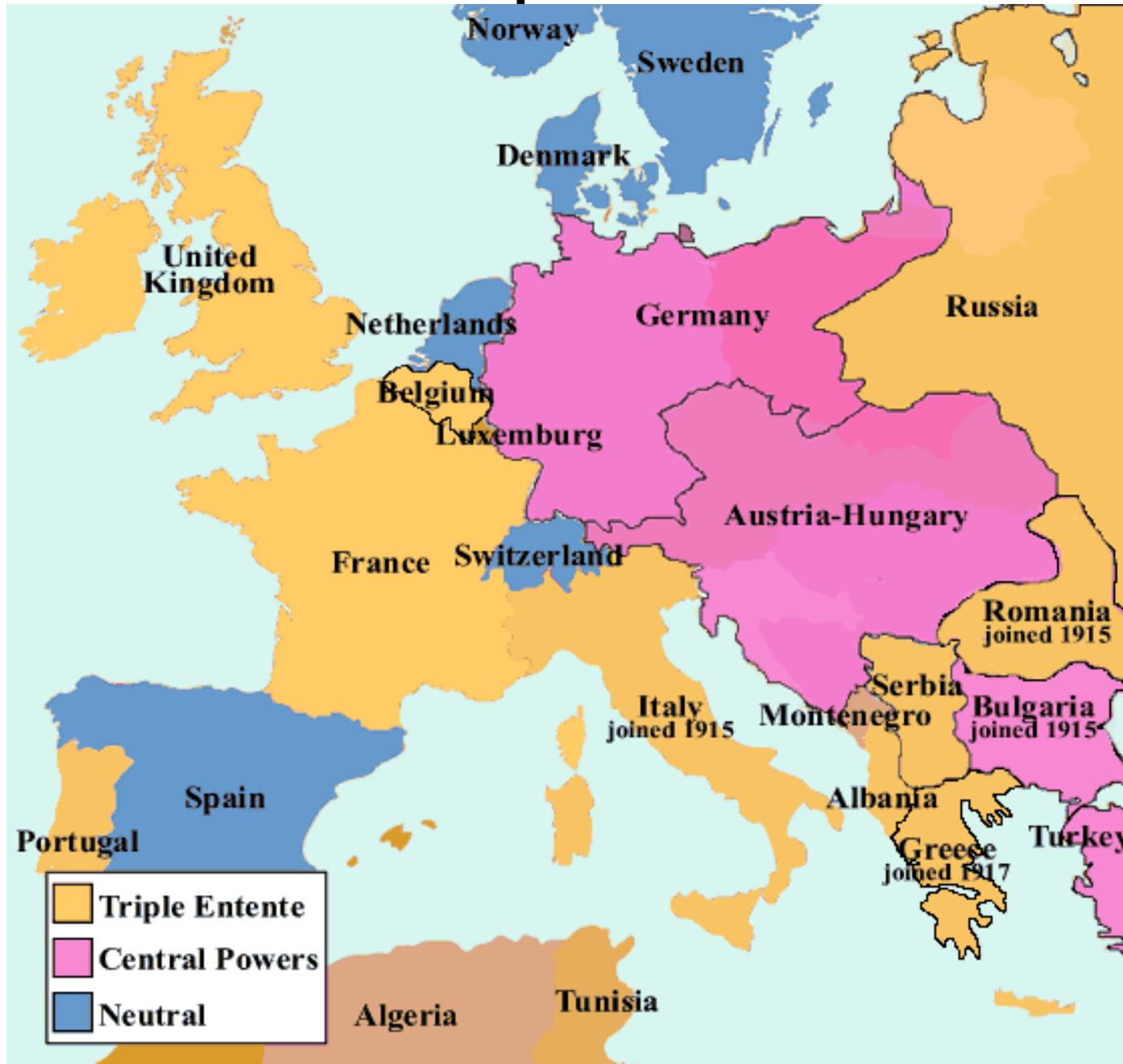


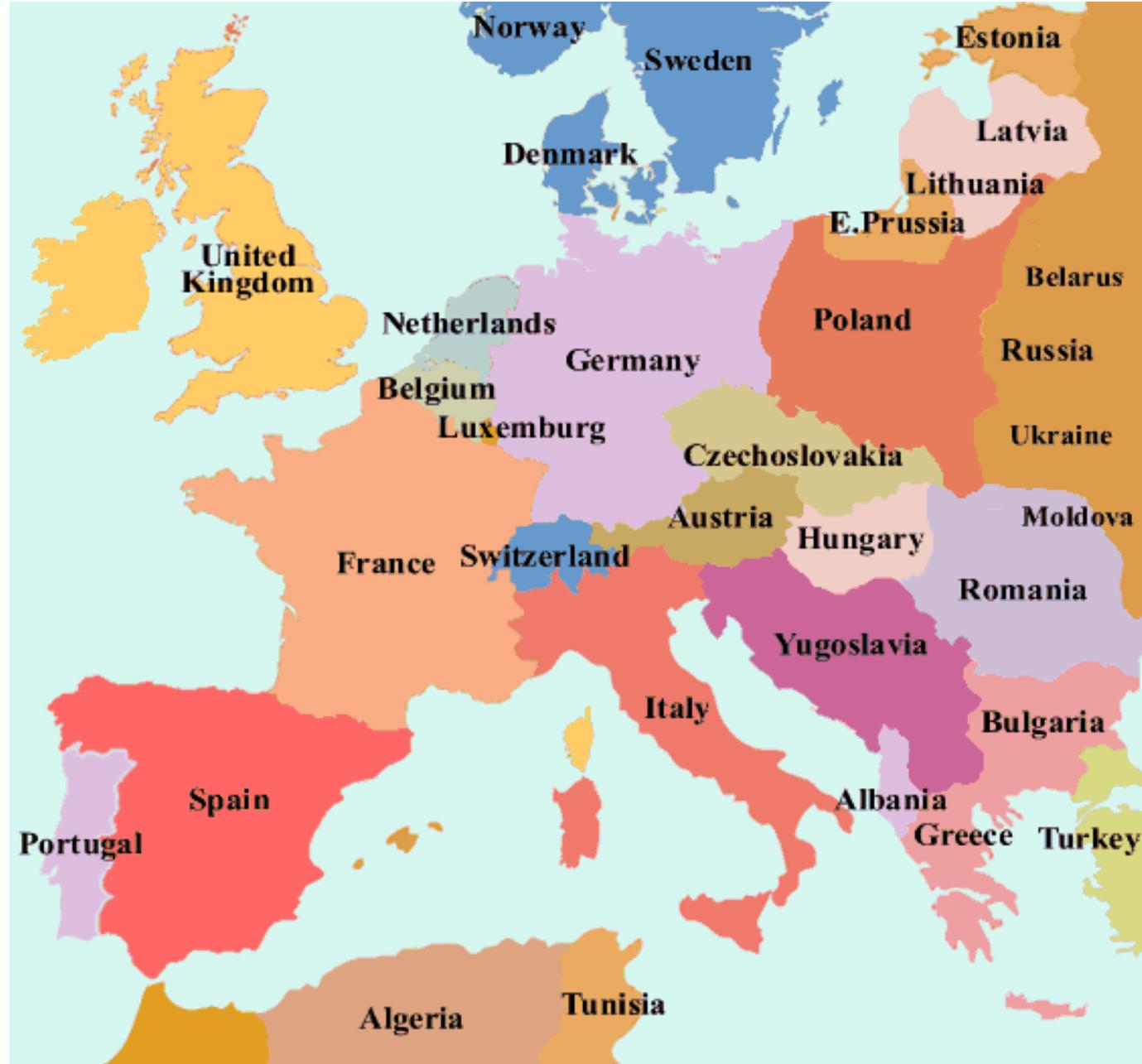
Key Provisions of the Paris Peace Treaty

- **Major territorial changes** in Europe (created many new nations, eliminated old Empires)
- **Returned Alsace-Lorraine** to France
- **Created the League of Nations** (the US never joined, Germany and Russia initially not included)
- **The Mandate System** created to transfer territory from the defeated nations to “League” control
- **Impact on Germany** --
 - Loss of all colonies and other territory
 - Reparations payments required
 - Disarmament (no navy, air force, land military limited to 100k troops)
 - Rhineland occupied for 15 years, and a “demilitarized zone” thereafter

