THE GREAT BOOM 1950-2000

HOW A GENERATION OF AMERICANS CREATED THE WORLD'S MOST PROSPEROUS SOCIETY

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Begin Reading

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With Love and Gratitude

I do not mean that there is any lack of wealthy individuals in the United States; know of no country, indeed, where the love of money has taken stronger hold on th affections of men and where a pro-founder contempt is expressed for the theory o the permanent equality of property. But wealth circulates with inconceivabl rapidity and experience shows that it is rare to find two succeeding generations i the full enjoyment of it.

–Alexis de Tocqueville, 183

Sixty years ago there were no great fortunes in America, few large fortunes, n poverty. Now there is some poverty (though only in a few places can it be calle pauperism), many large fortunes, and a greater number of gigantic fortunes than an other country in the world. ... One may surmise that the equality of materi conditions, almost universal in the last century, still general sixty years ago, wi more and more diminish by the growth of the very rich class at one end of the lin and of a very poor class at the other end.

–Lord James Bryce, 189

Since the New Deal and the 1930s there has been a revolutionary development in th technology of industry and in the fiscal policy and social doctrine of government The assumption of reformers from Theodore Roosevelt through Woodrow Wilson t Franklin Roosevelt was that the poor could be raised up only by a redistribution o wealth. The basic assumption of the pre-war reformers is being dissolved. We hav come into an era when the class struggle, as Marx described it a hundred years ag has been overtaken by events.

–Walter Lippmann, 196

PROLOGUE

The Great Boom opens by discussing how Americans came out of World War II with dream plans, and hopes, but few optimistic expectations. How did Americans who in 1945 imagine their futures might not be particularly bright come to accomplish so much during the ensuin fifty-plus years? Their children were able to build upon strong economic foundation although some rejected their parents' goals; but in general, they too succeeded in realizin similar ambitions and, from their own experiences, learned not to attempt to dictate th scenarios for their children's lives. The grandchildren of the World War II GIs are now th junior managers and Internet entrepreneurs, and are starting to make headlines in th business and political press. They are not yet on the national scene—that is the role the parents still fill. After all, as these words are being written, George W. Bush, the son, not th grandson, of the former president, who is a World War II veteran, is being considered for th GOP presidential nomination. But their turns will arrive. And when they do come onto th national stage, their ambitions, goals, and styles are likely to differ from those of the parents. But not wholly.

It is important to remember that the world was not born *de novo* with the coming of peac in 1945; the GI generation had to make do with what they found when they returned hom Alterations in the social and economic fabric before and since took place, and there wer many changes in their lives and the country. Often these arrived in unanticipated ways, an doubtless other changes will do so into the new millennium. The continuities in the lives o individuals and societies are as important as the shifts.

Americans did not enter a bright new world in 1945 or return to the tarnished one the recalled when World War II began, whether they dated back to the fighting in China in th 1930s, in Europe in 1939, or to the attack on Pearl Harbor on December 7, 1941. In man ways these new veterans and other survivors of the war retained the values that had prove useful during military service, while picking up where they left off when the war started t affect their lives. Nor did the shifts in their viewpoints and values that occurred in this perio come to a discernable end decades later. The heritage of these people lives on in th influences they had on their offspring. So their legacy continues to affect all of us, as well a those to come.

The persistence of those experiences and the values they inculcated in the populatio became more obvious toward the end of the 1990s. The popularity of two recent World Wa II films, *Saving Private Ryan* and *The Thin Red Line*, the best-seller status of Tom Brokaw's *Th Greatest Generation*, the revival of swing dancing, and re-enactments of World War II battle in various parts of the country, akin to those of Civil War encounters, indicate that this ag continues to live in the imaginations of individuals born well after World War II had ende And this has become even more evident in recent years, as President Clinton's impeachmen "crisis" and the maxims that were drawn from it have become topics of wide nation concern. Many have noted the differences between the moral tone of the Clinton presidenc and most of those that preceded it.

For me, the planning, research, and writing of this book was a pilgrimage. *The Great Boo* is, in varying ways, an autobiographical work. I have vivid memories of the war and pos

World War II period. I knew GIs who emerged from the war. I attended college with then and shared their hopes, fears, and aspirations. Their children and grandchildren were in m classes at Hofstra University, and I have kept in touch with many of them over the years. feel as though I know them very well indeed.

A few months after V-E Day, then a teenager playing stickball in the streets of the Bronx, was approached by a young sailor on his way home. He had a duffel bag slung across his bac and a wide smile on his face. That sailor—he seemed to be my age—beckoned. Would I c him a favor? Of course. We walked together to a nearby house, and he asked me to stand front of the door and ring the bell. I did so, and in a minute a young woman appeared. Sh looked somewhat disappointed at seeing me. Clearly she had been expecting someone els With this, the sailor popped out from behind a bush and the two of them grinned widely one another, followed by the most angelic smiles I have ever seen. The sailor then thanke me and offered me a quarter, obviously to pay for the service I had performed. "I can't tak anything from you," I blurted. I returned the coin and started to cry. From the look on h face I think he knew why. At least I hope he did. I owed him and millions of others like hi so much. I have never lost that feeling. I walked away and went home. It was not the tim for stickball.

One more story: In 1957, I was hired as an instructor at Hofstra College on Long Islan and my wife and I were ready to purchase a house. I insisted on looking at Levittown, and w bought what was advertised as a two-bedroom ranch home there for $10,500. We were th second owners. The people from whom we purchased the house had a GI mortgage, which w assumed; and the monthly payment, including taxes, came to less than $100. My wife and ou parents were delighted. It was a good buy, they said. I felt the same, but for differen reasons. We would be living in a house that had been occupied by a World War II vetera and I would have an important connection with people to whom I and my generation owe so much.

