



## 1945-75: The Age of Quadrupling Real Income

AT THE END OF THE SECOND WORLD WAR in 1945 the earth seemed a much more dangerous place than at the end of the First World War in 1918. In 1945 the dominating figure in Europe and Asia was a widely admired dictator who unfortunately was clinically insane. Marshal Josef Stalin had already killed more than 10 million of his own people who had in some way failed to worship him, and before his death in 1953 he wanted to execute his own doctors because they did not make him feel better on the increasingly frequent occasions when he went to bed roaring drunk. Into his hands during the 1940s a group of genuinely idealistic scientists had delivered the power to destroy the world. By 1953 Russia knew how to make a nuclear bomb which could soon release in one flash a greater destructive power than had been exploded by all the TNT in all the wars of history.

Economically, in 1945, Central Europe (especially West Ger-

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many) and Japan were devastated heaps of rubble. Among the economic forecasts made in 1945–8 were erudite prophecies that defeated Germany and Japan could never expect to re-attain their 1929 standards of living; and that war-devastated areas like Western Europe and Japan had better concentrate on agriculture and mining coal because they would probably need to ration basic materials and foodstuffs (and certainly luxury foods like butter) for the rest of the century. It was said that bureaucratic controls were needed to ensure fair distribution of supplies, and when West Germany dashed for freedom from some controls at the time of its deflationary currency reform in 1948 there were wide forecasts of misery, starvation and chaos.

Instead, continental Europe—led by West Germany—went into its fastest boom, marred mainly by wastefully rising mountains of unsalable butter. Across the world, Japan went into even faster boom, especially after it closed all its loss-making coal mines down. Although the victorious nations did slightly less well than the vanquished ones, real gross world product quadrupled during 1945–75. The soldiers demobilized after Hitler's and Tojo's war doughtily added, during this brief main quarter-century of their civilian working lives, three times as much to the world's productive power as had been added in all the previous millennia of man's history. By the late 1960s they therefore self-satisfiedly felt that they had passed on a rather good legacy to their by now teenage children, especially in the richer and freer countries.

Unfortunately, especially in the richer and freer countries, those teenage children were by the late 1960s in noisy revolt. They said they had been handed a world that was mortally dangerous, insufficiently compassionate, unspeakably boring and vulgarly materialistic. The only moderately successful legacy from their parents, they said, was the conquest of unemployment—which would always be easy but was of little use if people had unsatisfying jobs.

In 1974, amid much greater dissatisfaction, a decade and a half of high unemployment began.