Europe 1914



Europe 1919



The 1920's: The Era of Illusions

Part I: The Illusion of Economic Restoration

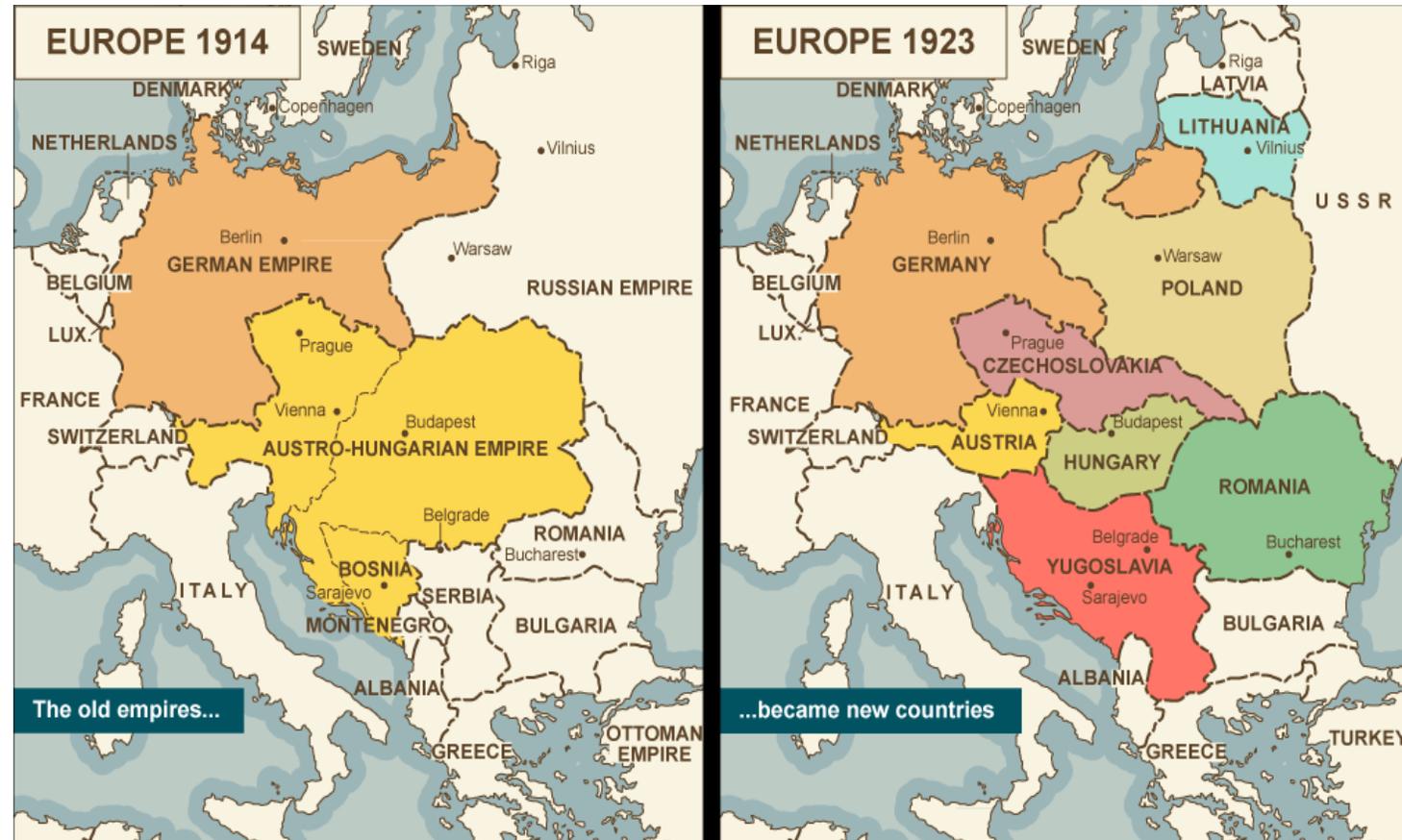
“The Illusion of Economic Restoration”

- After WWI there was significant nostalgia for the pre-war economic system but:
 - What was broken could not be put back together again...too much had changed
 - The first 5 Years = bad economic times (1918 – 1923)
 - Next years (up to 1929) hid the flaws in the international economic system (of which there were many)



The First 5 Years

- Economic Depression in some places; hyper-inflation in others
- Nations sought “Economic Independence” referred to as “Economic Nationalism”
 - Economic Nationalism: a desire to put the economic interests of your own nation ahead of all others
- Attempts to integrate Europe economically failed; and even went backwards with the creation of new states in Central Europe



Difficulty in Restoring the Global Economy

- Protectionism grew in many countries to help national industry grow
 - Protectionism: making imports less profitable by imposing tariffs or other taxes to make foreign products more expensive relative to domestic ones
- The United States especially enacted a lot of tariffs to keep imports low while simultaneously pursuing an aggressive export policy
 - There were a variety of tariffs throughout the 1920's but they culminated in the huge Hawley-Smoot Tariff in 1930 which is widely regarded as a significant factor in deepening the Great Depression

The United States and Isolationism

- The US ends WWI in great financial shape and also is unique in its ability to supply nearly all of its own food and resource needs
- Protectionist policies make it harder for Europe to export to the US
- During the war the US became a major supplier to Latin America and other parts of the world since Europe was pre-occupied
- The US loans tons of cash to Europe, but they are less able to pay due to the two previous bullet points

“Follow the Yellow Brick Road?”

