

12. World War II: Costs and Results

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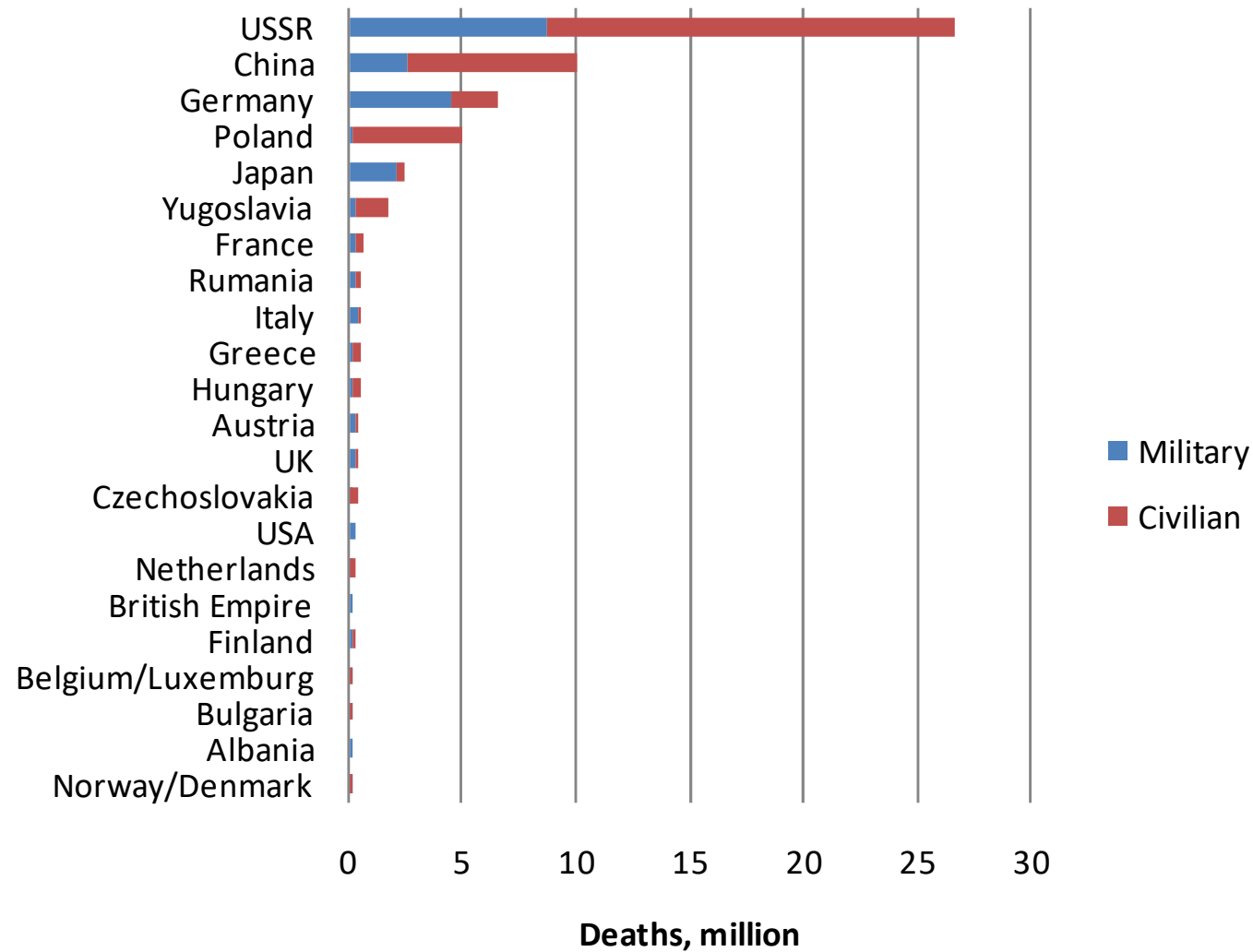
Term 2, 2018/19

Two World Wars

	World War I	World War II
Duration, days	1,560	2,076 (Europe) 2,979 (Asia)
Theatres	NW Europe/Atlantic E Europe S Europe Near East	NW/Atlantic E Europe Mediterranean/N Africa E and SE Asia/Pacific
Principal countries	14	25
Populations	1,400m	1,800m
Mobilized	70m	110m
Military deaths	10m	32m
Civilian deaths	10m ++	23m

