Economic Recovery and European Unity:
1945-2001

I. Post-War political and economic framework
   A. **Bretton Woods Conference** (1944)
      1. Lay the foundations for modern international monetary system
      2. General Agreements of Tariff and Trade (**GATT**) sought to stimulate international trade by lowering tariffs and other trade restrictions.
      3. Between 1958 and 1971 the value of national currencies were based on gold and the U.S. dollar
      4. **International Monetary Fund (IMF)**
         a. Designed to provide short-term loans to struggling countries to prevent economic crisis and anarchy
         b. Instrumental in the post-war economic boom.
      5. **World Bank**
         - Provided long-term loans to countries for economic growth
   B. **United Nations (UN)** created in 1945
      1. UN's framework had been agreed to during WWII by the Allies at the Yalta Conference in February, 1945
      2. **Security Council**
         a. Consisted of 12 nations (including 5 permanent members) that had the authority to actively maintain peace throughout the world
         b. Permanent members were the victors in World War II: U.S., USSR, Britain, France and China
      3. **General Assembly**
         a. Included virtually every country in the world
         b. Had the power to advise but could not enforce its recommendations

II. Western Europe political and economic recovery
   A. Significant economic hardship in the aftermath of WWII
      1. Scarcity of food, runaway inflation, black markets plagued the economy.
      2. A number of Europe's important cities lay destroyed or damaged
      3. Many people believed Europe was finished; recovery from such a cataclysm seemed almost unthinkable
      4. Suffering was worst in Germany where the Allies had destroyed much of the country to defeat Hitler
B. Political restructuring

1. **Christian Democrats** emerged as a dominant political movement in several countries.
   a. Saw a common Christian & European heritage
   b. Rejected authoritarianism & narrow nationalism; had faith in democracy and cooperation.
   c. Catholic parties were also progressive in nature
   d. Socialist and communist parties emerged with increased power and prestige, especially in France and Italy.
      • Pushed for social change and economic reform with considerable success.
   e. Result: social reform and political transformation created the foundations for a great European renaissance.

2. Italy
   a. Christian Democrats gained control in 1946 led by Alcide De Gasperi
   b. Socialist influence: social benefits came to equal a large part of the average worker’s wages

3. France:
   a. General **Charles de Gaulle**, inspiring wartime leader of the Free French, re-established the free and democratic **Fourth Republic** (1946-1958)
      • The presidency was largely ceremonial while the real power lay with the legislature.
   b. **Catholic party** provided some of best postwar leaders (e.g. Robert Schuman)
   c. Socialist influence was significant: some industries were nationalized by the government.
   d. The **Fifth Republic** (1958-present) gave the president (initially, Charles de Gaulle who returned to power in 1958) far more power

4. Britain
   a. Followed similar path to France
   b. **Clement Attlee**, socialist **Labour party** leader, defeated Winston Churchill and the Conservatives in 1945.
      • Attlee moved toward establishment of a “welfare state.”
   c. Many industries were nationalized, gov’t provided each citizen with free medical service and taxed the middle and upper classes more heavily.

5. Federal Republic of Germany (West Germany):
   a. 1949, **Konrad Adenauer** began long, highly successful democratic rule.
   b. **Christian Democrats** became West Germany’s majority party for a generation
C. “Economic Miracle”: unprecedented economic growth in European history

1. Europe entered a period of rapid economic progress lasting into the late 1960s.
   • By 1963, western Europe produced more than 2.5 times more than before the war.

2. Causes:
   a. Marshall Plan aid from the U.S. helped western Europe begin recovery in 1947
   c. Economic growth became a basic objective of all western European governments.
      • Governments accepted Keynesian economics to stimulate their economies.
         o Governments were willing to use deficit spending in order to make more resources available for the people
      • Germany and France were especially successful and influential.
   d. In most countries many workers were willing to work hard for low wages, thus benefiting expanding industries
   e. Increased demand for consumer goods resulted.
   f. Many economic barriers were eliminated and a large unified market emerged: the Common Market

3. German economic recovery led by finance minister Ludwig Erhard
   a. Combined a free-market economy & an extensive social welfare network inherited from the Nazi era.
   b. By late 1950s, West Germany had a strong economy, full employment, a strong currency and stable prices.