- The Gold Standard is abandoned in some countries (Germany, Austria and Russia) to try to grow their economies
 - The Gold Standard is a method for converting a nation's currency into gold at a set exchange rate; this limits inflation and facilitates global currency exchange
 - The end result is hyper-inflation in these nations and a lack of foreign investment
- By 1925 most of Europe was back on the gold standard (but at pre-war levels) which helps some nations and hurts others
- Following World War I Wall Street in NYC, USA replaces London as the financial center of the world

US Investment Abroad

- The United States, as the world's largest creditor invests its excess capital in foreign markets
 - The majority of the investments though are speculative and/or short term investments which while helpful to the rebuilding/repaying of war damage/debt actually is harmful in the long run and makes the nations of Europe more dependent on US capital
- The Federal Reserve tried to cool off the expanding investment “bubble” in Europe by increasing interest rates, but this just made the problem worse by causing more foreign investors to put their money into US investments rather than European ones

ALLIED WAR DEBT

- By early 1920' s the US is insisting on a repayment schedule for the war debt
- Allies (England, France, Italy) resist working out a way to pay the debt
- They believed:
 1. The debt should be written off as the US contribution to the war
 2. Since the majority of the money was spent in the US on weapons, supplies etc that the US had a large benefit from the money anyway
 3. Since the US was not allowing imports there was no way to acquire the needed funds to pay back the US
- By 1926 most nations had signed a payback agreement but they were really annoyed about it

Reparations.

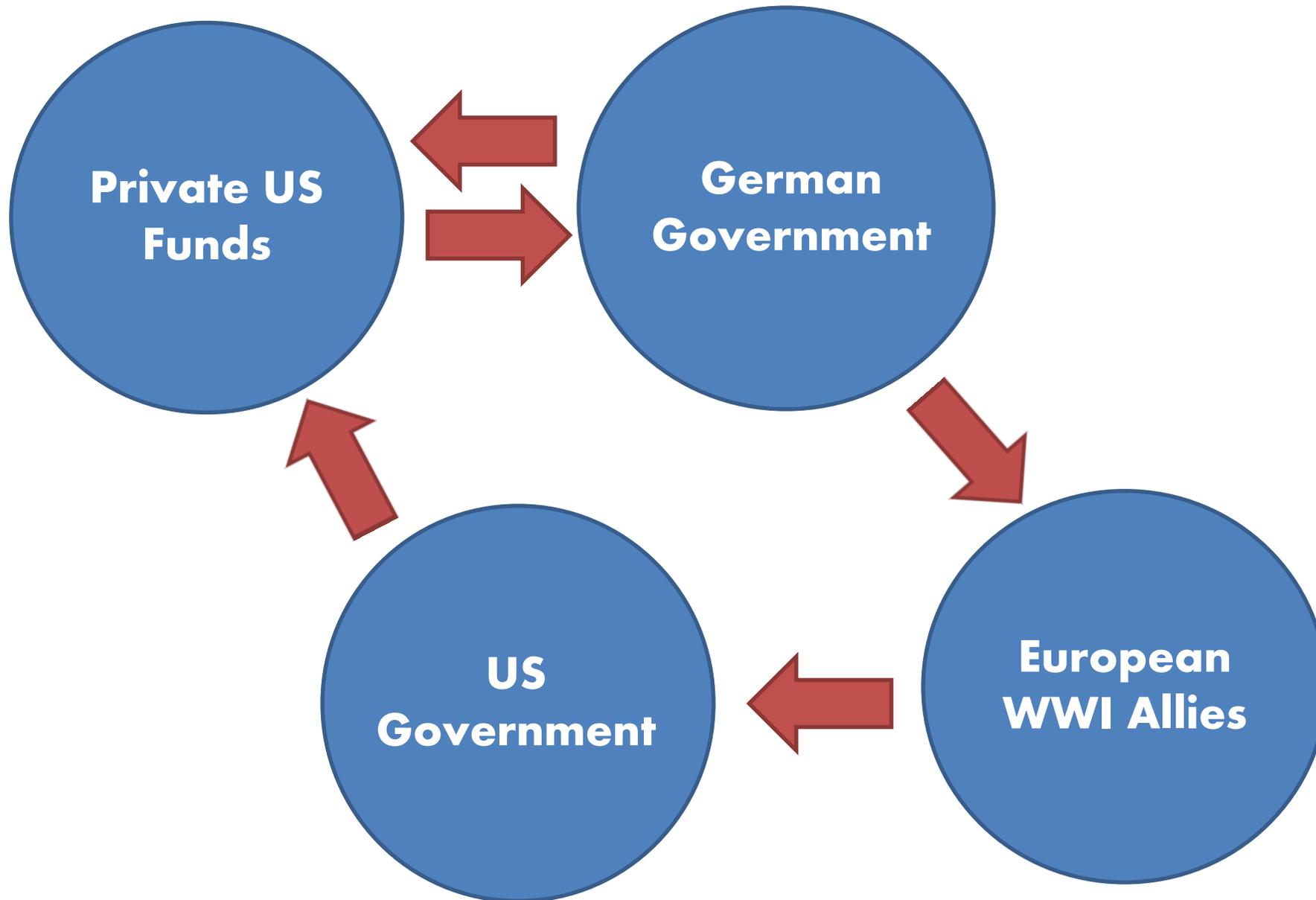
- This was easily the #1 source of post-war tension
- It was a major issue during the entire negotiations in Paris after the war
- Germans hated the idea since it meant reduced consumption for them following the war
- German people also blamed the economic hard times on the Treaty of Versailles – whether that was justified or not
- England, France and the US blamed the slow economic recovery on Germany