War Losses: Deaths

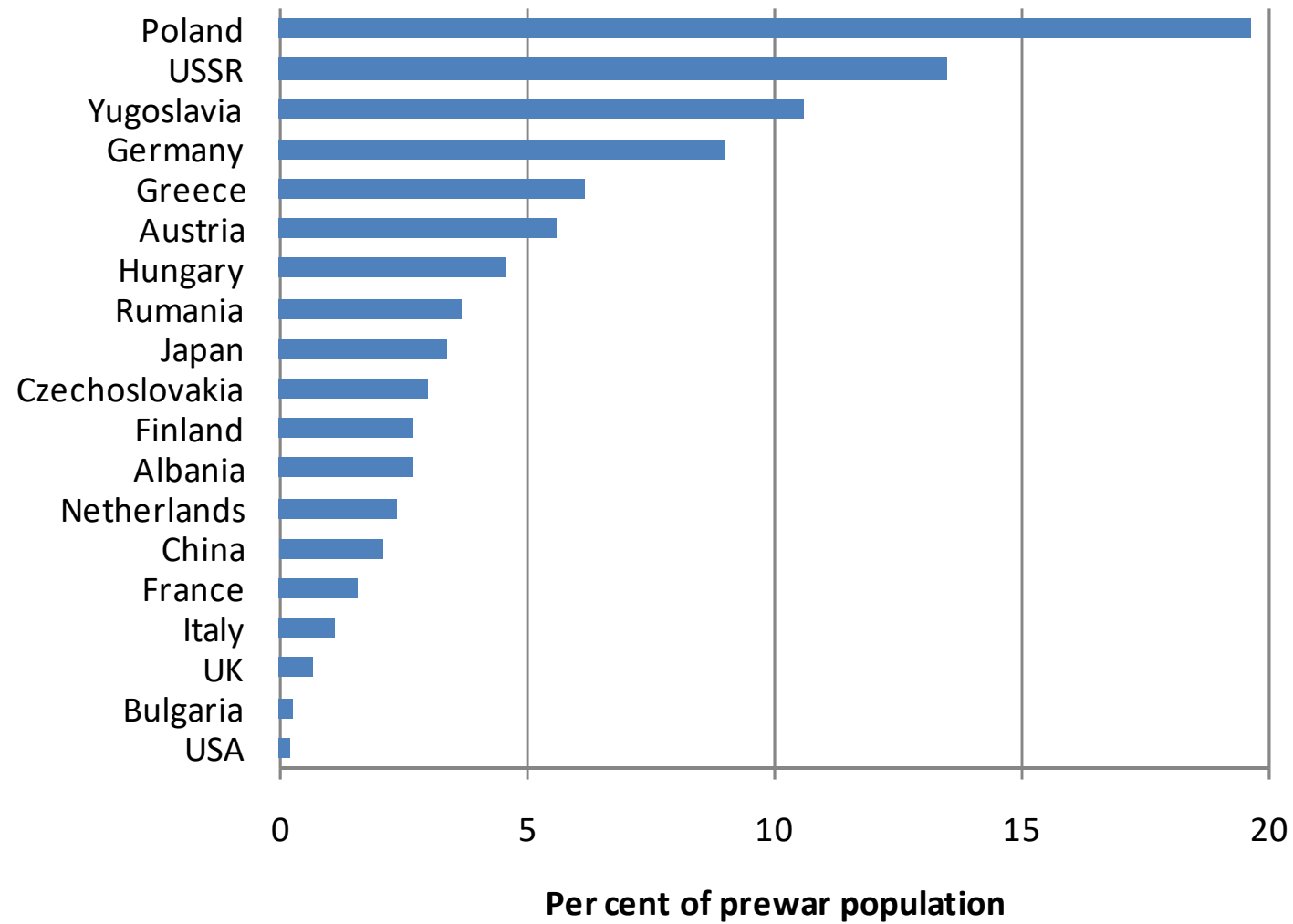
The distribution of war deaths by **number**:



Source: Uralnis (1971), except Soviet data updated from Andreev et al. (1993).

War Losses: Deaths

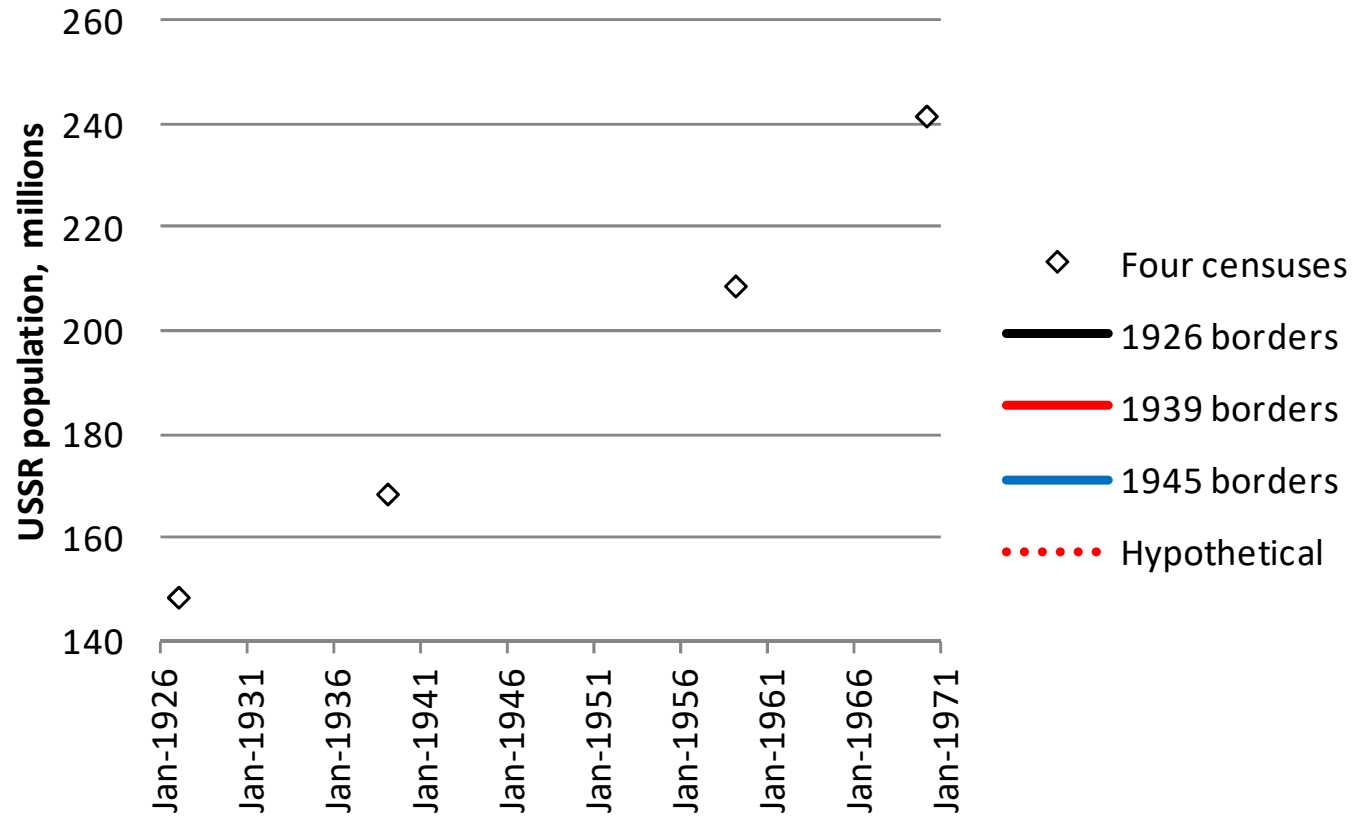
The burden of war deaths relative to **prewar population**:



Source: Urlanis (1971), except Soviet data updated from Andreev et al. (1993).

