



GREAT RESPONSIBILITIES AND NEW GLOBAL POWER

(Image: National Archives and Records Administration, 200610.)

The aftermath of World War I confirmed the importance of isolationism to many Americans. The “war to end all wars” ultimately failed to live up to its name, and Americans were wary once again of getting involved in foreign conflicts. Before the start of World War II, the idea of the United States as a leading global power was not an ambition of American politicians. Most Americans remained content to let other powers, such as Great Britain, fill that role. By the end of World War II, however, the United States stood as one of two leading global powers, alongside the Soviet Union, which had experienced a similar unexpected rise to power. Far from the isolationism that characterized US global politics, the immediate aftermath of World War II established a clear desire among American political and economic leaders to protect this newfound power and to secure the United States as the leader of the “free world.”

THE RISING POWER OF THE DOLLAR

At the end of the nineteenth century, the British pound was more than double in value to its closest competitor, which included the French franc and the German mark. American dollars could not compete with European currencies. The strength of the British pound continued to persist, but its preference as a standard currency for global commerce was weakening over time. Economic scholars Menzie Chinn and Jeffrey Frankel argued that the waning power of the British pound, hit by two world wars and a global economic depression, allowed the American dollar to surpass the once robust British currency. By 1945, the status of the dollar and the pound had essentially flipped. Within a few decades, the United States transformed from an isolationist, inward-looking power with minimal presence on the global stage to an economic powerhouse that controlled the most valuable currency in international markets. How did such a remarkable transformation occur?

The decades before the start of World War I revealed signs of a strengthening US economy. The overall size of the American economy had surpassed the United Kingdom as early as 1872 and continued to grow. As Chinn and Frankel pointed out, following 1914, “the US passed from net debtor to net creditor as the UK moved in the opposite

direction. This had much to do with British borrowing from the United States to fight World War I.” In the successive years, US exports pulled ahead of those made in the United Kingdom. The dollar maintained stability in the 1920s, emerging as a major international currency, but due to the global depression of the 1930s, the pound retained the dominant position as the key currency of the interwar period. However, by the end of World War II, the pound could no longer compete. War, **decolonization**, and declining economic strength abroad dealt a lasting blow to the United Kingdom and ushered in a new era of American dominance in the arena of global influence and economic strength.