THE DAWES PLAN

- In 1924 there was another meeting in Paris to solve the reparations issues
- The US send a prominent banker, Charles Dawes, as the US representative
- In April 1924 the Dawes Committee Report outlined a solution to the global finance/reparations problems
 - Voluntary US private money would be loaned to Germany
 - This would enable Germany to pay the Allies
 - The Allies would pay back the US government loans
- Things improved with the Dawes plan
- Prosperity returned in Europe (with some exceptions)
- Things seemed...and they were so long as private US money kept being invested in Europe/Germany...this continued until one fine day in mid October 1929...

The Dawes Plan



IN THE WORDS OF
MARK TWAIN ...

OCTOBER:
THIS IS ONE OF
THE PECULIARLY
DANGEROUS MONTHS
TO SPECULATE
IN STOCKS.
THE OTHERS ARE
JULY,
JANUARY,
SEPTEMBER,
APRIL,
NOVEMBER,
MAY.....

JOHN DEWITT
THE TORONTO
STAR

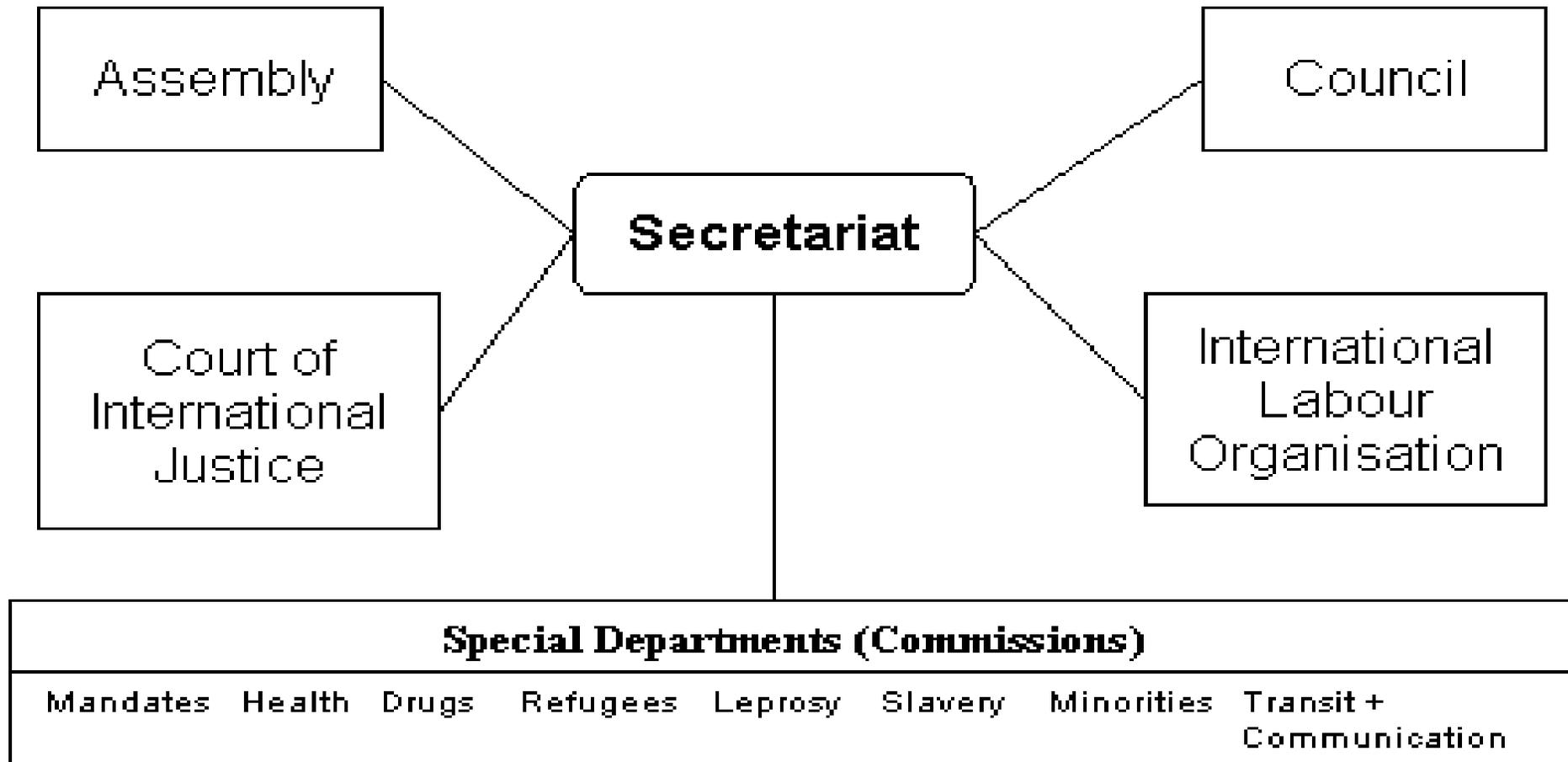
The 1920's: The Era of Illusions

Part II: The Illusion of Political Security

League of Nations

Two main reasons for being:

1. Promote world peace through disarmament
2. Ensure the territorial integrity of member states

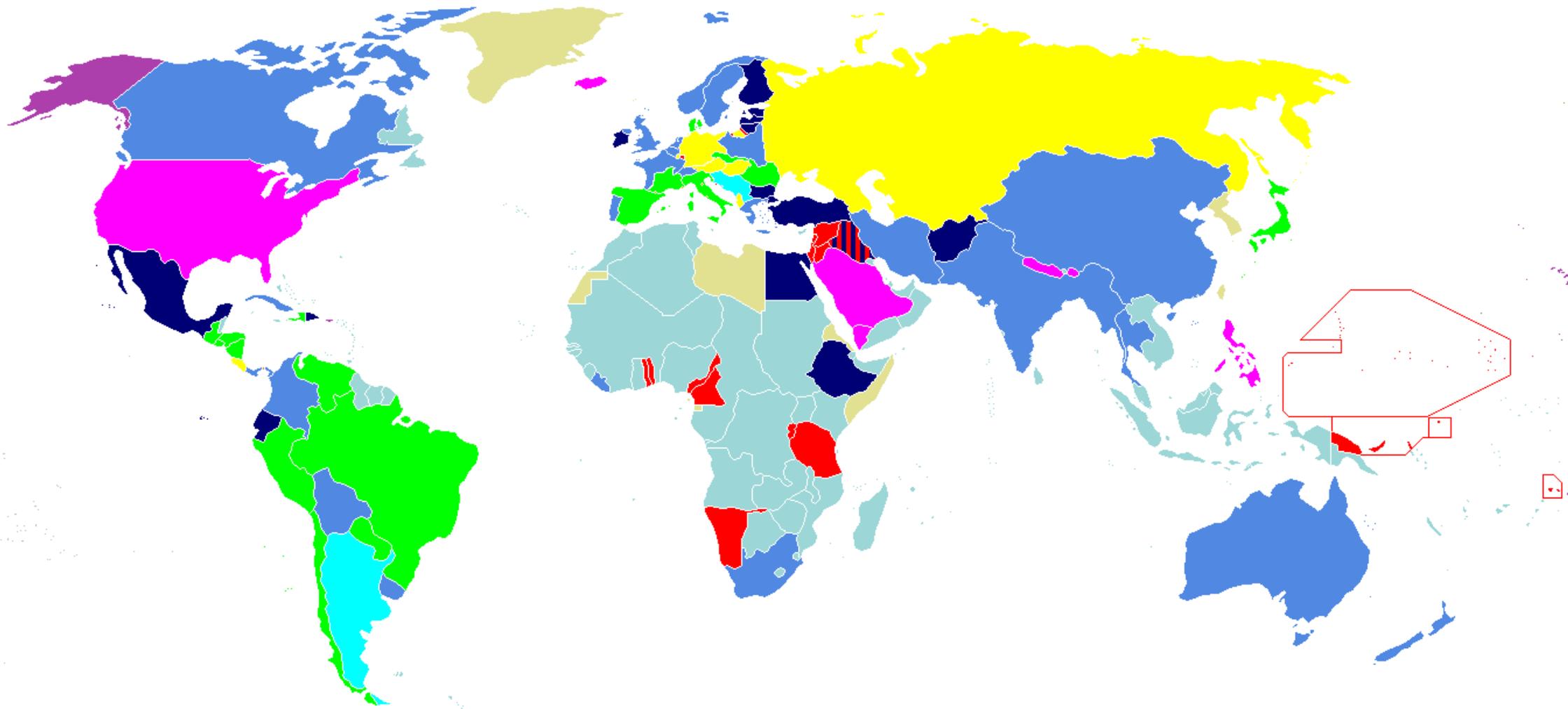


Positives

- Brought about a new spirit of “internationalism”
- Created the World Health Organization, International Labor Council, and International Court of Justice
- Could impose sanctions on nations that violated agreements
- Offered the world a peaceful means for solving world problems