War Losses: How Many Deaths?

The Soviet case:

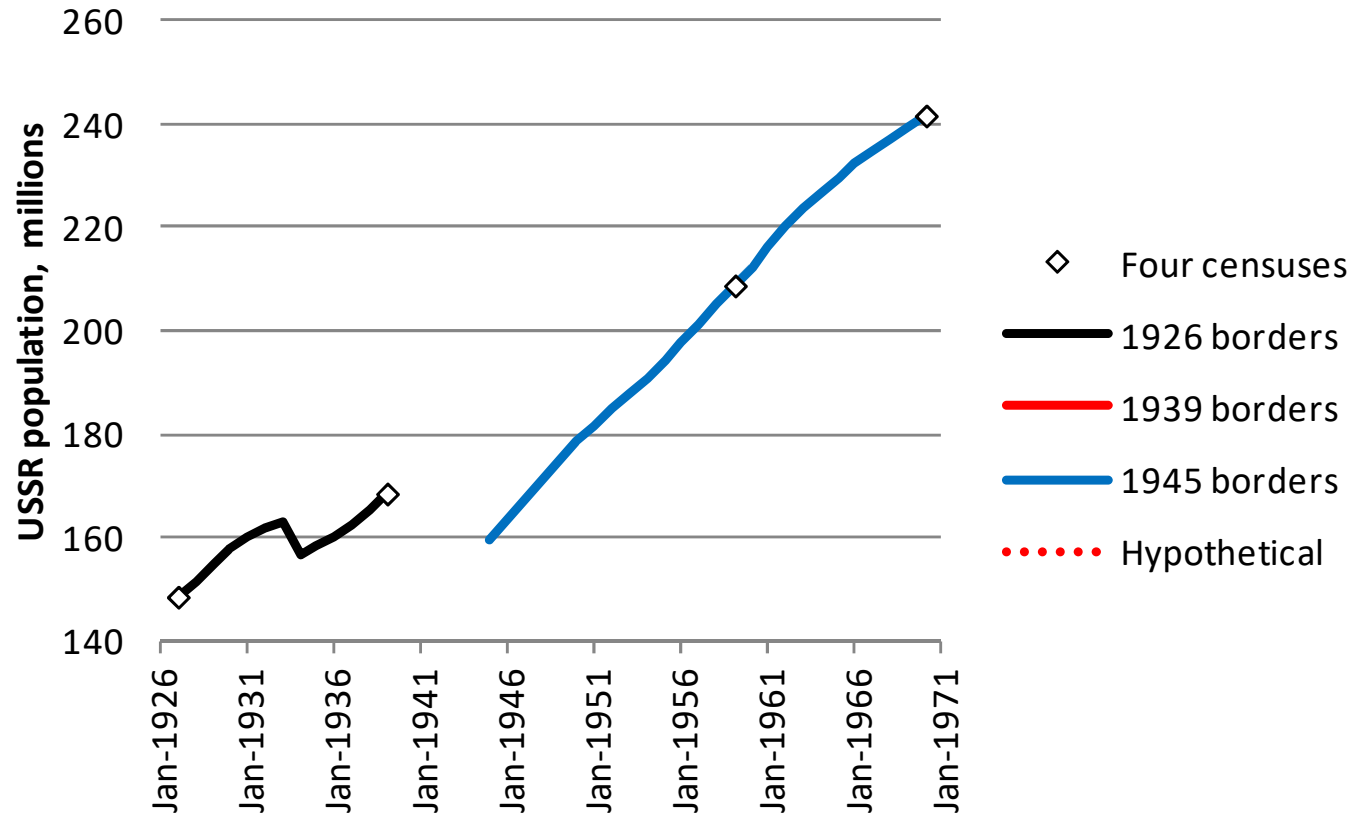


Source: Andreev et al. (1993).

- A **twenty-year gap** between prewar and postwar censuses.

War Losses: How Many Deaths?

The Soviet case:

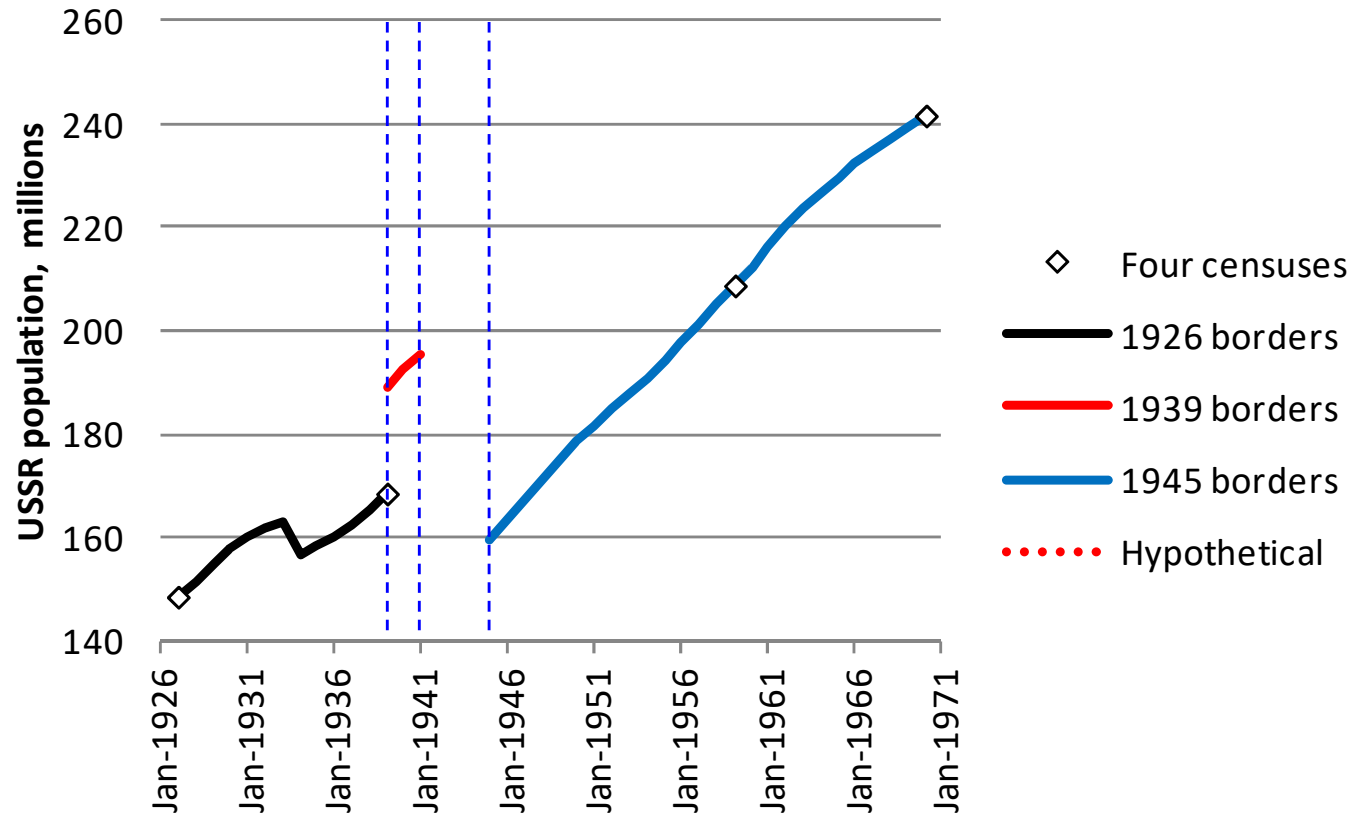


Source: Andreev et al. (1993).

- Establishing **normal trends**.

War Losses: How Many Deaths?

The Soviet case:

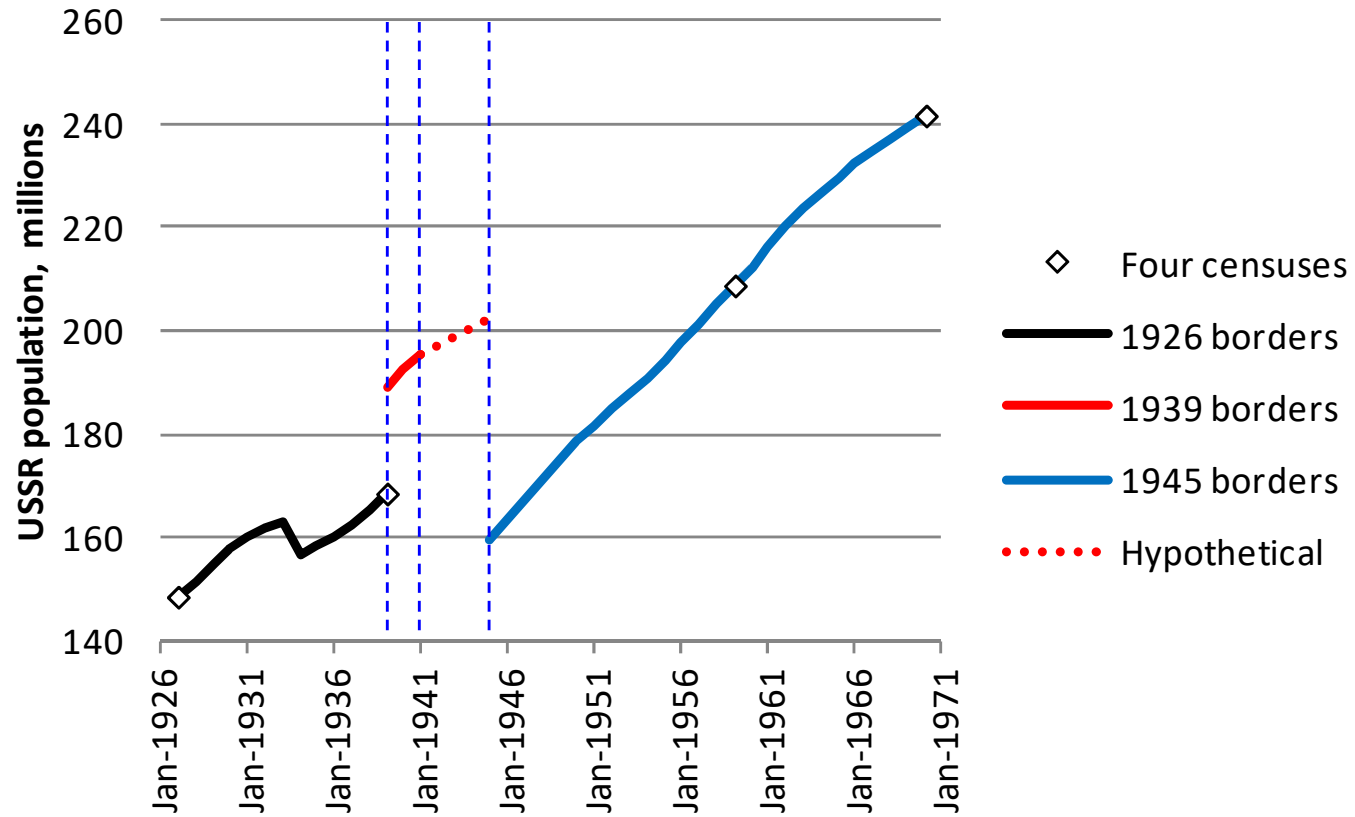


Source: Andreev et al. (1993).

