

How did the first World War boost the US economy?

Introduction

THE RESULTS OF THE FIRST WORLD WAR

- The USA had stayed out of the First World War for 3 years, until 1917. This meant:
 - US industry did well selling weapons, ammunition and food to the warring countries of Europe.
 - While the European countries were busy fighting, the USA took over many of their colonial markets.
 - The German chemical industry, which led the world before 1914, was held back by the war. The US chemical industry developed in its place, making fertilisers, dyes, plastics and explosives.
 - US investors and bankers did well out of the war, so they had money to invest in new industries in the USA.

Development

The First World War

The Americans tried hard to stay out of the fighting in the First World War. But throughout the war they lent money to the Allies, and sold arms and munitions to Britain and France. They sold massive amounts of foodstuffs as well. This one-way trade gave American industry a real boost. In addition, while the European powers slugged it out in France, the Americans were able to take over Europe's trade around the world. American exports to the areas controlled by European colonial powers increased during the war.

There were other benefits as well. Before the war Germany had had one of the world's most successful chemicals industries. The war stopped it in its tracks. By the end of the war the USA had far outstripped Germany in the supply of chemical products. Explosives manufacture during the war also stimulated a range of by-products which became new American industries in their own right. Plastics and other new materials were produced.

Historians have called the growth and change at this time the USA's second industrial revolution. The war actually helped rather than hindered the 'revolution'.

When the USA joined the fighting it was not in the war long enough for the war to drain American resources in the way it drained Europe's. There was a downturn in the USA when war industries readjusted to peacetime, but it was only a blip. By 1922 the American economy was growing fast once again.

Impact of the First World War

Learning objectives

In this chapter you will learn about:

- how the war boosted the US economy
- Europe's dependence on US loans
- how to make inferences from sources.

Europe at the end of the war

When the First World War ended in 1918, the economies of most European countries were in ruins. Some had borrowed huge sums of money from the USA to finance the war. Trade links and production of ordinary goods had been disrupted by the war. In many countries mines, factories and communication links had been destroyed by the fighting. Britain and France were heavily in debt to the USA, and still borrowing – they needed more money to rebuild and start normal life again. Britain's wartime and post-war borrowings added up to a total of \$4,277 million; while France owed \$3,405 million.

The USA at the end of the war

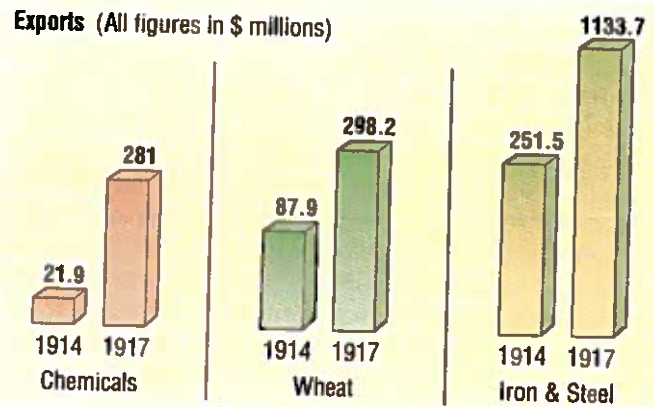
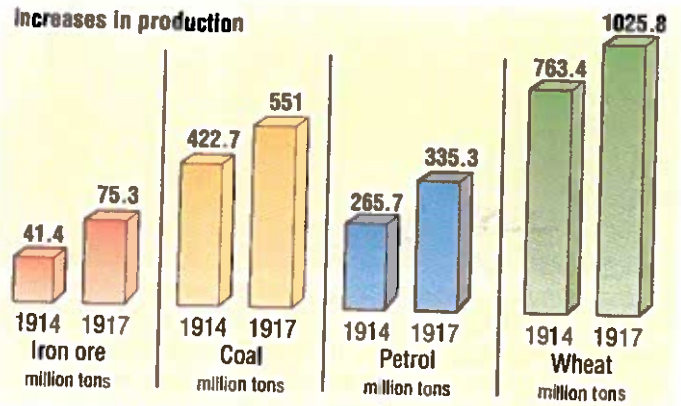
The USA had no war damage. Just the opposite. Its factories and farms were producing goods and food at full capacity. It was exporting food and all sorts of manufactured goods to Europe. It had won new export markets that, before the war, the Europeans had dominated (such as supplying cotton to Japan). The war gave the USA high productivity and full employment, with good wages for its workers.

Industry

Many industries began to apply the principles of mass production during the war, making their factories more efficient. When the war ended, they were in a good position to produce goods quickly and cheaply, both for the home market and for exports.

Evidence

SOURCE 1 Statistics on production and exports between 1914 and 1917



Year	Wheat (\$ per bushel)
1915	\$0.96
1917	\$2.04
1919	\$2.16
1921	\$1.01
1923	\$0.92

Source A: Price of wheat from farming statistics compiled by the US government.

US international loans (in \$ millions)			
	Wartime loans	Postwar loans	Total loans
To the countries who were allies in First World War	\$7,067m	\$2,911m	\$9,977m

Source B: From US government figures.

- During the First World War US industry had supplied Britain and France with materials for the First World War. US farmers increased exports of food to Europe 300%.
- US banks had lent large sums to Britain and Italy. US investors did well from the interest on loans to Europe. After the war they had money to invest in the USA.
- US investors did well from the interest on loans to Europe of \$10,300,000,000. After the war they had money to invest in the USA.
- The USA had hardly been affected by the devastation of the war and US industry had been able to take over export markets from Britain.
- While Germany had been involved in the war, US firms had taken over leadership in the chemical industry.