Negatives

- Required a unanimous vote to adopt policy
- Had no military force to enforce its policy decisions
- The United States, Germany and Russia were all initially not members
- Often appeared to be a club for the winners of WWI due to the make up of the League Council’s permanent members



- Founding member that stayed until the end
- Founding member that left and joined again
- Founding member that left until the end
- Joined later and stayed until the end
- Joined later and left later

- League of Nations mandate
- Never members
- Colonies of members
- Colonies of members that left
- Colonies/territories of non-members



**League
of
Nations**

The Basic Desires of Each Nation

- England: Encourage peace on the continent by eliminating those portions of the Versailles Treaty that Germany found “objectionable”
- France: To enforce the limitations on German economic, diplomatic and military power imposed by the Treaty of Versailles to ensure its own safety and that of its allies
- Germany: To get rid of the terms of the Treaty of Versailles in as expedient a manner possible
- The United States: To be left alone
- Russia: To not be left alone

England

- Left the Anglo-French mutual defense treaty when the United States Senate didn't ratify the Treaty of Versailles
- English continental policy aimed to keep any nation from gaining superiority (especially air and naval power great enough to threaten the British Isles)
- England didn't, however, want to see any change in France's eastern border
 - “Britain's frontier is on the Rhine”

France

- The loss of the guarantees from England and the United States left France searching for allies in Europe
 - They were looking for a replacement to pre-WW I Russia
 - Put together a group of nations known as the “Little Entente” which included Czechoslovakia, Romania and Yugoslavia
 - The “Little Entente” was not as effective an ally as Russia was pre-World War I
- Also constructed the **MAGINOT LINE**
 - A series of fortifications along the France-German border; by ending it at the Belgian border it alienated Belgium



Germany

- Wanted to renegotiate terms of the Treaty of Versailles including reduction of the reparations
- Entering into international agreements to ensure its security
- Wanted to create trade deals with various nations to put its economy back on track
- Internal stabilization (getting the extreme right and extreme left political parties in line)

The Treaty of Rapallo

- A meeting between Russia and Germany in 1922
- Took place after a failed conference in Genoa where Germany attempted to renegotiate their reparations payments
- The Russians and Germans normalized their relations which included:
 - Trade agreements
 - Working together to keep Poland weak
 - Russia began manufacturing military hardware for Germany to help them circumvent the Versailles treaty
- Following the Treaty the Russians and Germans began secretly cooperating militarily

The Ruhr Crisis -- 1923

- The Germans were required to provide coal from the Ruhr region as payment for the war
- A German default on payment (due to serious economic inflation) sparked a French military invasion of the Ruhr to collect payment
 - England strongly objected to the French Action
- The German workers went on strike and refused to mine coal for the French (roughly 130 civilians were killed in the protests)
- A new Chancellor (G. Stresemann) calmed the situation, but still faced troubles within Germany (including the November 1923 attempted coup by the Nazi's in the "Beer Hall Putsch" in Munich)