As it happened, I was to remain at Hofstra until retirement forty-one years later, but time we moved from Levittown. I occasionally drive past that house, to recall what it mea to me in the 1950s. Over this period I instructed former GIs and Korean War veterans (whom I was one), followed by the baby boomers and then their children—three generation from the 1950s to the end of the twentieth century. I have vivid memories of all of this, som of which have spilled over into the narrative you are about to read.

But despite such experiences, this is decidedly not a personal narrative, but rather what hope is a serious and objective study of a protean period in the history of the United State and the world.

These words are being written at a time when the American economy has been performin well, the securities markets continue on to new highs on a regular basis, and the worl marvels at the successes racked up by the American version of free-enterprise capitalism. Th euro has now become the currency of much of continental Europe, but in real terms th dollar remains the preferred money for international dealings. Those fearing for their futur squirrel dollars away, in the sure knowledge that while other currencies may decline in valu the dollar will always be accepted anywhere in the world. OPEC has long conducted i petroleum business in terms of dollars, and a wide band of countries have adopted curren boards, the closest thing possible to a dollar-standard. At one time currencies were n trusted unless they were freely convertible into gold at a specific rate. Now the dollar fills th role once played by gold. And all this a half century after World War II and at the end of th first decade of victory in the Cold War.

Many Americans have benefited economically from the Great Boom. So has the nation as whole. (For that matter, so has the world.) Problems remain today, but these are striking different from those of the immediate postwar period. Writing during the stock market boo of the late 1990s, *New York Times* reporter Peter Applebome noted that "until recently, tru wealth for most Americans seemed as distant as Bombay." Applebome continued, writing th "almost half of American households now own stock either directly or through pension retirement plans, compared to less than a third at the beginning of the decade and less tha one in ten in the 1960s." Thus, Applebome indicates that his original comment was not qui accurate. But is this so? The effect of the bull market, he suggests, has made "millio wealthy and millions more think they should be." Even so, if we factor out homeownership, out of 5 households have more debt than assets.

Author Robert Frank, in his *Luxury Fever* (1999), reports that half of the respondents to questionnaire claimed to have savings of less than $3,000, and that another 40 perce thought it would be a "big problem" to pay an unexpected bill of $1,000. According to h calculations (the methodology and categorizations are not discussed in any meaningf detail), 1 out of 7 Americans falls into the category of "poverty." If this is actually so, ho can one justify the theme of this book and the suggestions made by Apple-borne? This matt will be addressed in the pages that follow. The underlying thesis of this book, stated simpl is that few Americans of the mid-1940s expected to become wealthy enough to pay off th mortgage on a fairly modest home, take vacations overseas, send their offspring to priva colleges, retire to a sunny spot in the South, or leave behind a meaningful financial packa for their children and grandchildren.

What do those people see when they look back to that period and consider the accomplishments and those of the country? At the dawn of the new millennium, the Americ people face a central question born of the great boom of the postwar period: how to adjust the fact that many have been quite successful economically and professionally over the pa half century. This was due to their own innate qualities, their hard work, good fortune, ar the nature of the economy. Others have not been so fortunate. Do the former owe a debt any kind to the latter? Former Commerce Secretary Peter Peterson, in *Gray Dawn* (1999), ar others have suggested that the wealthy should forgo government pension benefits since the really don't need them. Perhaps so economically, but the prospect of the governme reneging on its contracts is not particularly pleasing. Also, why let it go at that? Why n confiscate private pensions, and private wealth? This is not about to happen, but this is whe such thoughts logically lead.

The economically successful Americans have become accustomed to the reality that in free society some will wind up ahead and others will fall behind. The price of success for th society as a whole may be the failure of some of its members. One response would be ignore them, but that is not likely to happen given the American penchant for charity ar philanthropy. Even so, this is a sensitive matter that sets off economic, social, racial, ar generational conflicts.

Finally, it is not impossible to imagine that the problem may one day resolve itse through the workings of the new Internet economy, alterations in value system demographic changes, and other, perhaps unimaginable, changes that await Wester civilization in the years to come.

It has been a fascinating journey, from the end of World War II to the post–Cold Wa period, from the time when I was a high school student to my retirement from teaching ar my granddaughters entering preschool. One can only imagine that the most interesting yea are ahead.

Robert Sob
May 199

INTRODUCTION

All history can show no more portentous economic phenomenon than today's American market. It is colossal, soaking up half the world's steel and oil and three-fourths of its cars and appliances. The whole world fears it and is baffled by it. Let U.S. industry slip 5 percent, and waves of apprehension sweep through foreign chancelleries. Let U.S. consumer spending lag even half as much, and the most eminent economists anxiously read the omens. The whole world also marvels at and envies this market. It is enabling Americans to raise their standard of living every year while other countries have trouble in maintaining theirs. And of course the whole world wants to get in on it. For it still can punish the incompetent and inefficient, and still reward handsomely the skillful, efficient, and daring.

–*Fortune*, June 1953

In recent years, a great deal of attention has been paid to the disparity of incomes and weal in the United States between the very rich and the abject poor. While some of the figur employed by the pundits are suspect, it would appear, from reading and observation, that large gap between the economic winners and losers truly does exist. On the one hand, there the class of Americans financially capable of enrolling their children in private schoo purchasing expensive automobiles, going on costly vacations, and investing in Internet stock while on the other are the homeless and others who are the failures in the race for econom security. There are insufficient estate planners who have the requisite credentials and recor of success to satisfy the requirements of the wealthy, and there is a shortage of soci workers who cater to the needs of the abjectly poor (and a lack of public funds to pay them In between these extremes lies the majority of the population, which does not require th services of either social workers or estate planners.