- Accounting for **border changes**.

War Losses: How Many Deaths?

The Soviet case:



Source: Andreev et al. (1993).

- **Extrapolating** through the war years.

War Losses: How Many Deaths?

The Soviet case:

	Born before June 22, 1941	Born, June 22, 1941 to Dec. 31, 1945	Total
Total	196.7	16.4	213.1
<i>Less</i> Alive, Dec. 31, 1945	159.5	11.0	170.5
<i>Equals</i> Gross deaths	37.2	5.4	42.6
<i>Less</i> Normal deaths	11.9	4.1	16.0
<i>Equals</i> Excess deaths	25.3	1.3	26.6

Sources: Andreev et al. (1993); for discussion see Harrison (2003, 2019).

- Excess deaths are a **residual**.
- Uncertain: **infant mortality**, and **emigration** up to 2.7m.
- Excess deaths + birth deficit = **population deficit** 42.7m.

War Losses: the Destruction of Wealth

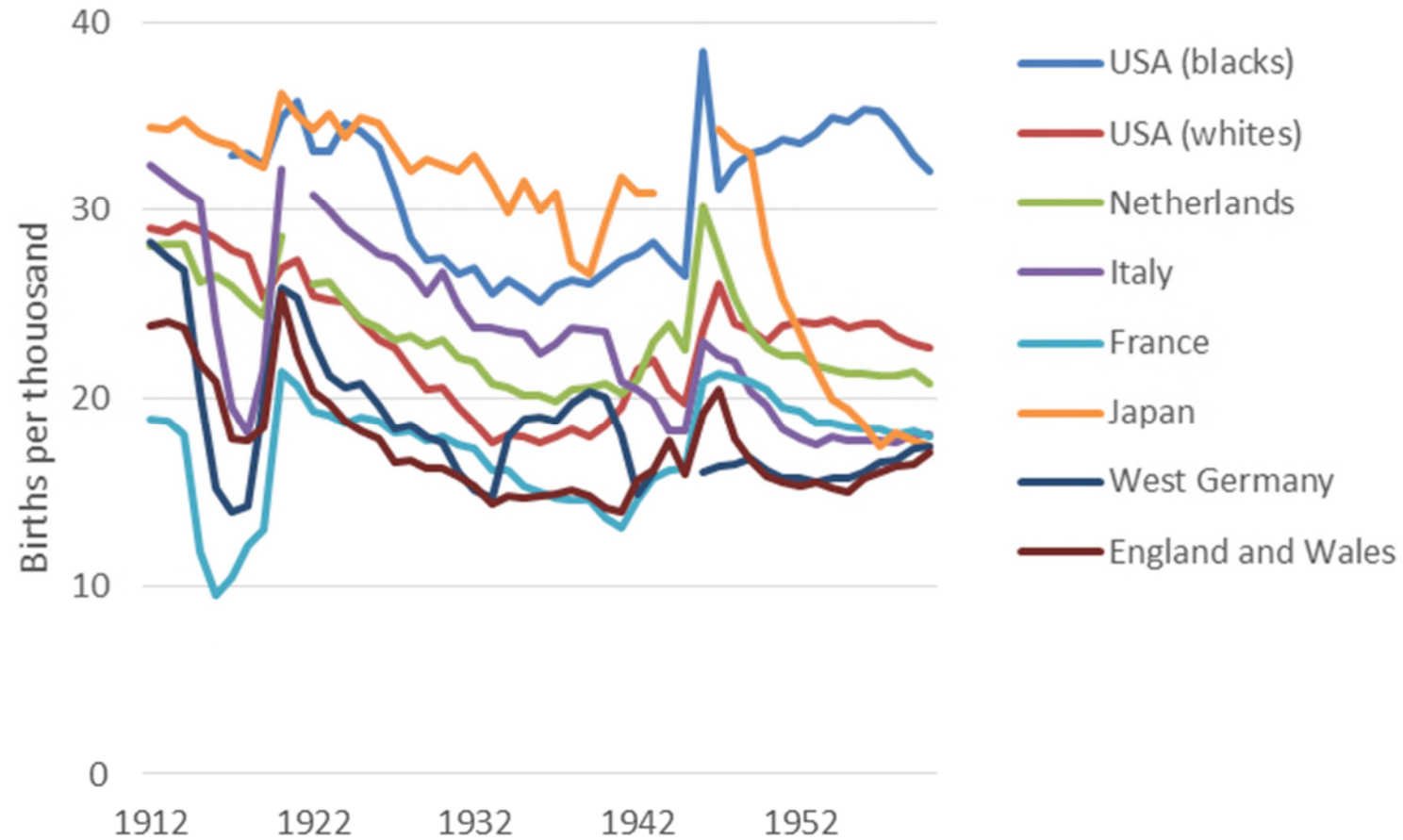
Percent of prewar assets:

	Physical assets		
	Human assets	National wealth	Industry fixed assets
Allies:			
USSR	18-19	25	...
UK	1	5	...
USA	1	0	...
Axis:			
Germany	9	...	17*
Japan	6	25	34
Italy	1	...	10

Source: Harrison (1998: 37). Key: * Western Germany only.

