, bringing to power the first left-wing government since 1956. After a shaky start, Mitterand has showed great staying power, being re-elected again in 1988. Unemployment and resentment of coloured immigration to France has created social problems like those of Britain. Indeed the successes of LePen, leader of the French Front Nationale seems to indicate a resurgent right wing that has more in common with the fascists of the 1930's than the conservatism of Charles DeGaulle. Racial conflict, particularly resentment of Arab immigrants has flared on a few occasions and was a constant cause for comment in French media. In mid-1992, the dismissal of a war crimes case against Paul Touvier, head of intelligence in Vichy Lyons, who had allegedly worked with the Gestapo, raised the issue of continuing pro-fascist sentiment in France. Many Frenchmen expressed outrage at the decision.

Japan's Economic Miracle:

Defeated in World War II and occupied by the Americans after the war, there seemed little likelihood that Japan would again become a world power. With a huge population and few resources, its economic situation looked hopeless. However, its ties with the U.S.A. ultimately proved beneficial, as it served as an important staging area for U.S. actions in Korea and Vietnam.

- Democracy was restored to Japan by the Americans under General Douglas MacArthur. At first there was great friction between the left and the right, largely over the presence of American occupying forces, but much of the left's support diminished after the American withdrawal in 1952, though the left has continued to battle the right over the issue of militarism in general and Japan's relationship with America specifically.
- Japan has tended to maintain a low profile in foreign affairs, realizing that its economic prosperity is dependent upon good relations with all the nations that

it exports to. Only during the 1980's, under the more aggressive leadership of Nakasone, did Japan seem willing to take controversial stands on foreign affairs.

Japan's economic success since rebuilding began in the 1950's has been staggering. Before the war, Japan had been known as a producer of cheap and shoddy goods. Today, Japanese quality control is regarded as the best in the world, and in many areas of production, the Japanese are recognized as world leaders.

- The boom began in the 1950's with production increases accelerating yearly. By the mid 50's Japan had regained pre-war production levels. By the late 50's the economy was growing at about 10% per year in what the Japanese termed the "Jimmu boom", meaning the greatest economic boom since the mythical founding of Japan by the Emperor Jimmu in 660 B.C. In the 1960's incomes were doubling every 7 years and a domestic consumer explosion took place.
- The growth in the GNP occurred at a time when population growth peaked, thus the increased wealth was not being spread around greater numbers. The lack of religious opposition to any birth control measures, including abortion, the birth rate declined dramatically, assisted by a very high rate of urbanization.
- By the late 1960's Japanese cars, cameras, radios, televisions, ships and steel could be found in almost all world markets. Japan became the first or second trading partner of almost everyone.
- Even the oil price shocks of the 1970's did not stop Japan's boom, as the Japanese lead in electronics and automobile production seemed virtually insurmountable.

The key to Japanese success seems to be due to two main factors:

1. The work ethic of the Japanese people. Workers commit themselves completely to their employers, working 5 1/2 days a week, often working beyond their appointed shifts without payment, and rarely taking more than a week's holiday per year. High School students regularly put in 15 hour days, or more, to master their subjects - attending regular school and then cram school afterwards.
2. The Cooperative spirit of the Japanese. The Japanese are most comfortable working in group situations. Cooperation is always placed before confrontation and individuals put group interests before their own. Companies understand the value of coordinated effort and willingly come together with their competitors to work with MITI (the Ministry of International Trade and Industry) to coordinate a national economic programme. Japanese business therefore seems to merge the best aspects of private enterprise with state coordination.