As far as the man or woman in the street is concerned, there are many more wretched poor than financially comfortable Americans. They are seen on the streets of the cities, ar they are the subjects of television specials. Politicians discuss programs geared to end th cycle of poverty, which is considered one of the most pressing problems facing the America people. But the experts are usually wrong in their estimates of just how many poor peop exist in America, largely due to the matter of definition. They have an inflated impressio because they assume all poor people are alike, and that all require assistance fro government. We know about the homeless who gather at soup kitchens and who hav attracted the attention of private and public institutions. The so-called working poor hadn entered the public consciousness until fairly recently. What, if anything, should be done abo them?

In recent years a body of opinion has appeared that holds that the persistence of poverty partially a result of the well-meaning but misbegotten programs meant to alleviate povert but that in effect actually do the opposite. In addition, there is the deeply felt conviction o the part of others that the poor have only themselves to blame for their circumstances, that they would take advantage of opportunities offered by a friendly society and governmen they could migrate into the middle class. As it is, their failure to do so is a source of regr and, more important, shame. As author Edward Luttwak suggests, "Living in a country that s greatly respects and admires high-earning winners, losers find it hard to preserve sel esteem."

Understandably, much less attention has been paid to wealthy Americans. How many o them are there? Start out by realizing that if one takes pension benefits and other income in account, there are many more than is imagined. A recent book by Thomas Stanley an William Danko, *The Millionaire Next Door* (1998), was a long-term best-seller. It was followe by Richard McKenzie and Dwight Lee's *Getting Rich in America: 8 Simple Rules for Building Fortune and a Satisfying Life* (1999). The authors claim that one's background doesn't matte when it comes to amassing wealth, blithely saying, "In fact, it is relatively easy." The autho write, "Most people want to get rich so they can have a good life. But, if anything, thing work the opposite. If you lead a good life—a responsible life—and put in productive effor then you'll get rich." The methods are quite simple: study, work hard, be honest, forthrigh faithful, and frugal. In addition, get and stay married and "resist temptation." The autho came up with some curious statistics. If at the age of eighteen a would-be millionaire cut bac $1.50 per day on alcohol, soft drinks, and junk food, by the time he or she retired, th savings would amount to $290,363 (if the money were invested to return 8 percent over th years).

Perhaps this is the place to reiterate that most statistics of this nature, some of which wi appear in this book, have to be taken with several grains of salt. But what about th observation by a *New York Times* reporter who in December 1998 noted that "in 1998, 30 families bought houses in Westchester that cost $1 million or more. That's a 50 percent jum from 1997, and testimony to the American economy's capacity to churn out affluent peop like so many assembly-line Cadillacs." For that $1 million, a broker noted, the buyer migh expect a five-bedroom, three-bathroom, one-car-garage home in Bronxville on less than on quarter of an acre, without a swimming pool. "If you want a mansion," she added, "you' looking at $2.5 million."

Who can afford such homes? "The recently enriched," was her reply. "The houses the ne rich pine for are taken by the older rich. When one does become available, there are plent of unabashedly young tycoons to put in bids, ratcheting up prices."

Who are those older rich? Often a husband and wife whose children fled the coop sever years ago and who are now grandparents many times over. Where did their money com from? That million-dollar home might have set them back $125,000 in the late 1950s, and th down payment for it might have been obtained from the sale of a small tract house purchase ten years earlier, and savings from a job the husband obtained after graduating from colleg which he attended by virtue of the GI Bill of Rights. With degree in hand, he found work o opened a professional practice, perhaps moved on to other jobs, saved when he could, an then invested part of his savings in the stock market.

Several scholars have claimed that the number of millionaires in America today, abse

those pensions and other benefits, is in the neighborhood of 50,000 to 100,000. But in 1984
Palo Alto investment firm, Thompson Tuckman Anderson, estimated that there were 15,28
millionaires living in the northern third of Silicon Valley alone. Apparently what that firm d
was to calculate the value of the stocks and options owned by individuals who worked for th
electronics firms in the area, and went on to note that "Silicon Valley represents the greate
concentration of new wealth in the United States." Probably true, but it is also the case th
such individuals, had they attempted to sell their holdings and "go liquid," would realize le
than that magic million-dollar level due to lack of liquidity and the bite of capital gains taxe

In any case, the number must be much larger today, especially if one takes into account th value of education and training, which, in the nature of things, does not find its way on balance sheets and into brokerage accounts. There must be many thousands of surgeons wh already possess the training and professional relationships to earn close to a million dollars so each year by plying their craft. The entrepreneur whose company issued stock in an initi public offering, which came out at $15 and within a couple of days was selling for $5 cannot judge his wealth by multiplying the number of shares he still owns by the curre market price, yet this exercise is now performed regularly by financial journalists.

Students of such matters often present figures for wealth and incomes as though they a interchangeable. But the figures for wealth put together by government agencies an concocted by journalists are questionable. The reader might ask himself or herself how th government, or anyone else for that matter, knows how wealthy he or she is? And how do one tote up wealth? Placing a dollar value on salable skills, such as those of the surgeons, has been noted, is quite difficult.