Postwar Recovery

Demographic recovery:



Source: Mitchell (2007).

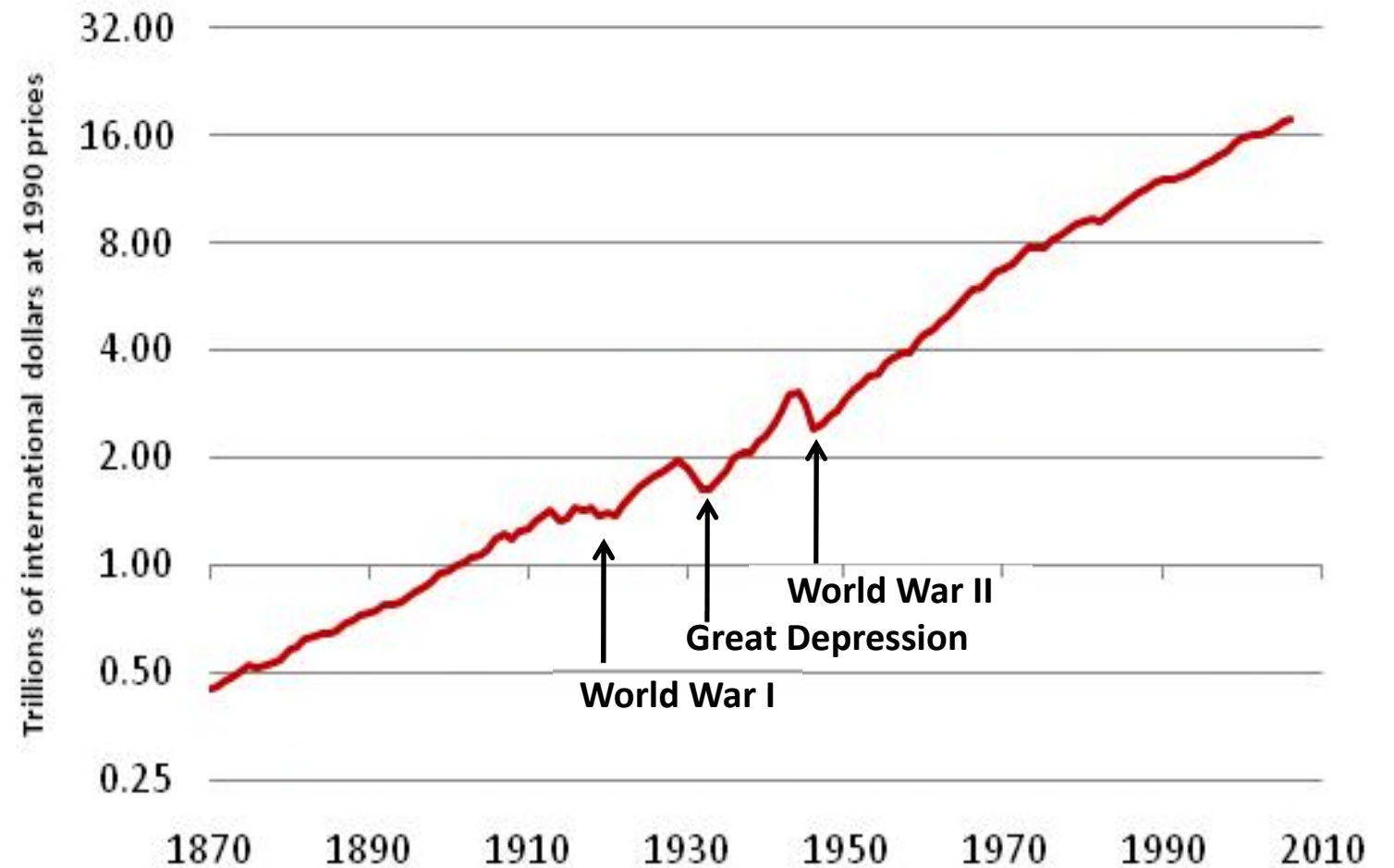
- Births bounced back, although the timing is complex.

Postwar Recovery

Economic recovery:

Source: Real GDPs of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, and United States, by Angus Maddison at <http://www.ggdc.net/maddison/>.

- By the 1960s you'd never know the war happened.