4. France
   a. Combined flexible planning and a “mixed” state and private economy to achieve the most rapid economic development in French history.
      • Jean Monnet led the economic recovery: economic pragmatist and architect of European unity.
   b. France used Marshall Plan aid and the nationalized banks to funnel money into key industries, several of which were state owned.
      • Examples of nationalized industries included large banks, insurance companies, public utilities, coal mines, and the Renault auto company
5. **Creation of the “welfare state”**
   a. Western European countries sought to provide universal services to all their people.
      - Employment
      - Unemployment and disability insurance
      - Social security for the elderly
      - Free or subsidized health care
      - Redistribution of wealth and income by placing high taxes on wealthier citizens
   b. The “welfare state” would be universal and not just aimed at the poor and unemployed (which had largely been the case before World War I).
      - Significantly reduced class tensions that had existed in Europe for centuries.
   c. The Christian Democrats in West Germany, France and Italy played a key role in shaping the welfare state.
      - Socialists and communists, particularly in France and Italy, demanded egalitarianism as well as social services.
   d. As long as the European economy in western and central Europe continued to grow in the 1950s and 1960s, governments could more or less meet the expenses of the “welfare state”
   e. Britain became the model for the “welfare state” and a **“mixed economy”** under the socialistic [Labour Party](#) and prime minister Clement Atlee.
      - The gov’t nationalized the Bank of England, coal mines, electricity and gas, iron and steel
      - 80% of industry remained private
      - Increased social insurance for unemployment, old age, workers compensation, universal national health care
      - Increased a progressive income tax and inheritance taxes, which were largely targeted at the middle-class and the wealthy.
      - When conservatives took power from 1951 to 1964, the “welfare state” essentially remained intact, though some nationalized industries were privatized
   f. With the economic downturn and high inflation in the 1970s, governments experienced larger deficits, increased national debts, and pressure from conservatives to lower taxes.
      - Conservative argued that the “welfare state” had become excessive while high taxation was stunting economic growth.
• The “welfare state” was thus trimmed throughout Europe.
• In some countries, such as Britain led by conservative Margaret Thatcher, government began privatizing industries that had been state-owned and restricting labor strikes.

6. Immigration of “guest workers”
   a. The dramatic increase in the economy coupled with a low birth rate meant that there weren’t enough workers available to meet the demands of the economy.
   b. Significant numbers of immigrants from Turkey, the Balkans (Yugoslovakia and Greece) and North Africa met the demands for workers.
   • Many of these immigrants did not return home and remained unassimilated in their new countries.
   • Spain, Portugal and Italy also had many of its citizens emigrate to other European countries.
   c. West Germany gained 4.5 million immigrants
   • Over half were Turks
   d. Great Britain received significant numbers of immigrants from India, Pakistan, the Caribbean and Africa.
   e. France received its largest share of immigrants from Algeria as well as from its other former African colonies.
   f. The Netherlands received a large number of Indonesians
   g. Eventually, nationalists in the receiving countries became troubled by how the “guest workers” seemed to be affecting the culture and economy.
   • Pressures mounted on some governments to put restrictions on immigration

III. European Unity
   A. Three major streams for European unity emerged
      1. Political: Council of Europe
         • Contained nearly every European nation but had little influence.
      2. Military: has never truly materialized
      3. Economic: most successful with the development of the European Union (EU) through various stages of development—ECSC, EEC, EC and EU
B. **Council of Europe** created in 1948
   1. European federalists hoped the Council would quickly evolve into a true European parliament with sovereign rights, but this did not happen.
   2. Britain, with its empire and its “special relationship” with U.S., was opposed giving any real political power—**sovereignty**—to the council.

C. **European Coal and Steel Community (ECSC)** created in 1950 via the **Schuman Plan**
   1. Largely organized by French statesmen Jean Monnet and Foreign Minister Robert Schuman.
   2. Proposed an international organization to control & integrate European steel and coal production.
   3. West Germany, Italy, Belgium, Netherlands, & Luxembourg accepted the plan in 1952.
   4. Britain refused to enter since it had significant interests in its Commonwealth and its close trade relationship with the U.S.
   5. Immediate economic goal: a single competitive market without national tariffs or quotas.
   6. **"The Six": By 1958 coal and steel moved freely among six nations of the European Coal and Steel Community**
      - Far-reaching political goal: bind six member nations so closely together economically that war among them would become unthinkable and virtually impossible.