Income is another matter. In 1995 the Census Bureau estimated that 6.3 percent of th nation's families were in the $100,000-and-above bracket. Adjusting for inflation, this wa approximately three times as many as there had been a quarter of a century ago. This do not mean, however, that the family remained the same as it was then. Indeed, 4 out of 5 those families are comprised of multiple earners. Even so, the bureau disclosed that 2 million men and 300,000 women had received six-digit remuneration in 1995. These ran include individuals not thought of as wealthy a generation or so ago. Managers of fast-fo operations, airline pilots, and high school teachers about to retire fall into that categor along with the vast majority of doctors. Some 250,000 lawyers are in the $100,000-an above category. Simply stated, $100,000 isn't what it used to be. Nor is $1 million. In 199 more than 68,000 tax returns were for family units with more than $1 million in income.

There must be hundreds, perhaps thousands, of millionaires who are unaware of the status. They don't take the trouble to tote up their assets and subtract liabilities, to determi their net worth. One of these, a colleague of mine at Hofstra University, informed me a fe years back that he intended to purchase an automobile, a used vehicle of course, since th had always been his style. When I replied that one as wealthy as he could certainly afford new model, he protested. "I'm not wealthy," was his rejoinder. A few days later, after he ha gathered all of his papers for my perusal, I demonstrated that, taking into account h forthcoming pension (to which he had been contributing for more than twenty years), alo with the value of his home and investments, he was worth more than $1 million. He wa both surprised and puzzled. "I had no idea," he said, "but I still lack the twenty thousa dollars or so in liquid assets to buy a new car for cash." There is one more factor to conside

My friend was a professor of economics. One must wonder what went on in his classes.

This book is written with that professor (now happily retired, driving a used Taurus) mind. It begins with a study of Americans like him (perhaps his parents), who at the end World War II expected to have lives of relative penury. Instead they became wealth wealthier in fact that any previous generation in history, and did so in an almo absentminded fashion. This was the generation, in the words of Franklin D. Roosevelt taking office, that had “a rendezvous with destiny.” Such was not what the President had mind in 1933, of course, but that appointment was kept more than once; it is chronicled the first few chapters of this book, and referred to throughout the subsequent chapters.

How did this come about? Those expecting to read here about the growth of the America economy in the past half century may be disappointed, although the subject is covered in oblique fashion. Rather, I have chosen to concentrate on the entrepreneurial vehicles create and developed in this period that were employed in the creation of wealth for America whose horizons in the 1940s were quite limited. Later, some of them would apologize to the children and grandchildren about the kind of world they were leaving them. The litany the cite includes fears of atomic conflagrations followed by nuclear winters, environment pollution, fallout shelters, racism, sexism, the Korean Conflict and Vietnam War, glob warming, population growth, support of dictatorial regimes, insufficient health care, th devaluation of education, the list goes on, from people who apparently never tire of findir fault with what they have accomplished—and failed to achieve. Some members of th generation were surprised when in the 1960s they discovered that their progeny did n appreciate either their values or their accomplishments. In any case, this book represents attempt to present the other side of the ledger.

Where did all of this wealth come from?

First of all, education. This was the best-educated generation in American history. Mo attended college than ever before, and did so at a time when college educations were f more rigorous than they are today. As one who has been involved with higher education, student and professor, for more than half a century, I can attest to the verity that freshma courses of the 1950s were comparable to advanced ones today, and current freshman cours in such subjects as English and history are on the same level as high school courses of th earlier period. Nor is this conclusion based solely on my own experience, but rather discussions with colleagues from all parts of the country, who teach or have taught in colleg ranging from the highly selective to those with virtually open admissions policies. Th educations received by students in the 1950s and 1960s prepared them for a business an professional world in which they could succeed, and provided them with the analytical ski necessary to continue their educations long after they left the classrooms. This matter will discussed in some detail later on.

Next in importance in creating their wealth was the investment that was at the time n perceived as such: their homes. Homeowning became more affordable during this period th ever before. Over time the purchasers came to look upon their homes as investments as we as abodes, but that derived from experience, not intent. At first they simply want affordable, decent homes, something many of them had not known before the war. Hous purchased for $12,000 in the early 1950s might have been sold for $120,000 or more two three decades later. By the late 1990s, homeowners were being informed by realtors like th

one in Westchester County or her counterpart in the Silicon Valley that the golden age ha
ended. One advertisement carried the baleful news: "For 1998 we can expect increases
home prices on the order of only 5 percent." Not bad for a couple purchasing a $150,00
home with a $110,000 mortgage, intending to remain there for a decade or more. Do th
arithmetic and you'll see what I mean.

Those World War II veterans, armed with diplomas, found their places in an economy th
was far more exuberant than they had been led to believe it would be. They soon becam
trainees at a time when the ailing corporations of the 1930s, energized during World War
and still converting from their wartime roles, had jobs to fill. In the 1950s, they wou
confront a teacher shortage in the burgeoning public schools, awash with babies born in th
"Great Boom" of the late 1940s and early 1950s. So those who opted for teaching caree
would enter the job market at the best time in history. The veterans and others in the
cohort who attended graduate and professional schools, which soon would unleash waves
lawyers and doctors upon the nation, did so when demands for their services were high an
remuneration excellent. Many became salesmen at a time when the consumer culture wa
making its mark, assisted along the way with credit cards. New industries were developing o
a regular basis, and these required personnel. A goodly percentage of them came from th
ranks of those veterans.

And a sizable number became involved with the securities markets. As recently as the la
1940s it appeared that most Americans intended to avoid investing in the stock marke
Memories of the 1929 Crash and its aftermath did not die easily. Despite a now forgotte
stock market boom in the 1933–1936 period, few Americans were drawn to stocks. Th
prosperity of wartime America had no impact on sales of securities. Nor did the failure of th
nation to fall into anew depression after the war soften such attitudes.