Postwar Recovery

Years to recovery of prewar GDP per head from the final year of war

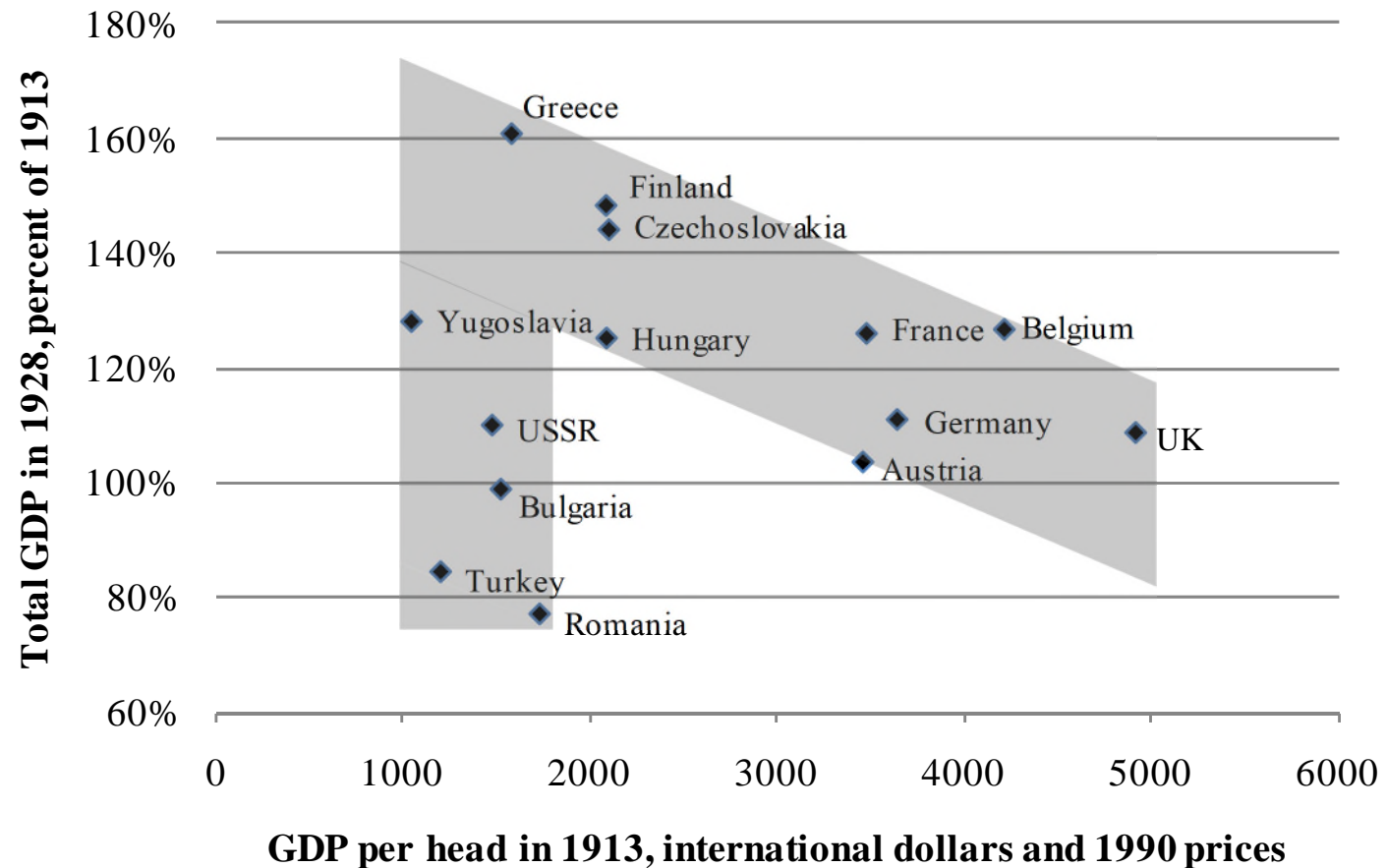
	<i>N</i>	World War I	<i>N</i>	World War II
European countries that:				
• Neutral	7	3.4	6	1.3
• Won	4	3.4	2	1.5
• Lost	10	9.7	16	4.4

Source: Eloranta and Harrison (2010).

- Recovery did not proceed at the same pace everywhere.
- But recovery was more rapid everywhere after World War II.

Postwar Recovery

World War I: 1928 compared with 1913:

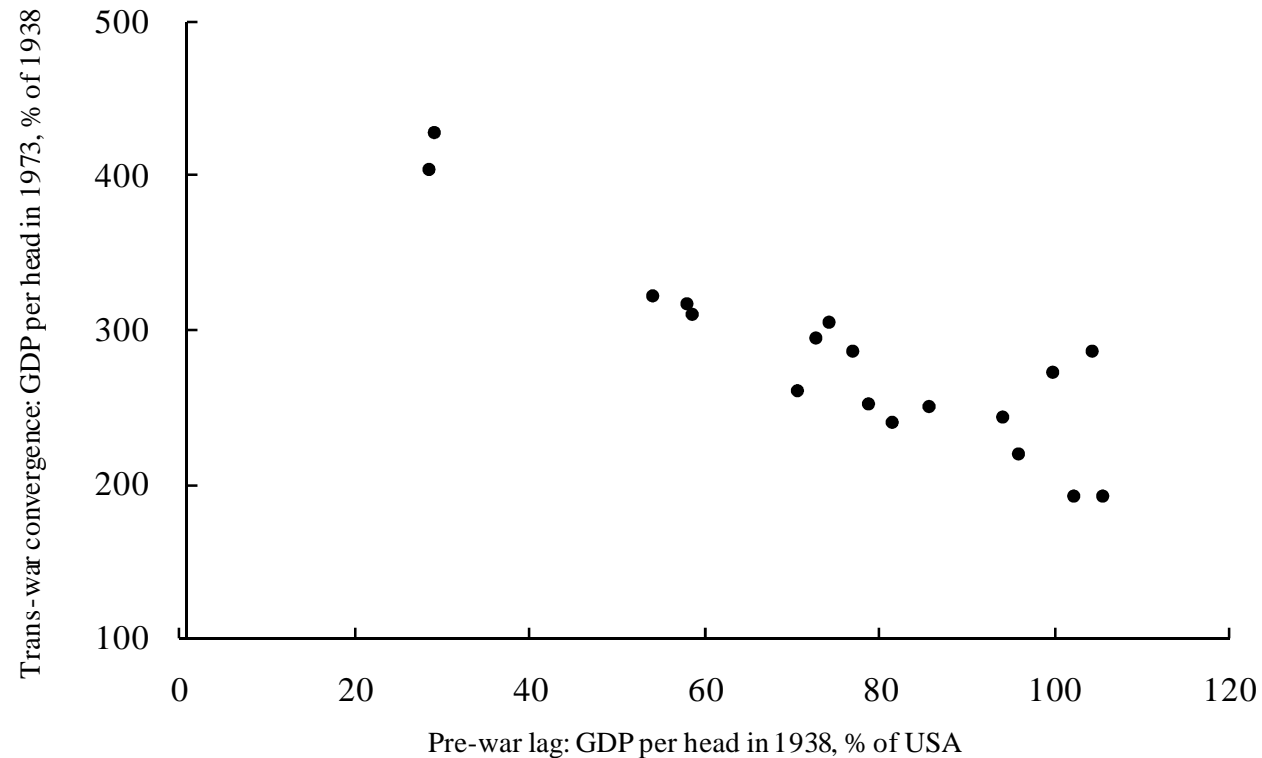


- There was a convergence frontier.
- Some countries made it.
- Others, mainly agrarian countries in Eastern Europe, did not.