D. **European Economic Community (EEC)**
   1. **Treaty of Rome, 1957**
      a. Created the **European Economic Community (EEC)**, or the “**Common Market**”
      b. Signed by same six nations in the European Coal and Steel Community.
      c. First goal of treaty: Gradual reduction of all tariffs among “the Six” in order to create a single market almost as large as the U.S.
      d. **Euratom** (European Atomic Energy Agency) also created to develop and regulate nuclear energy.
         - Communist states responded by forming their own economic association—**COMECON**
e. Other EEC goals:
   - Free movement of capital and labor across borders.
   - Common economic policies and institutions.
   - Reduced tariffs and regional specialization (countries focused on producing goods where they had a comparative advantage)

2. EEC encouraged hopes of a political and economic union.
   - Yet, the idea for union was frustrated in the 1960s by the resurgence of more traditional nationalism.

3. France stepped back from European unity
   a. Bitter colonial war in Algeria resulted in the election in 1958 of General Charles de Gaulle who established the Fifth French Republic and led as president until 1969.
   b. Withdrew France from what he saw as a "US controlled" NATO and developed France’s own nuclear weapons program.
   c. De Gaulle twice vetoed application of “pro-American” Britain into the European Union.
      - Britain did not enter until 1973.

E. European Union (EU) (went into effect in 1992)
   1. German Chancellor Kohl and French President Mitterrand sought to extend the EU to include a single European currency and a common defense and foreign policy
   2. British Prime Minister Margaret Thatcher led Britain’s opposition to the EU until she resigned in November 1990, replaced by conservative successor John Major, who urged a limited federalism.
      a. Promised most radical revision of the EC since its beginning.
      b. Eurodollar—or euro—became the single currency of the EU in 2002 integrating the currency of 12 western and central European nations.
         - The integration of currency was organized by the European Monetary Union (EMU)
         - Britain refused to join the EMU preferring to maintain the sovereignty of its currency—the pound
      c. Included proposals to form common foreign and defense policies.
      d. Increased use of majority voting.
      e. Greater parliamentary consultation.
f. By 1995 EU had 15 members: Germany, France, Italy, Netherlands, Belgium, Luxembourg, UK, Ireland, Spain, Portugal, Greece, Austria, and Finland

g. In 2005, the EU added 10 new countries: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia

h. In 2007, two new states are slated to enter: Romania and Bulgaria

4. The European Community (EC) was renamed to European Union in 1996

IV. Economic Crises of the 1970s

A. U.S. President Richard Nixon took the U.S. off gold standard in 1971
   1. Effectively ended the “Bretton Woods” system of international currency stabilization.
   2. Fixed rates of exchange were abandoned.
   3. Great uncertainty replaced postwar predictability in international trade and finance.
B. **Energy Crisis**

1. The postwar economic boom was fueled by cheap oil, especially in western Europe.

2. **1973, OPEC (Organization of Petroleum Exporting Countries)** dramatically increased oil prices in Europe and the U.S. in retaliation for their support of Israel in the Yom Kippur War against Egypt and Syria.
   - A second price increase in 1979 during Iranian Revolution hurt modest progress since 1976.

3. Price revolution in energy, coupled with the upheaval in the international monetary system, plunged the world into its worst economic decline since the 1930s.

4. **"Stagflation"** hit in the mid-1970s: increased prices and increased unemployment
   - Inflation with increased unemployment made this crisis unique (usually inflation and unemployment have an inverse relationship)

5. Debts and deficits piled up quickly in the 1970s and 1980s

C. Social consequences of the 1970s economic crisis

1. Created condition for collapse of communism in late 1980s. (See chapter 25)

2. Pessimism replaced optimism in society in general

3. However, the “welfare state” created in the postwar era prevented mass suffering and degradation that had been reminiscent of the Great Depression in the 1930s.