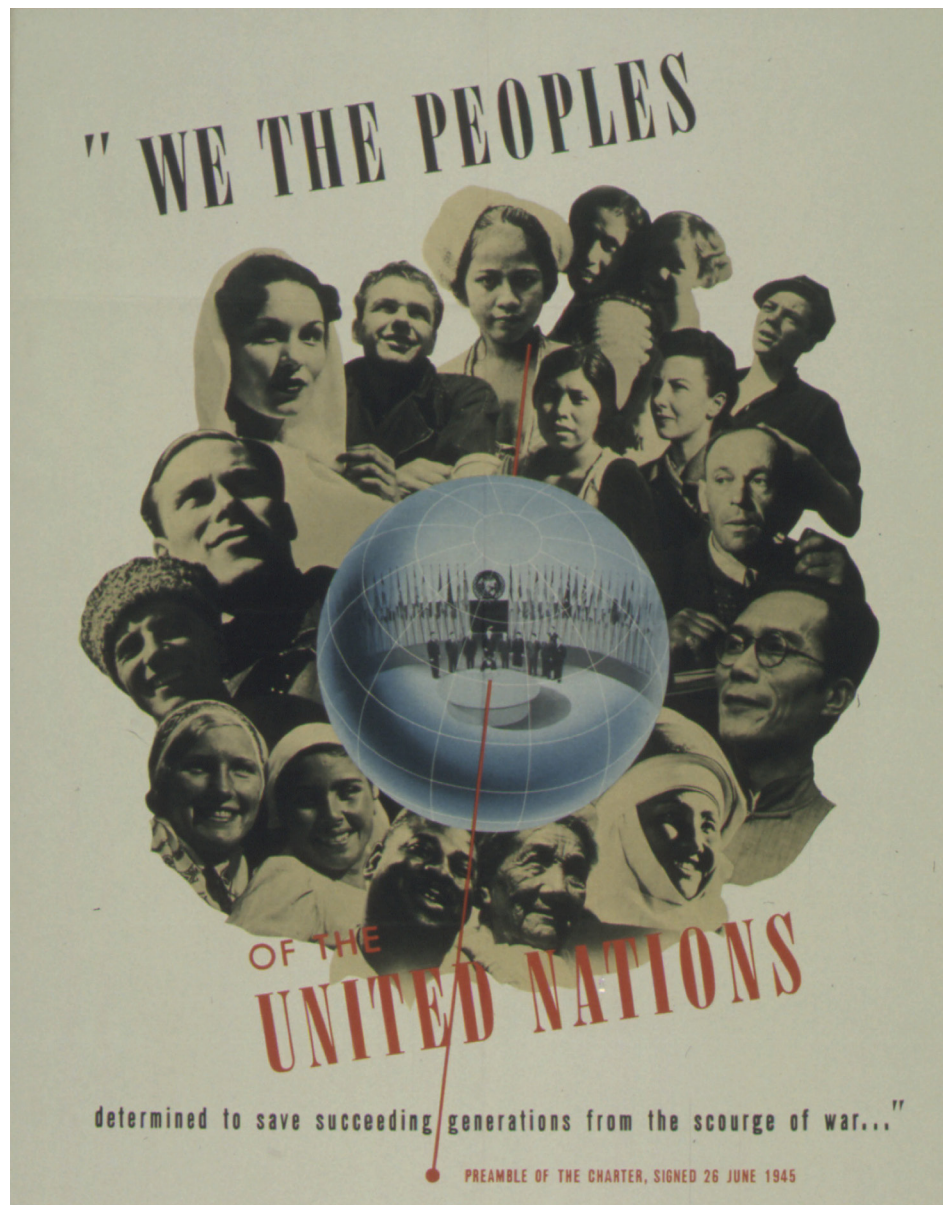
The arsenal of democracy that Franklin Delano Roosevelt called into existence when the United States entered World War II proved to be a valuable investment in the American economy. By 1945, the United States was manufacturing more than half of the produced goods in the world. US exports made up more than one-third of the total global exports, and the United States held roughly two-thirds of the available gold reserves. The sudden onset of this new position of economic power presented the United States with a number of new responsibilities. The actions of American leaders would no longer only affect citizens in the United States. Such actions proved to have long-reaching repercussions across the globe.

BRETTON WOODS CONFERENCE

The emerging economic power of the United States came into focus even before World War II ended. During a conference held at Bretton Woods, New Hampshire, from July 1-22 in 1944, delegates from 44 nations met to discuss the postwar global order and establish a new international monetary system. This conference intended to avoid another global economic depression similar to the one that occurred in the interwar period. The theory

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We the Peoples of the United Nations poster.
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that partnerships built on trade and economic ties would help discourage the outbreak of another world war led to the construction of a new International Monetary Fund (IMF) and the World Bank. Both the IMF and the World Bank were established in Washington, DC, and these organizations aimed to monitor the movement and use of funds between nations, and also to provide loans to countries experiencing economic hardship. At the Bretton Woods Conference, exchange rates were linked to gold reserves, and with the United States holding the bulk of the gold reserves in the world, the dollar emerged as the new **reserve currency** for international commerce and trade. While the IMF would oversee the maintenance of this new global economic system, the United States and

the dollar emerged as the economic standard bearers for the postwar world.