By the early 1950s, however, the generalized prosperity could no longer be ignored, an
the effects were felt in several ways. First of all, more middle-class Americans were becomi
open to the idea of investments. Next, aware of the need for salesmen to service this ne
population, stock brokerage expanded, though in ways that would have astounded th
brokers of the 1920s. Since a new generation of investors required a new approach, this wa
provided by such rising revolutionaries (a term not used lightly) as Charles Merrill at th
brokerage firms and Keith Funston at the New York Stock Exchange.

As important as these "salesmen" were, in time another factor—mutual funds—wou
prove even more consequential. First came the "load funds" that were sold by armies of par
time salesmen who received commissions on each placement. Then the so-called no-loa
funds, offered by such companies as Fidelity, T. Rowe Price, Vanguard, Scudder, and other
became even more significant. Whatever their provenance, mutual funds emerged a
compelling investment vehicles for a new generation prepared to enter the investme
market. Thus, the new interest in securities affected several large groups of wealth-seeker
salesmen, analysts, managers, and traders at the funds and investment banks; investme
bankers taking new companies to market as well as servicing the old ones to provi
"product" for customers; the customers themselves; and a wide variety of support personnel

At the same time, major changes were taking place in the area of employee compensatio
Onerous tax laws led company executives to seek remuneration that was "off the books." Th
included first-class expense-account treatment on business trips and the use of corpora

assets such as vacation lodges and automobiles. More important were the granting of optio
to purchase corporate stock at preferred prices, retirement packages, employment buyout
and other devices that imaginative accountants thought up in this period to attract and ho
managements.

For their part, workers received their share of the pie in the form of retirement plans their own, as the term coined in the 1950s by management consultant Peter Drucke "pension plan socialism," took root in large and small companies alike. Through the vehic of 401(k) plans, American workers were assured of comfortable if not lavish retirement while self-employed workers might take out Keogh plans to accomplish similar objective The government made it possible for almost all to have individual retirement accoun (IRAs), which added to the mix. In 1945 the more prescient workers realized that Soci Security checks would provide no more than a fraction of what would be needed for comfortable life after retirement, and knew that they had to save for that stage of their live This awareness was the unspoken factor that motivated much of what Americans did in th way of wealth creation during the second half of the twentieth century.

Such was the case into the late 1960s, a period marked by political unrest related to th civil rights movement and the Vietnam War, but during which economic prosperi continued. Then, in 1973, the Organization of Petroleum Exporting Countries (OPEC) fir started to raise the price of petroleum, then embargoed the United States, and followed wi further price increases. That set off a period of dislocation, which brought an end to some the wealth-producing elements of the 1950s and 1960s, shook up the securities markets, an marked the beginning of the troubling era of "stagflation" (economic stagnation combine with high inflation). Americans who clung to the old ways of creating wealth suffered, bu those capable of adjusting to the new dispensation profited greatly.

Two relatively small but significant groups did not overly concern themselves with th creation of wealth. One because of family inheritances, the other because their person values did not place a premium on wealth. In the past, inherited wealth formed the bulk the wealthy of the next generation. Such was not the case after World War II; ma entrepreneurial newcomers were able to enter the ranks of the rich because the existence new industries and buoyant real estate and securities markets now provided abunda opportunities.

The second group emerged out of what originally was known as the "New Left." Som became part of the "Beat Generation" and went through other incarnations in the 1960s an beyond. These dropouts dismissed America's "materialist culture," in favor of lifestyles th they considered more spiritual or communal.

As these words are being written, many pundits seem to believe that America—and perha the world—is on the edge of a social and economic change on the magnitude of the Industri Revolution, involving electronics, computers, and telecommunications. Whether this is so whether those sages are confusing a turn in the road with something entirely new remains be seen. In any case, I have elected to treat this matter separately so the reader can trace th origins of electronics and computers, when both appeared at the very beginning of the pos World War II period and then seemed more like science fiction than the stirrings of a ne society. The implications of these developments are considered toward the end of the boo as a prelude to a new way of living. The people involved are not entirely part of the "Gre

Boom" during which Americans finally cast off the doubts and fears inherited from the 1930 but they do embody the shape of the new ways that have little reference to the old.

In July 1945, scientist Vannevar Bush, who had been instrumental in the creation of th atomic bomb, sent a long report to President Harry Truman urging him to plan for a aggressive governmental role in promoting scientific research after the war. "It has been bas United States policy that Government should foster the opening of new frontiers," said Bus "It opened the seas to clipper ships and furnished land for pioneers. Although these frontie have more or less disappeared, the frontier of science remains."

If the sages, including Bush, are correct in their analysis, the grandchildren of th servicemen and -women who had memories of massive unemployment, military servi against the Germans and Japanese, and the dropping of the atomic bombs will create a ne kind of civilization in which the past truly is a prelude, but perhaps nothing more than tha bearing as much relevance to the economy and possibilities of the twenty-first century a does the Homestead Act of more than a century ago to the present.

One final note: The path to success that existed half a century ago remains, but to it hav been added other passages. Indeed, there are so many routes to wealth and success today th it is not possible to list them all. The securities markets, once ancillary to housing, represe one such route. Because of the successes of parents and grandparents, today's young peop may one day inherit more than they realize. They very likely will live longer, and have mo years to save and invest money—in their IRAs, Keoghs, and 401(k) plans, among others. W their lives be better, or richer, or more satisfying? Who can measure such things? When asked a World War II veteran about this, he spoke for a while about his grandchildren, who lives were so much easier than his had been. And then he added, "I wouldn't trade m yesterdays for their tomorrows." After a moment, he smiled and said, "That isn't an origin thought, you know. I read it somewhere." Original or not, I had no doubt of his sincerity. B it does provide something to ponder as you read about how a generation of enterprisi Americans created and dealt with the "Great Boom" of the second half of the twentie century.

