The Impact of the Cold War on the Economies of California and Utah, 1946-1965

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If a "definitive" history of the post-World War II period in the United States is ever written, few subjects will loom larger in importance than the multifarious efforts of the federal government to maintain and enhance its defense posture in response to the cold war. To accomplish this purpose, 62 per cent of the national budget, or $776 billion, was spent on national defense from 1946 through 1965.¹ The full impact of this very substantial sum is impossible to measure precisely and difficult to imagine meaningfully, but all will agree that whatever its effect on the international "balance of terror," defense spending has been shaping, often dramatically, the growth patterns of several important regions of the United States since the cold war began.

This fact has assumed special significance for the thirteen far western states.² Although less than one-sixth of the nation lives in that region, in recent years one-fourth of all Department of Defense (DOD) military and civilian personnel,³ one-third of all military prime contract awards, including one-half of all DOD research and

¹ Includes only official national security expenditures. See January 1966 Economic Report of the President, 276.
² These include the eight Mountain States, the three Pacific Coast States, and Alaska and Hawaii. With the exception of Idaho and Oregon, all of these states have been at least moderately affected by defense spending during the postwar years.
development contracts, and two-thirds of all missile awards have been let to business firms and other organizations located there. In addition to these awards, expenditures of the National Aeronautics and Space Administration (NASA) in the Far West from 1961 through 1965 amounted to $5,317 million or 48 per cent of the total national expenditures of that rapidly growing administration. If other federal defense-oriented agency expenditures are included, such as expenditures by the Atomic Energy Commission and the National Science Foundation, the proportion of defense spending funneled into the Far West is even larger. Unfortunately, except for 1963, no figures of expenditures by state are available for these agencies.

These heavy federal defense expenditures are in many ways a new development in the history of the Far West. In the past most federal expenditures in that area were, at least in their inception, essentially regional subsidies, i.e., government grants to private enterprise for public purposes without serious concern for a profitable return to the government. For example, land grants to railroads, mail-carrying contracts, irrigation and flood control grants for the development of marginal lands, depletion allowances to mineral producers, grazing rights in national forests, and (indirectly) artificially high prices for silver were and to some extent still are subsidies. Most defense expenditures, however, cannot be classified as subsidies. Procurement actions, where most defense money is spent, are by law required to be made on the basis of least cost to the government. In spite of continued assertions by some congressmen and journalists that political considerations decide many allocation decisions, no significant departure from this procedure has been proven to date.

Still, despite logical, cogent, and well-known reasons for defense expenditures there is striking regional concentration, especially in

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4 "Background Material," 21 and 37.
7 Data on AEC expenditures and employees by state are available for 1963 only. In that year there were 18,300 AEC employees in California, the largest number for any state. New Mexico had the second largest number (15,700), and Washington was fourth (9,500). AEC expenditures during 1963 in California were $330 million; in New Mexico $413 million. See 1963 Census of Manufactures, Special Report, "Shipments of Defense-Oriented Industries" (Washington D.C., 1966), 20.
8 For an excellent study of the distribution of federal research grants in 1963, see U.S. House, Committee on Science and Astronautics, "Geographic Distribution of Federal Research and Development Funds," 89 Cong., 1 sess., 1965.
research and development efforts. Ninety per cent of all federal re-
search and development programs and, in recent years, over half of 
all scientific research has been funded by defense agencies. These 
research grants are the "seed corn" of future production contracts 
and the very life blood of the science and engineering departments 
in most distinguished universities. Recognition of this fact has 
given rise to a spate of congressional fulminations and has turned 
jealous eyes toward California, which receives by far the most 
money, and toward the Mountain States, whose share of the defense 
pie in the late 1950's and early 1960's had been growing more 
rapidly than any other section of the country.

This article will attempt to measure the more important economic 
and demographic aspects of the impact of the cold war prior to the 
Vietnam escalation on two of these far western states: California and 
Utah. By comparing the impact of defense spending in these two 
quite different and regionally separated states—particularly on the 
county level—it is hoped that if there are common patterns of 
impact in these western states they will be evident. These particular 
states were chosen for a number of reasons. First, both have been 
heavily oriented toward defense spending but in different ways 
since 1946 (and earlier). California received more DOD monies, for 
example, from 1946 to 1965 than any other state, and defense 
spending has made a larger contribution to the growth in exogenous 
income in the state of Utah than for any other state during most of 
this same period. Second, the impact of defense spending in Cali-
fornia is primarily via industry, whereas in Utah it is generated

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9 For an insightful discussion of the impact of defense spending on research and 
university policy, see Seymour Melman, Our Depleted Society (New York, 1965), chap. 4.
10 For example, except for Harvard, the nine universities with distinguished graduate 
schools in the physical sciences in 1964 were the same nine universities receiving the 
most federal R&D defense awards in 1963. This pattern holds true without exception 
for distinguished graduate schools in engineering. Cf. Allan M. Coulter, An Assessment 
of Quality in Graduate Education, American Council on Education (Washington, 1966), 
107; and "Geographic Distribution of Federal Research and Development Funds," loc.
cit., 70–72.

11 Includes DOD defense contracts sometimes computed as procurement purchases, 
military wages and salaries, and DOD civilian wages and salaries. For an annual break-
down of these three categories by states for the years 1951–1962, see the excellent study 
by Roger E. Bolton, Defense Purchases and Regional Growth, The Brookings Institu-
tion (Washington, D.C., 1966), 152–173. Procurement data by states are not available 
prior to 1951, and civilian wages and salaries are not readily available for any years 
other than in Bolton's study, but military wages and salaries may be found in U.S. 
Office of Business Economics, Personal Income by States Since 1929 (Washington, 1956), 
and from the August (July after 1963) issues of Survey of Current Business.

12 Bolton, Defense Purchases, 93.