

# THE FUTILE SEARCH FOR STABILITY

Chapter 17 Section 1

# 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

# Uneasy Peace, Uneasy Security



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<sup>nd</sup> 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

July 1914	4.2
January 1919	8.9
July 1919	14.0
January 1920	64.8
July 1920	39.5
January 1921	64.9
July 1921	76.7
January 1922	191.8
July 1922	493.2
January 1923	17,972.0
July 1923	353,412.0
August 1923	4,620,455.0
September 1923	98,860,000.0
October 1923	25,260,208,000.0
November 1923	4,200,000,000,000.0

# German Inflation



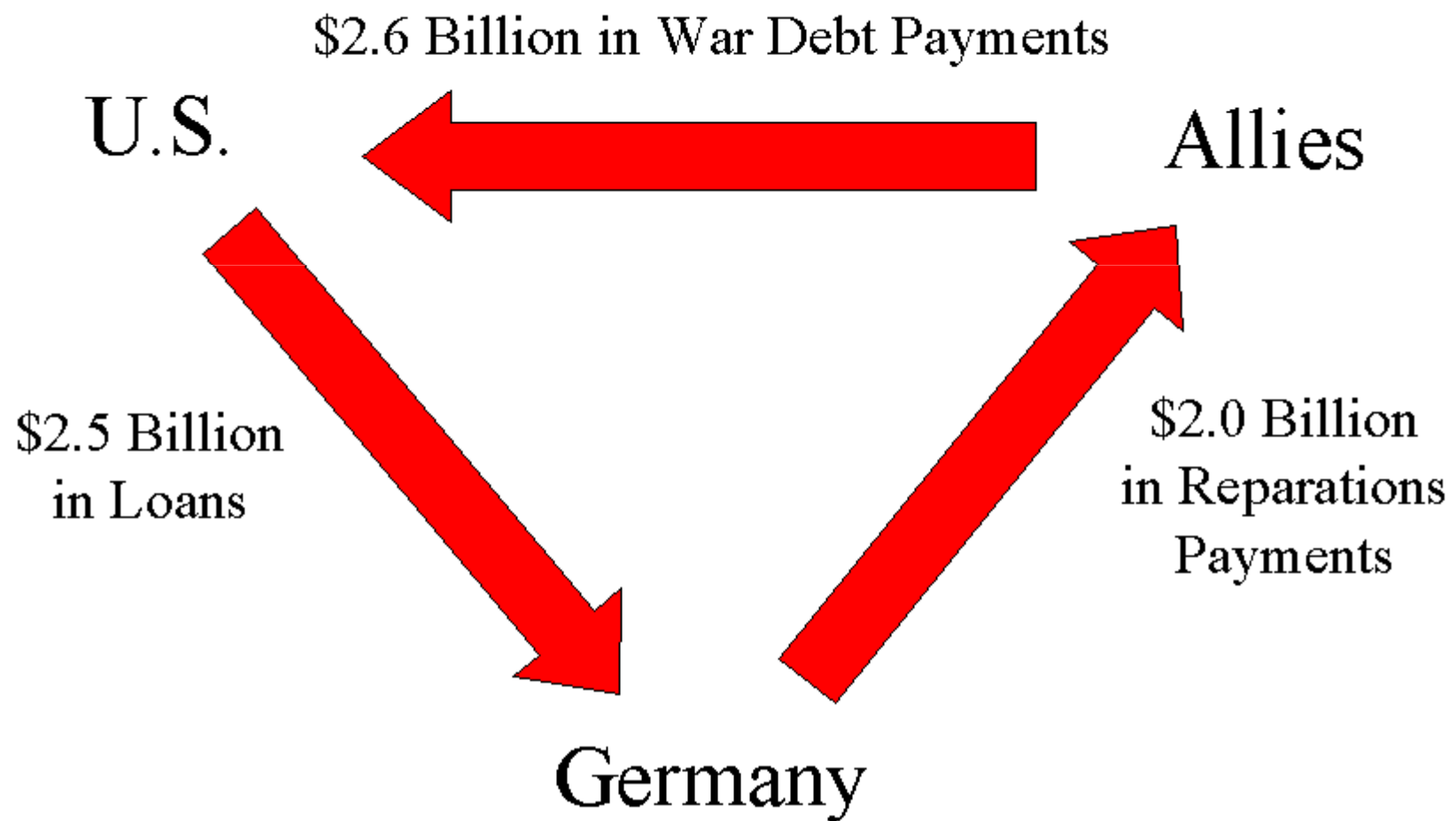


# Inflation in Germany → leads to Political Conflicts



- 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



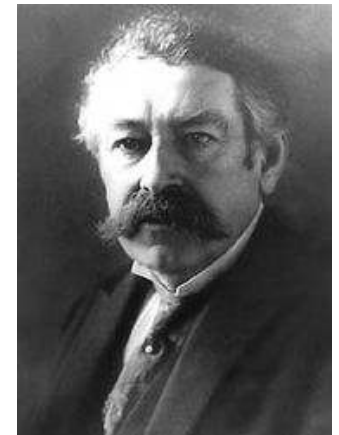
# The Treaty of Locarno: 1925

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- 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

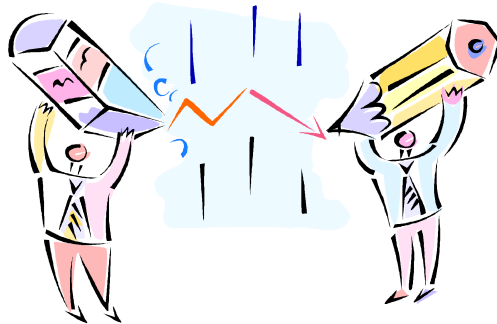




# Causes of the Great Depression

## 1<sup>st</sup> Factor

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



## 2<sup>nd</sup> 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

# DEMOCRATIC STATES

## 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

# France



- 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 n 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