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COMING HOME: A TIME OF DESPAIR AND HOPE

> **Turn from the war, to the postwar future. I think of the fearful men in the high places of economic power who are frightened at the thought of peace, and the cynical men who are starting to say that there is no right to full employment in any society. I think of the near certainty that our powerful industrial leaders will have learned nothing at the end of this war, and that like the fabulous lemmings of Norway they will march into the sea of economic chaos, moved as by some tropism to seek destruction; different, however, from the lemmings in that they carry with them the economic destiny of a whole people.**
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> **–Max Lerner, "The Human Condition: 1944," *PM*, August 1, 1944**

One of the most articulate and popular journalists and academics of mid-twentieth-centur America, Max Lerner was a passionate New Dealer who, when World War II broke out, wa teaching at Williams College and writing articles for a wide variety of newspapers ar magazines. Invited to become a columnist at the liberal New York newspaper *PM*, Lerne accepted the assignment, commenting on the war, home front, politics, and anything else th struck his fancy.

After the successful D-Day invasion of Europe on June 6, 1944, Lerner's thoughts turned t the peace that soon was to come. While welcoming the impending end of the war, Lerner wa not optimistic at the prospect. The arithmetic of the situation was compelling. It indicate that the bad times of the late 1930s would soon return. Lerner wrote:

> Today there are some 65,000,000 Americans fighting and working—roughly 10,000,000 in the armed forces, roughly 55,000,000 in all forms of industry and agriculture. This compares with about 45,000,000 in 1939. The difference is 20,000,000. Take off 5,000,000 for the women who will not want jobs after the war and for a standing Army. That still leaves 15,000,000—a figure comparable with the unemployment at the depth of the depression.

The thought was neither new nor original.

Lerner's apprehensions echoed those of many New Dealers during the late 1930s, when ta of an end to federal programs that created jobs sparked rejoinders that discontinuing such policy would return the country to the sorry state it had been in prior to the New Deal.

A Bleak Past and Bleaker Future

At the time there was a generalized lack of confidence in what passed for free enterpris more particularly, in the economy's ability to right itself without programs inspired b intellectuals from New York and other centers of abstract thought, and then implemented b Washington bureaucrats. In advanced intellectual circles it was modish to believe that th country could be saved only by an American version of what once had been hailed as th "Mussolini Miracle" of Italy, before opinion turned against the Italian dictator following h alliance with Adolf Hitler.

This was understandable, given the severity of the Great Depression and the perceive successes of the New Deal, and to be anticipated, for during the 1930s the death knell fo capitalism was being sounded throughout the world. In 1937 President Roosevelt spoke of nation in which one-third of the population was ill-housed, ill-clad, and ill-nourished. Th situation hadn't changed much at the time World War II erupted two years later, when th unemployment rate was more than 17 percent. According to the 1940 census, whic calculated earnings on the basis of wages and salaries alone and excluded returns fro investments, 70 percent of the American people fell into the Census Bureau's category "earnings poverty."[1] In 1938 presidential adviser Adolf A. Berle, Jr., spoke of the "obviou financial and industrial crisis which is plainly indicated within the next few years." Th following year another adviser, Harry Hopkins, said, "With twelve million unemployed w are socially bankrupt and politically unstable. This country cannot continue as a democrac with ten million or twelve million unemployed. It just can't be done." Then came the war an the end of unemployment its replacement being widespread labor shortages. But the idea capitalism's dead end had not died. Would those predictions come true once the war ended?

This is not to suggest—as it was later on—that the Roosevelt Administration welcome entry into the war as a solution to the problems of unemployment and depression. Even s the thought was not completely alien to some. At Princeton in 1936 a group of studen organized what they called Veterans of Future Wars, which attempted to obtain a feder bonus of $1,000 for each of the 15 million Americans bound to serve during such a conflic Lewis Gorin, Jr., a Princeton senior, its first national commander, later wrote *Prepa Patriotism*, in which he said that the bonus should be paid before the World War veteran squeezed the country dry with their demands for bonuses. The movement gathered tens thousands of members on campuses throughout the country, and soon there was an auxiliar organization, the Association of Future Gold Star Mothers, which demanded government-pa trips to Europe during the next war so they could visit the graves of their sons who would d in combat. Another student organization, Future Profiteers, demanded advances on wa contracts. It was a short-lived movement, however, falling apart with the arrival of the 193 presidential election. It should be noted that most members eventually did serve in the arme forces during World War II.[2]

There were other reasons to expect bad times ahead, and not only for the short ru Demography seemed to dictate decline. In a 1943 article dealing with postwar expectation the editors of *Fortune* stated that "unless the economic, social, and cultural structure of th nation undergoes great postwar changes, the birth rate will recommence its downhill trend which had begun in the nineteenth century and continued, with interruptions, into the 1930

A 1938 poll indicated that 79 percent of American women were in favor of birth control, wi
3 out of 4 giving the reason as "family income," or, to be more precise, the lack of same. Th
Fortune writer concluded that the American impulse to limit births, which would becom
permanent, would add to economic problems:

> It has always been assumed in this country that an increasing population was not only normal but desirable. Now that the U.S. is faced with the leveling off of the population and the possibility of numerical decline, we must look ahead to the social, political, and economic effects implicit in those changes, and try to decide how to meet them. If the population should become stationary, capital investments, industry, and business could no longer be founded on numerical growth: they would have to be based on conservation and improvement rather than expansion, on quality rather than quantity. A stationery population or a somewhat smaller population would not necessarily be dangerous to the country's economic and social life so long as we took cognizance of it and adjusted our life to it.