Source: Harrison and Markevich (2011).

Postwar Recovery

World War II: 1973 compared with 1938:



Countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.

Source: Broadberry and Harrison (2008).

- This time, it's different.

Institutional Reconstruction

1918: adverse outcomes

Root conflicts unresolved.

Collective punishment.

Failed collective security
(League of Nations).

No hegemonic power.

Onerous inter-country debts.

New mercantilism.

1945: reasons to be cheerful

Aggressors completely defeated.

Individual justice.

UN and Bretton Woods institutions.

World's richest power in **leadership role**.

No war debts or reparations; followed by Marshall aid to Europe.

New **multilateral governance** institutions committed to non-discrimination and tariff reduction.

But ...

Nuclear weapons had been invented.

First use was last act of WW2 and first act of the **Cold War** just beginning.

Institutional Reconstruction

In 1944 the Allied powers met at **Bretton Woods** to design the postwar international monetary system – with lessons of the thirties in sharp focus.

Market failures:

- Domestic demand coordination.
- Domestic and international bank runs.
- International demand coordination.
- Beggar-thy-neighbour tariffs and competitive devaluations.

Remedies:

- Multilateralism.
- Domestic stabilization.
- The Soviet Union was represented, but eventually took no significant part in resulting institutions.

Institutional Reconstruction

Bretton Woods: rules:

- Fixed (“adjustable peg”) exchange rates.
- Trade non-discrimination.
- Capital controls.

Mechanisms:

- IMF as international banker.
- Bailouts for temporary imbalances.
- Adjust pegs for persistent imbalances.

Complementary institutions:

- GATT → WTO (from non-discrimination to liberalization)
- IBRD → World Bank (from stabilization to anti-poverty and development)
- Supplemented (July 1948 to June 1951) by Marshall Aid to Europe.

Institutional Reconstruction

With GDP per head:

	Above median	Median or below	
Polity 2 index, 1913			
Above zero	7	5	
Zero or below	3	5	Countries are Albania (1950 only), Austria (not 1938), Belgium, Bulgaria (not 1923), Czechoslovakia (not 1913 or 1938), Denmark, Finland (not 1913), France, Germany, Greece, Hungary (not 1923), Ireland (not 1913), Italy, Netherlands, Norway, Poland (not 1913), Portugal, Romania (not 1923), Russia/USSR (not 1923), Serbia/Yugoslavia, Spain, Sweden, Switzerland, Turkey, and UK.
Polity 2 index, 1923:			
Above zero	9	5	
Zero or below	0	5	
Polity 2 index, 1938:			
Above zero	9	2	
Zero or below	2	9	
Polity 2 index, 1950:			
Above zero	11	3	
Zero or below	1	10	

Source: Eloranta and Harrison (2010).

- They thought it was a war for democracy, but it wasn't.

Marshall Aid

Problem: Europe had **no dollars**.

Solution: U.S. Secretary of State George C. Marshall put forward a European Recovery Program (July 1947).

- Brought recipients together in Organization for European Economic cooperation, later OECD.
- Between 1948 and 1951, the United States provided **\$12.7 billion dollars** ≈ \$116 billion in 2008 prices.

Rejected by Soviet Union and East European governments → establishment of Council for Mutual Economic Assistance (Comecon) as Soviet bloc counterpart to OEEC.

Marshall Aid

Marshall Aid, 1948-1951, by country:

	Billion dollars	Per cent
United Kingdom	3,297	25.9%
France	2,296	18.0%
West Germany	1,448	11.4%
Italy and Trieste	1,204	9.5%
Netherlands	1,128	8.9%
Belgium and Luxembourg	777	6.1%
Austria	468	3.7%
Denmark	385	3.0%
Greece	376	3.0%
Other	1,352	10.6%
Total*	12,731	100.0%

Source: Eichengreen (2001).

- Mainly grants but including \$1.2 billion in loans.
- Equivalent to 2.5% of recipients' GNP and 20% of capital formation.

Marshall Aid

Western Europe: Conditionality of Marshall aid more important than amount (Ritschl 2008):

Diverted Germany's victims from **reparations** demands, and France from German deindustrialization.

Enforced a return to **non-discrimination** in European trade.

Enabled a switch from uncooperative to cooperative labour market equilibrium (Eichengreen 1996):

- **Uncooperative**: high wage/low investment.
- **Cooperative**: low wage/high investment.

Eastern Europe:

- Regional integration projects offer a balance of trade creation and trade diversion.
- In Eastern Europe **trade diversion** certainly dominated.

What We Learned

European economic growth, integration, and prosperity had lost association with **empire**.

- There were slow learners: Britain and France.

Western European countries learned **cooperation** with each other and with USA:

- Economic recovery.
- Exchange rate coordination.
- Non-discrimination and tariff reduction.
- European integration (again, Britain a slow learner).
- Development assistance to poorer countries.

Western government leaders had learned to use **state capacity** to regulate wartime economic life.

And had acquired exaggerated beliefs about power of the state to order economic outcomes in peacetime.

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