UNITED NATIONS

The leading role occupied by the United States following World War II grew through the creation of the United Nations in 1945. Meeting in San Francisco, delegates from 50 countries created a **charter** for this new international organization, founded to prevent the outbreak of another world war. Poland later signed on, bringing the founding number of countries to 51. With the UN **Charter** agreed upon, the United Nations formally came into existence

on October 24, 1945. The United Nations built upon American President Woodrow Wilson's idea for a League of Nations created after World War I. Based on an American idea and promoted by Roosevelt through conferences held between the Allied powers throughout World War II, the United States signed on to the UN **Charter** as one of its most influential members. The United States became one of five permanent members of the UN Security Council, and it continues to be one the largest financial contributors to the United Nations.

MARSHALL PLAN

Emerging from World War II as a leading power, the United States took on an active role in rebuilding the war-torn cities left in the wake of this unprecedented conflict. Turning away from its previous role as an isolationist power, US leaders created the postwar European Recovery Plan (ERP) that pumped over \$13 billion into the rebuilding of Western Europe. Headed by Secretary of State George Marshall, the effort known as the "Marshall Plan" helped bolster the economic strength and international prominence of the United States in the aftermath of World War II. Standing in stark contrast to the isolationism that dominated US foreign policy following World War I, the Marshall Plan confirmed that the United States would remain engaged and active on the global stage. The United States approached the restoration of Western European economies as an investment in the preservation of peace and protection of markets for American goods. The underlying belief running through the Marshall Plan held that countries that traded together were less likely to wage war against each other.

Rebuilding the war-torn countries of Western Europe not only helped avoid another economic depression, but it also contributed to the growing competition for global dominance between the United States and the USSR. The emerging conflict between capitalist and communist countries fueled the desire of American leaders to ward off the presence of **communism** in Western Europe in favor of capitalist ventures. As much as the United States invested in the rebuilding of economic markets to promote its own goods and to prevent the outbreak of another global war, the Marshall Plan served as a conduit for the spread of capitalism across Western Europe, hindering the global power and influence of the Soviet Union.

Similar concerns influenced efforts to restructure the Japanese economy following a period of punishment and governmental

reform overseen by General Douglas MacArthur, Supreme Commander of the Allied Powers (SCAP) in Japan. With China on the cusp of a communist revolution, SCAP sought to rebuild Japan's industry sector in a way that would restrict military strength and prevent the growth of communist interests. Part of the postwar economic restructuring included dissolving large-scale Japanese business conglomerates known as **zaibatsu**. Controlled by only a few prominent families, the **zaibatsu** held monopolies over much of the imperial Japanese economy, particularly in the industrial sector. In order to secure control over the rebuilding and restructuring of Japanese industry, SCAP launched an attack on the **zaibatsu**, forcing the dissolution of these family-run monopolies and shifting more economic power to small businesses and Japanese farmers. However, these progressive moves also increased fears that **communism** might take hold in Japan. While the Marshall Plan aimed to prevent the outbreak of subsequent wars while also warding off communist influence from the Soviet Union, the start of the Korean War in 1950 provided the capitalist boost for Japanese industries that American leaders sought, as Japan became the primary supplier of goods for UN forces throughout the war.

NEW MARKETS AND INDUSTRIES

By investing in the reconstruction of countries devastated by World War II, the United States created new markets to export American goods. Products like Coca-Cola became desired commodities abroad and helped to promote the exportation of US culture. The demand for American-made goods—along with the movement of people on US commercial airlines like Pan Am or with travelers staying in American-run hotels abroad like the Hilton chain—established the United States as a global economic leader. The dominance of the American economy in the global marketplace after World War II brought significant changes to the way Americans lived their daily lives. This new prosperity led to the rise of a **consumer society** across the United States, with the emerging middle class eagerly purchasing goods such as cars and televisions. The economic boom that followed World War II not only changed the way Americans lived each day, but it also established the United States as both a cultural leader abroad and an economic leader amongst all other nations.



Jacob A. Malik, representative of the Soviet Union on the United Nations Security Council, casting a vote.
(Image: National Archives and Records Administration, 541950.)