The writer suggested that because of the expected population decline, it would becom
necessary for aged workers to remain on the job longer than anticipated. Ewen Clague of th
Social Security Board recommended retraining working men and women at around the age o
forty-five for jobs they might hold in their old age. *Fortune* concluded that by 1980 more tha
half of American voters would be more than forty-five years old, and would deman
additional benefits from Social Security, and perhaps even government-provided medic
care. How could the anticipated stagnant postwar economy deal with such matters?

Max Lerner and *Fortune* were not alone in their forebodings. University of New Mexic
president J. Philip Wernette, who had been trained in economics; predicted:

> Immediately after the war there will be a brief restocking period, when business and employment will be fairly good. When the restocking stimulus has spent its force, however, the outlook for the decades ahead is for continuous, chronic world depression, broken by occasional periods of severe depression. That is what we may expect, unless something is done to prevent it.

Alvin Hansen, a leading Keynesian economist, was troubled by the same forces h
perceived in the economy and society as a whole. In his popular book *After the War, Fu
Employment* (1943), Hanson argued:

> When the war is over, the Government cannot just disband the Army, close down munitions factories, stop building ships, and remove all economic controls. We want an orderly program of demobilization and reconstruction. The government cannot escape responsibility.

Paul Samuelson, soon to become the country's best-known academic economist by virtue o
his highly popular textbook, agreed, predicting a major depression unless the governme
acted to stimulate the economy, and other experts took up the cry. As with Lerne
Samuelson's reasoning was based on experiences following the end of World War I and the

the coming of the Great Depression:

> The final conclusion to be drawn from our experience at the end of the last war is inescapable. Were the war to end suddenly within the next six months, were we again planlessly to wind up our war effort in the greatest haste, to demobilize our armed forces, to liquidate price controls, to shift from astronomical deficits to even the larger deficits of the thirties—then there would be ushered in the greatest period of unemployment and industrial dislocation which any economy has ever faced.

The war was over within two years, not six months. The transition to a peacetime econom was both swift and chaotic; even before the Japanese surrendered, a large number consumer items were freed from the price controls imposed during the war, and Washingt canceled many contracts for ordnance, including 30 percent of those for aircraft. In mid-194 with the war over, meat, butter, and tire rationing ended and additional products were free from War Production Board controls. The armed forces were soon demobilized. On V-J Da there were more than 12 million men and women on active duty. Two years later, th number had been reduced to 1.5 million. Within the defense-oriented sectors of the econom the job loss was 2.6 million. The GNP declined by 1.6 percent from 1945 to 1946. Th government conducted the largest surplus property sale in history, as factories were dispose of at 20 percent of cost.

Economic decline was the gospel during the immediate postwar period. It even found i way into the college textbooks. One of the most popular of the time, *An American Histo* (1950) by the noted historians Merle Curti, Richard Shryock, Thomas Cochran, and Fre Harrington, informed freshman American history students that major economic problem were occurring as the servicemen were being discharged:

> Even at home, all was not well. Prosperity appeared to depend in substantial part on exports for which foreign countries could not pay; and on an armament program which increased an already staggering tax burden. The individualism and the opportunity of an earlier America seemed to have faded; and some felt that the United States had suddenly grown old. Predictions of disaster were common, and despair became fashionable in intellectual circles. No longer did Americans speak of the inevitability of progress. Rather they talked of a confused and uncertain future.

Almost half a century later, former *Economist* analyst and Englishman-turned-Americ Michael Elliot wrote what by then had become the standard view of the situation at the en of the war.

> When the war in Europe started in 1939, America was struggling, battered and bruised, from an economic recession that was far deeper and more wounding than anything known in Europe. … At the end of World War II, by contrast, America bestrode the narrow world like a colossus. Its military machine, enjoying scientific and technological advances far beyond those available to any other fighting men, had won two wars, each a wide ocean away from home. On the twin rocks of its economic and military might, America then built a society which was the envy of the world—a society in which

ordinary working people could enjoy a standard of living, with spacious homes and modern appliances, beyond the dreams of those in other nations. The outside world was kept at bay, like children pressing their noses to the panes of a party to which they have not been invited.

How could those seers at the end of World War II have been so wrong? Put it down to th mindset developed during the Great Depression and sustained throughout the war. How cou they have failed to perceive the strengths the nation possessed, such as the activities of th returned veterans, a key element in the prosperity that would mark the scene in post–Worl War America?

The arithmetic that led the pundits to anticipate a depression was compelling an convincing. Absent massive federal public-works programs larger than anything attempted the 1930s, the United States would sink back into depression. Samuelson was convinced th "peacetime prosperity could be assured only if the slack left by business investment an expenditures could be taken up by government expenditures."

Before the war, Samuelson had been an ardent New Dealer, and his highly successf textbook reflected his beliefs in the wisdom of government intervention in the econom Later, in the 1960s, he would argue for a major government role even when all was goin well with the private sector. Not so historian Richard Hofstadter, generally categorized as moderate who, unlike Samuelson, did not offer prescriptions for reform or play a politic role. Writing in *The American Political Tradition and the Men Who Made It* (1948), which lik Samuelson's economics textbook became a best-seller in the late 1940s and afterward Hofstadter started by stating, "Since Americans have recently found it more comfortable t see where they have been than to think of where they are going, their state of mind ha become increasingly passive and speculative."

Hofstadter also wrote:

> An awareness of history is always a part of any culturally alert national life; but I believe that what underlies this overpowering nostalgia of the past fifteen years is a feeling of insecurity. The two world wars, unstable booms, and the abysmal depression of our time have profoundly shaken national confidence in the future. During the boom of the twenties it was commonly taken for granted that the happy days could run on into an indefinite future; today there are few who do not assume just as surely the coming of another severe economic slump. If the future seems dark, the past by contrast looks rosier than ever.

