

## Notes- Search for Peace and Stability

EQ: What obstacles to lasting peace did European leaders face?

After WWI, leaders faced the task of creating a stable international order. The pursuit of lasting peace proved difficult for multiple reasons. Germany hated the Treaty of Versailles and felt the reparations were harsh and unfair. France was constantly fearful. Britain was undependable in its policy, and the US retreated into isolationism and turned its back on Europe. On top of this the international economic situation was weak and getting worse, complicated by war debts. For a brief time (between 1925 and 1929) it seemed that peace and stability might be within reach. However, once the Great Depression hit, these hopes were shattered as brutal dictators came to power and the hope for stability and peace were gone.

Germany was the key to stability, but to many Germans the Treaty of Versailles represented a harsh, dictated peace. It also hurt that France and Great Britain did not see eye to eye on Germany.

After the war, the French wanted the harshest punishment for the Germans

- War was fought on French soil and the costs of reconstruction
- Also, the French had to pay back war debts to the US
- French politicians believed that Germany reparations were vital to French economic recovery
- Large reparations would hold Germany down and protect French security as well

British Response -- begin to think a little differently

- Before the war, Germany had been Great Britain's second best market in the world
- After the war it was in England's best interest to have an economically healthy Germany
- British Economist **John Maynard Keynes** → Denounced the Treaty of Versailles in his book ***The Economic Consequences of the Peace (1919)***
  - According to Keynes- reparations and harsh economic measures would impoverish Germany, encourage Bolshevism, and increase economic hardship in all countries
  - Only a complete revision of the treaty will help save Germany and Europe
- British politicians also suspicious of France's army and expansive foreign policy
  - Authorized at Versailles to occupy the German Rhineland until 1935
  - France had looked to Russia since 1890 as a powerful ally against Germany, but with Russia hostile and Communist, and with Britain and the US unwilling to make commitments, France turned to newly formed states of central Europe for diplomatic support
  - In 1921 France signed a mutual defense pact with Poland and associated itself closely with the "**Little Entente**" an alliance that joined Czechoslovakia, Romania, and Yugoslavia against the defeated and bitter Hungary

In April 1921, the Allied commission announced that Germany had to pay 132 billion gold marks (\$33 billion) in annual installments of 2.5 billion gold marks. The Weimar Republic made first payment in 1921, but in 1922 hit with rapid inflation and political problems, the Weimar Republic announced its inability to pay more. It asked for a moratorium on reparations for three years, with an implication that thereafter reparations would be either drastically reduced or eliminated.

The British were willing to accept this, but the French were not. French wanted to push and not see the entire peace settlement dissolve. So against strong British protest, in January 1923, the French and Belgian armies moved out of the Rhineland and occupied the Ruhr district, the heart of industrial Germany.

German government ordered the people of the Ruhr to stop working and offer passive resistance to the occupation. The French responded by sealing off the Ruhr and Rhineland from the rest of Germany only letting in enough food to prevent starvation. German anger went off the charts when the French sent over 40,000 colonial troops from northern Africa. Tensions were intensified and racist propaganda increased.

This occupation was paralyzing Germany and its economy. To support its workers and their employers, the German government began to print money causing crazy inflation. German money rapidly lost all value. Many Germans felt betrayed. They hated and blamed the Western governments, their own government, big business, the Jews, the workers, and the Communists for their misfortunes. Right wing nationalists—including Adolf Hitler and the Nazi Party- eagerly capitalized off of this widespread discontent.

In August 1923, the mark lost value and unrest increased. Gustav Stresemann assumed leadership of the government – he tried to compromise

- He called off the passive resistance in Ruhr and agreed to pay reparations, but asked for a reexamination of Germany's ability to pay
- French accepted (Poincare)
- Germany and France both decided to compromise → the British and even the Americans were willing to help

In 1924 → **The Dawes Plan** was accepted by France, Germany, and Britain.