4. Total government spending in most countries rose during 1970s and 1980s

5. **Conservative resurgence in late 1970s and early 1980s resulted from economic frustrations**
   a. By late 1970s, powerful reaction against increased governments’ role resulted in austerity measures to slow the growth of public spending and the welfare state.
   b. **Prime Minister Margaret Thatcher** (1979-1990) of Great Britain
      - Certain gov’t-controlled industries were now privatized
      - Reduced gov’t spending
      - Encouraged the working class and lower middle class renters in state-controlled housing units to purchase their own apartments at very low prices
      - A whole new class of property owners emerged
6. France in the early 1980s attempted to increase government’s role in the economy but failed
   a. **Francois Mitterand** (1981-1995) led his Socialist party and Communist allies in launching a vast program of nationalization and public investment designed to spend France out of economic stagnation. (Keynesian approach)
   b. By 1983, the policy had failed and Mitterand was forced to impose a wide variety of austerity measures for the remainder of the decade.
   c. 1993, frustrated French voters gave coalition of conservatives and moderates overwhelming victory, thus rejecting 14 years of socialist rule.

V. European Society After World War II
A. Science and Technology
1. For first time in history, “pure theoretical” science and “practical” technology (“applied science”) effectively joined together on massive scale during WWII.
   a. British scientists developed **radar** to detect enemy aircraft.
   b. **Jet** aircraft developed by Germany
   c. Electronic **computers** further developed; had barely come into existence before 1939.
   d. **Manhattan Project**: The development of the atomic bomb was the most spectacular result of scientific research during the war
2. **“Big Science”** became new model for science after WWII
   a. Combined theoretical science with sophisticated engineering in a huge organization.
      - Certain governments provided massive funding
   b. U.S. emerged as leader in Big Science after WWII
      - Science not demobilized after WWII in either the U.S. or USSR
      - Large portion of all postwar scientific research went for “defense” –about 25%
   c. **Space Race** (part of Cold War competition to achieve technological superiority) is a quintessential example of “Big Science” at work.
      - 1957, USSR launched **Sputnik**, an orbiting satellite using long-range rockets
      - US fearful Soviets could now launch a nuclear missile into space and then down to U.S.
      - Resulted in development of **ICBMs** (Intercontinental Ballistic Missiles)
      - U.S. countered with creation of NASA and
vastly increased educational funding for science.

- 1961, Soviets sent world’s first cosmonaut, **Yuri Gagarin**, into orbit.
- U.S. President John F. Kennedy responded by increasing funds for space.
- 1969, U.S. Apollo Program put the first man on the moon; 4 more moon landings followed by 1972.

**d. “Brain Drain”:** U.S. attracted many of Europe’s best scientists during 1950s and 1960s—seen as the **American Challenge**

- Some Europeans feared Europe was falling behind U.S. in science, technology, and most dynamic industrial sectors of the late 20th century.

**e. Massive growth of the scientific community**

- Four times as many scientists in Europe and North America in 1975 as in 1945.
- Highly specialized modern scientists and technologists worked as members of a team, which completely changed work and lifestyle of modern scientists.

**B. Change in class structure and social reform**

1. **Rise of the middle-class was largely the result of increased access to higher education**

   a. European society became more mobile and democratic.

   b. The new middle-class, highly skilled and educated, was more open, democratic, and less secure than the old propertied middle class.

   c. Changes in the structure of the middle class were influential in the trend toward a less rigid class structure.

   d. Causes for change in rise of middle class

      - Rapid industrial and technological expansion created in large corporations and gov’t agencies demanded larger numbers of scientists and managers.

      - The old propertied middle class lost control of many family-owned businesses after WWII.

      - Top managers and ranking civil servants represented the model for new middle class of salaried specialists; well paid and highly trained

      - Passed on opportunity for advanced education to their children.
2. Structure of lower classes also became more flexible and open.
   a. Millions of rural workers continued to move to cities.
      • Resulted in drastic decline in one of Europe’s most traditional and least mobile groups.
   b. Industrial working class ceased to expand while job opportunities for white-collar and service employees grew rapidly.