Academics and government officials were not alone in believing the end of the war woul usher in a new depression. Scores of perfectly respectable and intelligent businessmen agree Perhaps the most visible of these was Sewell Avery, the CEO of Montgomery Ward, one o the nation's leading retailers.

In his 1945 message to shareholders, Avery predicted hard times ahead, for whic Montgomery Ward was well prepared. Avery's beliefs were not derived from the sourc referred to by Samuelson and government economists. Rather, they came from the writin of Geoffrey Moore, an eccentric business-cycle theorist, who noted similarities between cred growth in the 1920s and what was happening in the immediate post–World War II perio leading him to conclude that a bust was in the making. In addition, Avery kept charts an statistics on his desk going back to the Napoleonic Wars, prepared to show and explain the to any and all. After doing so, he would invariably ask, “Who am I to argue with history?” A a result, Montgomery Ward did not expand in the late 1940s and early 1950s, while arc rival Sears Roebuck purchased land in suburbs throughout the country and erecte department stores that helped destroy Avery and his company.

Avery might have had better fortune in defending his position by observing that Congre seemed to agree with him. By large majorities in both houses, a rather conservative Congre passed the Employment Act of 1946. Originally it was called the Full Employment Act o 1946 but in its final form the “Full” was dropped, because Congress was fearful of definin “full employment.” This was to be a typical compromise bill. The old New Dealers wer interested in full employment, but also in eliminating poverty in America. The thought at th time was that if unemployment could be ended it would dispose of the issue, since a perso who was employed was, by definition, not poor. The legislation declared:

> It is the continuing policy and responsibility of the Federal Government to use all practicable means … to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities … and to promote maximum employment, production, and purchasing power.

Leon Keyserling, a member of the Council of Economic Advisers created under the terms o the act, addressed the issue in 1947, in an article titled “Must We Have Another Depression? His answer, almost two years after the war had ended and when the nation’s majo macroeconomic problem was inflation and not depression, was not particularly encouragin “While all economists do not agree as to the causes of the last depression, a listing of th causal factors generally agreed upon indicates that many of these factors are again presen now or will be present within a few years.” He went on to list some of them:

> The tendency of our productive capacity to outrun our mass buying power, the chronic weakness of such bellwether industries as residential construction, the seeming reluctance of capital investment to expand as dynamically as once it did, the uncertain elements in foreign trade, the enormous disparities in the price and wage structure, and huge differentials in the price of the enjoyment of national income by regions and individuals.

So it was that a virtual army of analysts, both governmental and private, from all parts o the political spectrum, believed there would be a conversion effort similar to that whic followed World War I, which is to say that, absent military threats, the United States wou return to the essentially peacetime, non-military economy it enjoyed during the 1920s, an that the economic results would be disastrous. But there was no such conversion, as th depression-scenario analysis was dashed by events on the foreign landscape.

America: 1945

What kind of a country did those veterans find when they got off the troop ships ar returned home? For one thing, it was shabbier than when they left. Maintenance of priva property had been neglected for a decade and a half. There was little in the way of ne clothing in the stores. Some foodstuffs were still rationed, as was gasoline. Tires wer recapped, often several times. If the veterans looked closely at women's legs, which of cours they did, the newly discharged servicemen might have realized that the look of wh appeared to be stockings had been achieved though the application of cosmetics.

The city centers were still there, where one might shop in department stores, and town and villages had centers as well, often with a "Main Street." There one might find "first-ru movie houses," where a single film was showing. In the neighborhoods were second- ar third-run movie houses, with double features, an "A" and a "B" film, which changed weekl Depending on the neighborhood where one lived, the moviegoer who did not venture fa might have seen a steady diet of Warner Brothers, Metro-Goldwyn-Mayer, Twentie Century–Fox, or Paramount films, since the chains had affiliations with the major studios. I 1945, 85 million Americans went to the movies each week, approximately 2 out of every adults and children.

Radio was even more important to that generation. Practically every home had a receive since this was the most inexpensive form of entertainment and information. Few homes ha more than one, however. The radio was placed in the living room, and the family gathered the evenings to listen. Later on, when television made its appearance, the running joke wa "What did we look at [when listening to the radio]?" The answer was, "The radio." Ther were three major networks, two owned by RCA's National Broadcasting Corporation, and th other by the Columbia Broadcasting System, as well as several regional networks and mar independent stations. Some isolated areas could receive few stations, but in the cities mo than a dozen were available.

Radio and motion-picture fare was decidedly optimistic. The heroes always won in the en while the villains suffered defeat. If there was extramarital sex, the perpetrators would b punished for their actions. This was the way it had to be, since motion pictures operate under a code of conduct, and radio was licensed by the government. The upbeat messag were what audiences of the time had come to expect.

Most theaters were not air-conditioned (as distinguished from air-cooled) in the summer Neither were the homes. In tenements, sleeping on fire escapes was widespread, and on h summer nights urbanites would escape to the parks, or to air-cooled movie houses, equippe with large fans placed on the stage. Nor did the automobiles of this period come equippe with air-conditioning.

The serviceman heading home with his duffel over his shoulder would have seen boys ar girls dressed informally, but not the adults. Just about every male who was not a day labore wore a jacket, tie, and hat, while women wore dresses or suits. Slacks were permitted fo women working in factories, but not in offices. To appear in public not wearing the corre clothing would have seemed improper, even disrespectful. If the serviceman was going to middle-class apartment house, he would find the elevator there operated by a uniformed ma or woman.

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