- Germany's yearly reparations were reduced and linked to the level of German economic output
- Germany would also receive large loans from the US to promote economic recovery
- Germany would get private loans from the US in order to pay reparations to France and Britain, thus enabling those countries to pay back the US
- This circular flow was complicated and risky but for a short while it worked

In 1925 → the leaders of Europe signed numerous agreements **at Locarno, Switzerland "spirit of Locarno"**

- Germany and France pledged to accept their common border and both Britain and Italy agreed to fight either France or Germany if one invaded the other
- Stresemann agreed to settle boundary disputes with Poland and Czechoslovakia, although he did not agree on permanent borders to Germany's east
- France reaffirmed its pledge of military aid to those countries if Germany attacked them
- Political tensions deepened in central Europe

Other developments suggested possibilities for international peace

- In 1926 → Germany joined the League of Nations

- In 1928 → 15 countries signed the **Kellogg-Briand Pact** – agreed to “renounce war as an instrument of international policy” and to settle international disputes peacefully
  - The pact made no provision for action in case war actually occurred and could not prevent the arrival of WWII in 1939
  - However, in the late 20’s it fostered cautious optimism and hope that the US would also help contribute to European stability

#### Domestic Politics in the 20’s

In the late 1920s liberal democracy seemed to take root in Weimar Germany

- Elections were held regularly and a republican democracy appeared to have growing support among a majority of Germans
- New currency established and economy stabilized
- Sharp political divisions remained however
- Throughout the 1920s Hitler’s Nazi Party attracted support from fanatical anti-Semites, ultranationalists, and disgruntled ex-servicemen
- On the left, members of German’s recently formed Communist Party were noisy and active – accused the Social Democrats of betraying the revolution
  - Though the working class was divided, majority supported the nonrevolutionary Social Democrats

In France, Communists and Socialists battled for workers’ support

- After 1924 → the democratically elected government rested mainly in the hands of the coalitions of moderates with business interests well represented

Britain faced political challenges too in the 20s

- Unemployment was a great problem- in June 1921 almost 2.2 million people (23% of the labor force) was out of work and throughout the 20s unemployment hovered around 12% → led to massive strikes in 1926
- The state provided unemployment benefits and supplemented the payments with subsidized housing, medical aid, and increased old-age pensions. These and other measures kept living standards from seriously declining, helped with class tensions, and pointed the way towards the welfare state Britain would become after WWII
- Rise of the Labour Party → champion of the working class and of greater social equality → replaced the Liberal Party as the main opposition to the Conservatives
  - This shift reflected the decline of old liberal ideas of competitive capitalism, limited government control, and individual responsibility
  - In 1924 and from 1929-1931 the Labour Party under Ramsay MacDonald governed the country with the Labour Party
- The British Conservatives showed compromising spirit on social issues
- In 1922- Britain granted southern, Catholic, Ireland full autonomy after a bitter guerrilla war
- Besides general strikes like coal mine strike in 1926, social unrest in Britain was limited in the 20s and 30s

## Notes- The Great Depression 1929-1939

EQ: What were the causes and consequences of the Great Depression?

The social and political consequences of the Great Depression were enormous. Mass unemployment and failing farms created insecurity and unemployment for millions of people.

The prolonged economic collapse shattered the fragile stability of the mid-1920s and encouraged the growth of extremists on both ends of the spectrum. Democratic government faltered and authoritarian Fascist parties gained power across Europe.

### The Economic Crisis

- The crash of the stock market in the US in 1929 initiated a worldwide crisis
- Buying on the margin and increase in speculation led to economic collapse
- Throughout the 20s American banks and investors had lent large amounts of capital to many to many countries → once the panic broke US bankers began recalling the loans they had made, gold reserves began to flow rapidly out of European countries, specifically Germany and Austria toward the US. It began to be hard for European businesses to borrow money and Europeans began to panic and withdraw savings from their banks
- The largest bank in Austria crashed in 1931
- The recall of loans by American bankers also accelerated a collapse in world prices when businesses dumped industrial goods and agricultural commodities in an attempt to get cash to pay loans
- The financial crisis led to a crisis of production
- Between 1929 and 1933 the world output of goods fell by an estimated 38%
- Each country turned inward and attempted to solve problems alone
- In 1931, Britain went off the gold standard, refusing to convert banknotes into gold and reduced the value of its money → Britain's goal was to make its goods cheaper and more appealing on the world market
- The US and 20 other nations also went off the gold standard in 1934- so few countries really gained a real advantage
- Countries followed the example of the US when it raised protective tariffs in 1930 to their highest levels ever and tried to seal off shrinking national markets for domestic producers → further limited international trade
- The international economy lacked leadership able to maintain stability when the crisis came
  - Neither the US nor Britain were able to successfully stabilize the international economic system in 1929
  - The American decisions to cut back on international lending and erect high tariffs had damaging ripple effects
- Poor national economic policy in almost every country
  - Governments generally cut their budgets when they should have raised spending and accepted large deficits in order to stimulate their economies
    - John Maynard Keynes advocated this policy – weapon against downturn and depression