3. European governments reduced class tensions by further expanding the “welfare state”: health care, family allowances, maternity grants, public housing

4. **Consumerism** worked to level Western society.
   a. Sparked by rising standard of living giving more people disposable income.
   b. European automobile industry expanded phenomenally.
   c. “Gadget revolution”
      • Europeans bought washing machines, vacuum cleaners, refrigerators, dishwashers, radios, TVs, and stereos.
      • Purchase of goods often done by greatly installment (e.g. credit cards).
   d. Increased social welfare resulted in more disposable income and less need to save for old age.
   e. Leisure and recreation became major industries as workers worked fewer hours.
      • Soccer matches, horse races, movies, TV, commercialized hobbies
      • Increased attendance in cultural events: concerts and exhibitions.
      • Travel industry expanded most dramatically
         o Before WWII travel for pleasure or relaxation largely aristocratic.
         o Paid vacations were now required by law in most countries

C. The youth movement and Counterculture
   1. **Counter-Culture**: rebellion against parents, authority figures and status quo
      a. Baby boom after WWII developed distinctive and international youth culture.
      b. Many youths were raised in economic prosperity and were more democratic in views of class structure.
c. New generation influenced by revival of leftist thought created a “counter-culture”
   • Youth in America took the lead.
   • Some youth rebelled against conformity and boredom of middle-class suburbs.
   • Rock music helped tie counter-culture together
     o Beatles, British rock band, became one of biggest pop groups in music history
   • Increased sexual behavior among many young people during 1960s and 1970s
     o Age of first sexual experienced reduced significantly.
     o Growing tendency of young unmarried people to live together on a semi-permanent basis with little thought of getting married or having children.

d. Causes of the emergence of international youth culture in 1960s.
   • Mass communication and youth travel linked countries and continents together.
   • Baby boom meant youth became unusually large part of population and exercised exceptional influence on society as a whole.
   • Postwar prosperity and greater equality gave youth more purchasing power than ever before.
     o Youth to set mass trends and fads in everything from music to chemical stimulants.
     o Common patterns of consumption and behavior fostered generational loyalty.
     o Good jobs were readily available.
   • High demand for workers meant youth had little need to fear punishment from straight-laced employers for unconventional behavior.

D. Student Revolts in the late 1960s
1. Causes
   a. Opposition to U.S. war in Vietnam triggered revolutionary ferment among youths
   b. Influenced by Marxist current in French universities after 1945 & new left thinking in US
   d. Students in western Europe shared US youth’s rejection of materialism and belief that postwar society was repressive and flawed.
2. **French student revolt**, 1968
   a. Students took over the university, leading to violent clashes with police.
   b. Most students demanded changes in curriculum and real voice in running the university
   c. Appealed to industrial workers for help; spontaneous general strike spread across France
   d. To many it seemed the French Fifth Republic might collapse
   e. De Gaulle called in troops and called for new elections (which he won decisively)
   f. The mini-Revolution collapsed.
   g. For much of the older generation in western Europe, the student revolution of 1968 signaled the end of illusions and end of an era.

### E. Women

1. Review
   a. Early women’s rights advocates: Olympe de Gouges and Mary Wollstonecraft during the French Revolution demanded equality for women based on the *Declaration of the Rights of Man and Citizen* (1789)
   b. Late-19th and early 20th century: Millicent Garrett Fawcett and Emmeline Pankhurst were important figures in the British suffrage movement.
   c. Women first received the right to vote in Finland and Norway in 1906 and in Britain, Germany and the Soviet Union after World War I.
   d. Women relegated to the home in fascist Italy and Nazi Germany
   e. Women finally got suffrage in Italy and France after World War II.
   f. Switzerland was one of the last to provide suffrage: 1980
3. Marriage and Motherhood  
a. In the postwar era, women continued to marry earlier.  
b. Western European culture once-again emphasized the domestic role women should play in the home  
c. The typical woman in Europe, U.S. and Canada had children quickly after marrying.  
d. Average of only 2 children per family  
e. Motherhood occupied a much smaller portion of a women’s life than at the turn of the century.  
f. Birth control use increased with oral contraceptives and intrauterine devices.  
  
4. Women in the workplace  
a. In 20th century, especially after WWII, opportunities for women of modest means to earn cash income at home practically disappeared.  
b. Thus, sharp increase across Europe and North America in number of married women who became full-time and part-time wage earners outside the home.  
c. Rising employment of married women became a powerful force in drive for women’s equality and emancipation.  
d. Rising employment for married women became a factor in decline of the birthrate.  

