THE FUTILE SEARCH FOR STABILITY

- WWI Peace Settlements did not pacify countries
- League of Nations was not stable enough

- 1920s started strong until the Great Depression in 1929
- Shook people’s confidence in their governments
- Facilitated the rise of extremist parties
Main Idea: New problems arise in the years between the war due to lack of satisfaction with the Treaty of Versailles and shaky League of Nations
Problems with Peace

- Peace settlement *attempted* to fulfill nationalistic dreams
  - Instead created problems with new borders
  - Germany unhappy and vowed revision of the Treaty
A Weak League of Nations

- Wilson knew problems would arise from the peace
  - hoped League of Nations would help settle problems
  - Not able to maintain peace
- One Problem
  - US did not join to avoid involvement in European affairs
  - Lacking the US weakened the League
  - Cannot agree with how to settle problems
What does the snake represent?

What does the rabbit represent?

What is the snake going to do to the rabbit?

Why?
French Demands

- Wants a strict enforcement for security
- Reparations paid by Germans
  - Determined Germany owes 132 billions German marks
    - $33 billion US
  - Pay in annual installments of 2.5 billion marks
  - 65 year payment plan
- First payment was in 1921
French Demands

- 2\textsuperscript{nd} payment never came →
  - Germany came into a financial crisis and could not pay more

- France is furious so they
  - Occupy Ruhr Valley, Germany’s industrial and mining center and collect the reparations by using the German facilities
Inflation in Germany

- **Weimar Republic**, a democratic state, arose
- German workers went on strike to resist FR occupation
- Germany decides to print more money to pay reparations
  - Caused massive inflation
  - Mark becomes worthless...
Exchange Rates of Dollars and Marks

<table>
<thead>
<tr>
<th>Month</th>
<th>Rate</th>
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<tr>
<td>July 1914</td>
<td>4.2</td>
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<td>January 1919</td>
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In 1923, a German housewife burned mark notes in her kitchen stove, since it was cheaper to burn marks than to use them to buy firewood.

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Inflation in Germany leads to Political Conflicts

- France and Germany want solution to the disaster
- In 1924 Dawes Plan is introduced
  - Reduced reparations
  - Coordinated Germany’s ability to pay with payments
  - Granted $200 million loan for Germany recovery
    - American investment begins in Europe
- Alleviated problems for 5 years, until 1929
The International Financial System Under the Dawes Plan and Young Plan 1924-30

$2.6 Billion in War Debt Payments

U.S. "<-- " Allies

$2.5 Billion in Loans

Germany

$2.0 Billion in Reparations Payments
The Treaty of Locarno: 1925

- German and French foreign ministers wanted cooperation (Things are going well)
- Beginning of a new era of peace
- Treaty signed in 1925
  - Guaranteed Germany’s western borders with France & Belgium
- Intensified when Germany joined League of Nations in 1926
Kellogg-Briand Pact: 1928

- Two years after Locarno
  - 63 nations signed
  - American Sec of State Kellogg
  - Foreign Minister Briand

- Pledged to “renounce war as an instrument of national policy”
  - Unfortunately, no consequences if they broke pact
The Great Depression

- **Main Idea:** Economic problems combined with the American stock market crash evolved into the Great Depression

- Brief moment of prosperity ended in stock market fall and caused a depression

- A period characterized by low economic activity and rising unemployment
Causes of the Great Depression

1st Factor
- Series of downturns in the economies of individual nations
- Prices from farm products, especially wheat, fell dramatically due to overproduction

2nd Factor
- International financial crisis involving US Stock Market
- European stability was due to US bank loans to Germany (see Dawes)
- US stopped funding Germany and focused on stock market
- After stock market crash they withdrew more from Europe
  - Caused depression in Europe because they needed that money

Big Problem: Over Productions and Buying on Credit!!
The Great Depression

- End result
  - Period of deflation
  - Widespread bank failures
  - Trade slowed down
  - Industrial production was declined
  - Unemployment rose: 1932: Britain = 25%
    Germany = 40%
Responses to the Depression

- Extent of depression was critical
  - “Great Depression”
- By 1932, the worst year:
  - 1 in 4 British workers were unemployed
  - 30% German workers, 5.5 million
- Poverty and homelessness grew
- To try to help governments became more involved in the Economy
  - If some areas Marxism increased
Canada ➔

➔ Germany
Responses to the Depression

- Increased government activity
  - Turned attention toward Marx who predicted capitalism would destroy itself through overproduction
  - Communism became a viable idea
- Masses of people began to follow political leaders who offered simple solutions in exchange for dictatorial power
  - democracy on the defensive
Main Idea
The Depression led to people’s confidence in the political democracy to decrease
Germany

- Economic problems
  - Inflation
  - Families on fixed incomes suffered
  - Unemployment grew from 3 million in March to 4.4 million in December
- Depression paved the way for fear and the rise of extremist parties
France

- New strongest power in Europe
- Suffered with financial problems
- Economic hardships at worst point in 1932
  - 6 new cabinets were formed to deal with problems
- Coalition of leftist parties formed Popular Front government
  - Communists, Socialists, and Radicals
Popular Front and the French New Deal

- Modeled after US New Deal
- Gave workers ability to have collective bargaining
  - Right of unions to negotiate with employers about conditions
- 40 hour work week in industry
- 2 week paid vacation
- Minimum wage
Great Britain

- Overproduction in coal, steel, and textiles industries declined after war
  - 2 million out of work

- John Maynard Keynes
  - British economist
  - Believed - Unemployment came from decline in demand, not overproduction
  - Stated - Demand can be increased through making jobs for workers
    - Demand creates its own supply
  - If necessary, governments may have to go into deficit spending
United States

- By 1932 production fell 50% from 1929 level
- FDR is newly elected President
  - Capitalism must be reformed to save it
  - New Deal – policy of active government intervention
  - Increased program of public works
  - Welfare system → Social Security Act
- Only WWII and production will pull the US out its slump
New Deal