- In the 30s this idea looked on generally with horror by orthodox economists who believed balanced budget was key

### Massive Unemployment

- The lack of large-scale government spending contributed to the rise of mass unemployment
- Financial crisis led to production cuts, workers lost their jobs and had little money to buy goods
- In Germany in 1932, one in every three was jobless
- Mass unemployment created great social problems
- Poverty increased dramatically
- Millions of people lost their spirit, hopeless search for work
- Birthrates fell drastically
- Only strong government action could deal with the mass unemployment → a powder keg ready to explode

### The Scandinavian Response

- Of all the Western democracies, the Scandinavian countries under Social Democratic leadership responded most successfully to the challenge of the Great Depression
- In the 1920s they developed a unique kind of socialism
- Flexible and nonrevolutionary- Scandinavian socialism grew out of a strong tradition of cooperative community action
  - Even before 1900, Scandinavian agricultural cooperatives had shown how individual peasant families could join together for everyone's benefit
  - Labor leaders and capitalists were also inclined to work together
- When the economic crisis struck in 1929, socialist government in Scandinavia built on this pattern of cooperative social action
  - Sweden pioneered the large scale deficits to finance public works and maintain production and employment
  - Paralleled some aspects of FDR's New Deal
  - Increased social welfare benefits, unemployment insurance, subsidized housing, and maternity allowances
  - Needed increased taxes
  - Both private and cooperative enterprise thrived as did democracy – some people saw the welfare socialism of Scandinavia as an appealing middle way between sick capitalism and cruel communism or fascism

### Recovery and Reform in Britain

- In Britain, the Labour government and then, after 1931, the Conservative-dominated government followed orthodox economic theory
- Budget was balanced, spending tightly controlled, and unemployed workers received barely enough welfare to live
- But, the economy recovered considerably in 1932 and by 1937 total production was about 20% higher than in 1929

- For Britain the years after 1932 were actually somewhat better than the 20s had been—the opposite of situation in France and the US
- This reflected the gradual reorientation of the British economy
  - Britain concentrated on the national rather than the international economy
  - As old export industries of the Industrial Revolution like coal and textiles declined, new industries such as automobiles and electrical appliances grew in response to British home demands
  - Low interest rates encouraged a housing boom
  - By the end of the 30s there was a visible difference between the depressed industrial areas of the north and the new growing areas of the south

#### Recovery and Reform in France

- Because France was relatively less industrialized and more isolated from the world economy, the Great Depression came to it late
- Decline was steady in 1935
- Economic stagnation reflected and heightened an ongoing political crisis
- There was no stability in government
- As before 1914, the French parliament was made up of many political parties that never cooperated for long
- Fascist organizations agitated against parliamentary democracy and turned to Mussolini's Italy and Hitler's Germany for inspiration
- In February 1934, French Fascists rioted and threatened to take over the republic
- At the same time, the Communist Party and many workers opposed to the existing system looked to Stalin's Russia for guidance
- The moderate republican center was weakened by attacks from both sides
- Frightened by the growing strength of the Fascists at home and abroad, the Communists, Socialists, and Radicals formed an alliance → The Popular Front – for national elections of May 1936
- **Popular Front** → a short lived New Deal-inspired alliance in France led by Leon Blum that encouraged the union movement and launched a far-reaching program of social reform
- Their victory reflected the trend toward polarization
- Blum's Popular Front government made the first and only real attempt to deal with the social and economic problems of the 30s in France
- Measures were quickly sabotaged by rapid inflation and accusations of revolution from Fascists and frightened conservatives
- Political dissension in France was encouraged by the Spanish Civil War (1936-1939)
  - French Communists demanded that the government support Spanish republicans, while many French conservatives would have gladly joined Hitler and Mussolini in aiding the Spanish Fascist
  - Extremism grew and France was close to civil war
  - Blum forced to resign in 1937 and the Popular Front collapsed
  - A divided France soon became preoccupied with Hitler and German rearmament