Reconstruction and Capitalist Reform

Politics in the Aftermath of War

World War II reshaped capitalism and liberal democracy by re-ordering both the domestic and the international order. This book is about the domestic legacy of the war. In belligerent and neutral countries alike, the war years engendered an expansion of state capacities that permanently changed the balance between state and society. When the war ended in 1945, the reconstruction process rested on piecemeal government decisions to remove or retain wartime controls over society and the economy. In the process of making those decisions, governments shaped society and markets in their own image.

The expansion of the state that accompanied war mobilization and economic shortages between 1939 and 1945 was critical to the creation of the postwar welfare state. Wartime expansion of the state machinery for directing the economy assumed roughly similar forms in different countries and led to a wholly new conception of the possibilities inherent in economic policies. In War, Economy, and Society, 1939–1945, Alan Milward (1979) described the convergence of the resource mobilization policies of the belligerent countries. Milward, however, concluded that “There was practically no economic planning during the war in the sense in which that phrase is now used” (130). In his view, the chief legacy of the war was a new consciousness with respect to the government’s role in directing the economy.

The thesis of this book is that significant continuities existed between the warfare and the welfare states, but also concurs with Milward that postwar planning quickly assumed forms quite different from those used during the war years. Continuity persisted amidst change, as postwar planning failed first and then succeeded. Wartime planning policies rested mainly on direct controls, rationing, and corporatist purchasers’ and suppliers’ cartels.

J. Klausen, War and Welfare
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They were coercive controls that were incompatible with democratic constraints on executive power and with interest group autonomy. Planners and reformers, who in the reconstruction debates held high expectations for what planning would accomplish in the future, in many cases underestimated the difference between wartime and peacetime planning, particularly the implications of associational autonomy. The shortcomings of planning theory should not overshadow the importance of the institutional and technological innovations in state capacities for planning made during the war, innovations that in many cases not only survived but were amplified in its aftermath.

The warfare-to-welfare state thesis rethinks the origins of the welfare state by stressing institutional continuity and the unprecedented state expansion caused by war mobilization as causal variables for the permanent reordering of state-society relations that the postwar welfare state represented. It does not explain subsequent changes in economic policy, nor does it address why the postwar commitment to full employment has been abandoned in recent decades. It does, however, suggest a new perspective on how and when states can plan. The state was central to postwar growth strategies in part because wartime state building had radically extended the state’s reach and capacities. States are both formal-legal constructions of authority and a social fact.

European states re-entered global trade after 1945 with a slow crawl out of economic autarky. (The term autarky means “self-sufficiency” and is used to describe an economic condition of radical insularity. Autarchy means self-government or totalitarianism. The terms are sometimes used interchangingly and, in practice, one sometimes follows the other; fascist and communist political theory embraced both, for example. We are in this book concerned only with the economic condition of autarky and its consequences for policy.) Planning was necessary to bridge the gap between scarcity and national economic development. It also helped governments keep promises made during the war years to citizens in return for support for the war effort—promises that are best epitomized by the popularity of the “Beveridge Report” and President Roosevelt’s “Second Bill of Rights.”

**Economic Planning: A New Public Philosophy**

Planning and ideas about economic management predate the war. Socialists (and communists) had long argued for state control of economic activity. European and U.S. business and industry groups were engaged in wide-ranging plans for self-government in response to the deflation in the 1920s (Chandler 1990). The publication of J. M. Keynes’ *General Theory* in 1936 also summarized a new perspective on the government’s obligations