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The Aftermath of the Second World War

For the United States, the Second World War began with the attack on Pearl Harbor, December 7, 1941. This was only twenty-three years after the end of the First World War, the shortest interval between major wars in our national history. Forty-six years passed from the close of the War of 1812 to the beginning of the Civil War and fifty-two from the Civil to the First World War.

The Second World War ended with the surrender of Japan, August 14, 1945. It is difficult to assign a date to the beginning of the cold war. Perhaps it was already in progress at that time or earlier, though under cover. The first half of 1947, however, was marked by two events that pointed to a clear recognition that we were engaged in a cold war with the U.S.S.R. The first was President Truman's request on March 12 for aid to Greece and Turkey. The second was Secretary Marshall's speech on June 5 at Harvard University calling for a program of assistance to the free countries of Western Europe. And in March of the next year the Soviet land blockade of Berlin led to the initiation on April 1 of the airlift. The Korean War, because it was conducted by orthodox means, can be dated definitely. It was precipitated on June 25, 1950 by the invasion of South Korea by the North Korean armies. The war resulted in heavy fighting; the maintenance of large ground, air, and sea forces in the Korean area; and, finally, armistice negotiations of unprecedented length. And in this country an immense stimulus was given to military preparation.

Consider the impact of these events on federal expenditures. The briefest period between major wars in our history was fol-

lowed by the greatest war; two years after it was concluded came the cold war; and three years later, the Korean War. The "steps" by which federal expenditures have increased following wars will be recalled—long and low at first, and then shorter and higher. There was barely time after the First World War for a full adjustment to conditions of peace, and, certainly, the few years of peace after the close of the Second World War were too short for such an adjustment. Further, the cold war did not cease with the coming of the Korean War, but rather was intensified. The Korean War may, indeed, be regarded as only the "hot" portion of the global cold war.

At the time of this writing, the peace emerging from the Korean truce is uneasy. And the partition of Indochina seems to be leading to a similarly unstable arrangement in that country. The prospect on these and other accounts is for continuing very large military expenditures. There may be some reduction from the present level, but there can be no real letdown in preparation. Technological advances, for reasons that have been given, will continue, and probably at an accelerating rate. The new weapons developed will be exploited. The swift pace of a mechanized attack, the kind to be expected in the event of active war, permits no other course. Such an assault would have to be stopped by the weapons on hand, and these would have to be available in sufficient quantities. Thus a recurrence of the declining costs, as compared with the pre-existing level, that followed earlier wars in our history is not to be expected so long as the present "East-West" problems remain unsolved.

The emphasis of aid to friendly foreign countries is changing. More is being granted for military purposes and less for economic. Military assistance is our contribution to a common defense establishment, and the amount is related both to the size of that establishment and to the contribution of the cooperating foreign countries. Assuming a continuance of existing world tensions, the volume of such aid will probably not decline. Economic assistance is also given, but recovery from war-induced dislocations has now proceeded to the point where grants for this purpose are less necessary. Conceivably this amount could decline further.

After past wars, surpluses have appeared in the federal revenues, the debt has been reduced, and interest payments have declined. But in view of the outlook for military expenditures, substantial reductions of the principal of the debt now are improbable.

The number of veterans, unlike after other major wars, is steadily being augmented by the discharge of servicemen from the greatly enlarged military establishment resulting from the cold and the Korean wars. And the Korean veterans who so desire have been going to school at federal expense. Although total expenditures for veterans may not soon reach the peak following the Second World War, it seems probable that veterans expenditures will be higher in relation to the number of servicemen than ever before.

The tendency of civil expenditures to increase both absolutely and as a percentage of the total after major wars has been noted. But, in the past, military expenditures declined in such periods, and the ratio of total federal expenditures to the national income was much smaller than it has been in the years since the Second World War. The question therefore arises whether, under the new conditions, past experience will be repeated. The increase in civil expenditures generally, unlike the increase in military outlays, is not under the compulsion of necessity.¹ Nor does such an increase have the inevitability of the larger interest payments that follow an increase in the national debt or of the greater outlay for discharged veterans as their numbers mount. There is choice, and accordingly the pressure for additional civil functions is less. Moreover, resistance to larger expenditures increases: taxes already high will become higher, or if the financing is by borrowing, the consequences of adding to an already great debt will give pause. These factors are likely to moderate or to check previous tendencies toward a relatively greater growth in civil than in military outlays.

¹ Only expenditures for atomic energy have that stimulus. But this is because of the military significance of the production of atomic energy. For an explanation of why the development of atomic energy was included in civil expenditures, see Appendix B, page 68.