2. Women’s Rights Movement  
a. Simone de Beauvoir: The Second Sex (1949) - existentialist ideas  
   • Argued women were in essence free but had almost always been trapped by particularly inflexible and limiting conditions.  
   • Only by courageous action and self-assertive creativity could women become free and escape the role of inferior “other.”  
   • Inspired a future generation of women's rights intellectuals  

b. Betty Friedan: The Feminine Mystique (1963) -- American  
   • Highly influenced by de Beauvoir’s ideas on how middle-class women were trapped in their domestic roles.  
   • Argued that women expected to conform to false, infantile pattern of femininity and live for their husbands and children.  
   • Founded National Organization for Women (NOW); inspired European groups
c. **Goals of women’s rights movements:**
   - **New statutes in the workplace:** laws against discrimination, “equal pay for equal work,” and maternal leave and affordable day care.
   - **Gender and family questions:** right to divorce (in some Catholic countries), legalized abortion, needs of single parents (usually women) and protection from rape and physical violence.
   - In almost every country, the effort to legalize abortion inspired the creation of an effective women’s movement.

3. **Feminism**
   a. In the 1970s women played a significant role in other reform movements such as environmentalism, gay rights, and poverty in developing countries.
   b. Some feminists lashed out at what they considered to be a male-dominated culture that emphasized lady-like behavior in women.
      - Criticized beauty pageants, condemned male chauvinism, and even burned bras to what they saw as the cultural oppression of women.

F. **Religion**
1. **Second Vatican Council** (1962-1965)
   a. Most important council of the Catholic Church since the Council of Trent (mid-16th century).
   b. Allowed for use of the vernacular in the Catholic liturgy
   c. Scripture was declared to be the foundation of the Church
   d. Declared that although the Catholic Church was the one true Church, other Christian groups who shared a belief in Christ were to be respected

2. By the 21st century, Europe had continued to display a strong secular streak.
   a. A poll c. 2005 showed that only 21% of Europeans believe religion is “very important” (compared to 59% in the U.S.)
   b. A 2004 Gallup poll found that only 15% of Europeans attend church regularly (compared to 44% of Americans) although these figures vary from country to country.
   - Countries where Catholicism is dominant have significantly higher attendance (except France)
Terms to Know

Bretton Woods Conference, 1944  “the Six”
GATT  European Economic Community (EEC),
International Monetary Fund (IMF)  “Common Market”
World Bank  Treaty of Rome, 1957
United Nations  Euromarket
Security Council  COMECON
General Assembly  French Fifth Republic
Christian Democrats  European Union (EU)
Charles de Gaulle  Maastricht Treaty, 1991
French Fourth Republic  Euro dollar, euro
Catholic Party  oil crisis
Clement Attlee  OPEC
Labour Party  “stagflation”
Conrad Adenauer  Francois Mitterand
“economic miracle”  “Big Science”
Keynesian economics  Sputnik
Jean Monnet  space race
Ludwig Erhard  Yuri Gagarin
“welfare state”  “Brain Drain”, The American Challenge
mixed economy  consumerism
Margaret Thatcher  Counter-Culture
“guest workers”  French student revolt, 1968
Council of Europe  women’s rights movement
European Coal and Steel Community  Simone de Beauvoir
(“ECSC”)  Second Vatican Council (Vatican II)
Schuman Plan  

Essay Questions

Note: This sub-unit is a high probability area for the free-response portion of the AP exam. In the past 10 years, 6 questions have come wholly or in part from the material in this chapter. Below are some questions that will help you study the topics that have appeared on previous exams or may appear on future exams.

1. Analyze the factors that resulted in the “economic miracle.”
2. Account for the rise of the “welfare state” in Europe after World War II. What were some of the challenges to the “welfare” state in the late-twentieth century?
3. To what extent did western Europe achieve unity in the period 1950 to 2000?
4. Analyze changes in European family patterns after World War II.
5. What factors led to the rise of the middle class after World War II?
6. To what extent had women’s movements achieved their objectives by the late-twentieth century?
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**Principle Sources:**

**Other Sources:**