


# The economic and social consequences

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The immediate effects of the Second World War on the European economy had been disastrous. Damage to communications networks disrupted the transport of raw materials and finished products. The irregularity of supplies to industry and the destruction inflicted on the production apparatus resulted in a considerable number of temporary lay-offs and, consequently, in a reduction in purchasing power at a time when all kinds of requirements continued to grow. Even in the victorious countries, food rationing continued well after the end of the war, and the black market fostered dangerous social inequalities. Crime, juvenile delinquency and prostitution increased. The simultaneous reconstruction of accommodation, industry and the transport infrastructure was stifling national economies. Under these conditions, people were first and foremost preoccupied with the restrictions affecting everyday life and often had difficulty in thinking about their long-term future. The shortage of coal in the very hard winter of 1946–1947 led to widespread strikes and mass demonstrations.

The spectre of inflation and currency devaluation, which reminded people of the economic crises and stock-exchange crashes of the inter-war years, led European leaders to take rigorous measures. The persistent imbalance between supply and demand in domestic consumer products was pushing prices higher and exacerbated budget deficits both internally and externally. Countries were going into debt in order to finance reconstruction programmes and to rectify social inequalities. In 1944, Belgium went ahead with a major programme to restore the franc, which involved a drastic reduction in the circulation of banknotes and deposits. Some essential sectors of the European economy had been nationalised, and modernisation and retooling programmes were gradually put in hand. While unemployment was affecting a large part of the continent, some countries were paradoxically faced with a shortage of labour in those very sectors essential for economic revival. Although thousands of German prisoners of war had been set to work, programmes involving the large-scale migration of foreign workers had been put in train in order to meet the particular needs of agriculture and of the coal and steel industries. It was in this difficult economic context that Belgium and France concluded with Italy a protocol on cooperation and immigration that provided for coal to be supplied to Italy, which its economy desperately needed, in exchange for thousands of Italian workers unemployed at home. More than 500 000 Italians emigrated to countries in Western Europe between 1946 and 1955.

In an attempt to improve exports and tackle unemployment more effectively in the context of European economic growth, Great Britain devalued the pound sterling in 1949 equivalent to a reduction of 30.5 % against the gold standard. This drastic reduction had a rapid domino effect on other, weaker European currencies. The Netherlands, the Scandinavian countries and Finland immediately devalued their currencies by the same percentage as the UK, Germany by 25 %, France by 22 % and Belgium by 12.5 %.

Disillusion caused by poverty spread and resulted in demands for greater social justice. The low level of wages led to numerous strikes, particularly in France and Italy. The fledgling social security systems were put to a severe test by the large number of disabled persons, widows and other victims of the war who claimed a pension. The whole of society was therefore affected by the high welfare cost of the war. Keeping faith with certain programmes drawn up during the war or following a tradition of mutual-benefit societies, European countries took steps to establish a broader-based social security system and laid the foundations for the modern welfare state.