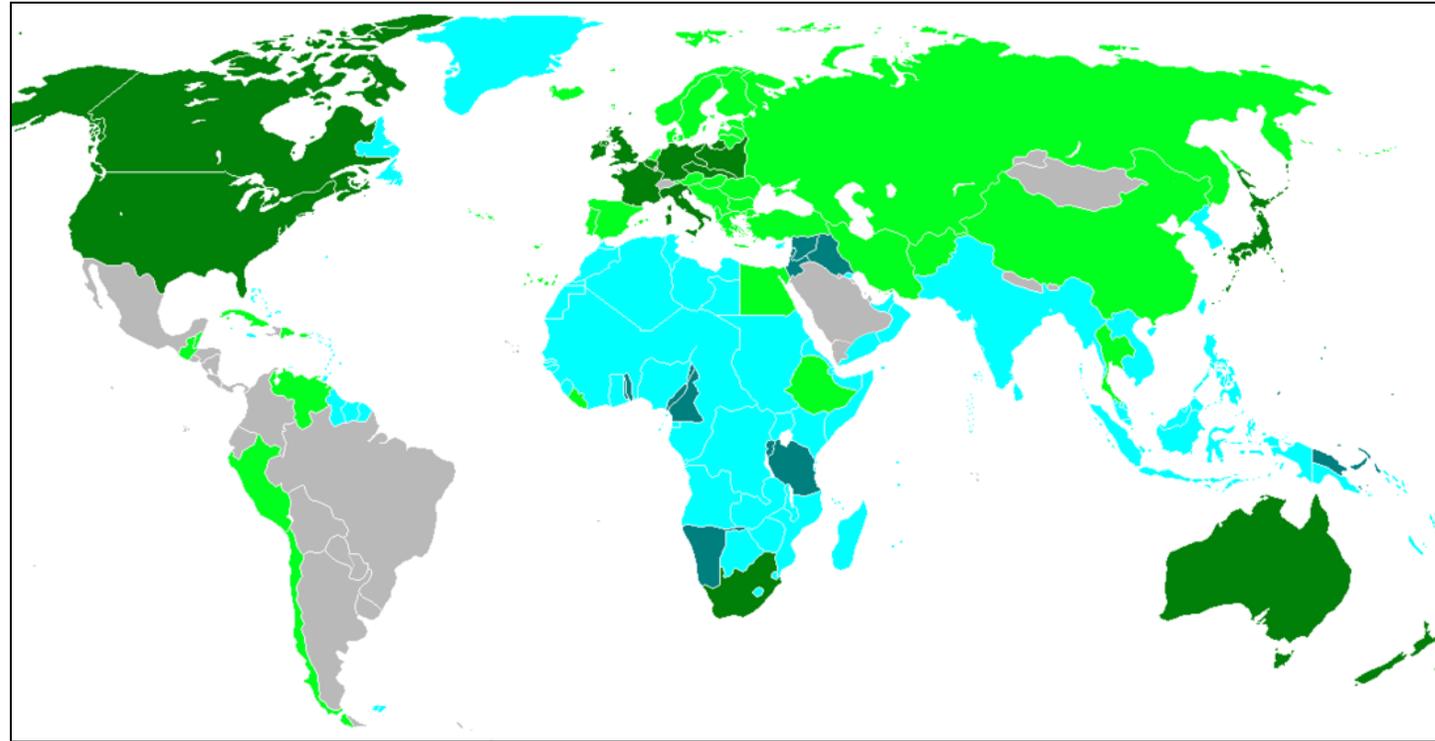


LOCARNO – 1923

- This was **THE** major achievement in international relations in the 1920's
- Gustav Stresemann became the German Chancellor in 1923; he improved relations between Germany and the rest of Europe
- Viewed at the time as a major success, but there were flaws that become obvious later
- On the plus side –
 - France, Belgium and Germany became friends again and pledged to honor the borders created by the Versailles treaty
 - Ended the harsh feelings between Germany and France after the Ruhr crisis and seemed to be a sign of healing post WWI
- On the down side –
 - Germany made no promises about its eastern border which in the long run meant less security for Poland, Czechoslovakia and other eastern nations

The Kellogg-Briand Pact - 1928

- An agreement among many nations around the globe to reject war as a means of settling disputes
- Named after the two principal authors (US Sen Kellogg and French Foreign Minister Briand)
- Ratified by a US Senate vote 85-1
- Took effect July 24, 1929 roughly 10 years prior to the start of World War II



Dark green: original signatories
Green: subsequent adherents
Light blue: territories of parties
Dark blue: League of Nations mandates administered by parties

The Rise of Fascism in Italy

- Causes for the rise of fascism in Italy
 - Pre-WWI Italy was a liberal state with civil rights and a constitutional monarchy
 - Versailles Treaty (1919): Italian nationalists were angry that Italy did not receive any Austrian or Ottoman territory or Germany's African colonies as promised and PM Orlando angrily left the Paris Peace Conference before it was completed.
- A depression in 1919 caused nationwide strikes and class tensions
- The wealthy classes feared communist revolution and wanted a strong anti-communist leader to keep order
- By 1921 revolutionary socialists, conservatives and property owners were all opposed to liberal parliamentary government
- Fascism in Italy eventually was a combination of conservative authoritarianism and modern totalitarianism (although not as extreme as Russia or Germany)

Benito Mussolini

- Mussolini organized the Fascist party.
 - He combined socialism and nationalism: territorial expansion, benefits for workers, and land reform for peasants
- In 1920, Mussolini gained support of the conservative and middle class for his anti-Socialist rhetoric; and abandoned his socialist programs
 - “Black shirts”: Paramilitary forces attacked Communists, Socialists, and other enemies of the fascist program (Hitler's "Brown Shirts" copied this example).
 - This significantly undermined the stability of the government



Mussolini's March on Rome -- 1922

- The March on Rome in October 1922 led to Mussolini taking power.
 - Mussolini demanded the resignation of existing gov't and his own appointment by the king
 - A large group of Fascists marched on Rome to threaten the king to accept Mussolini's demands. The gov't collapsed; Mussolini received right to organize a new cabinet (government).
 - King Victor Emmanuel III gave him dictatorial powers to end the nation's social unrest and he consolidated power in the coming years. He remained in power until 1943
- Despite his take over, traditional power structures remained in place and his rule was never absolute



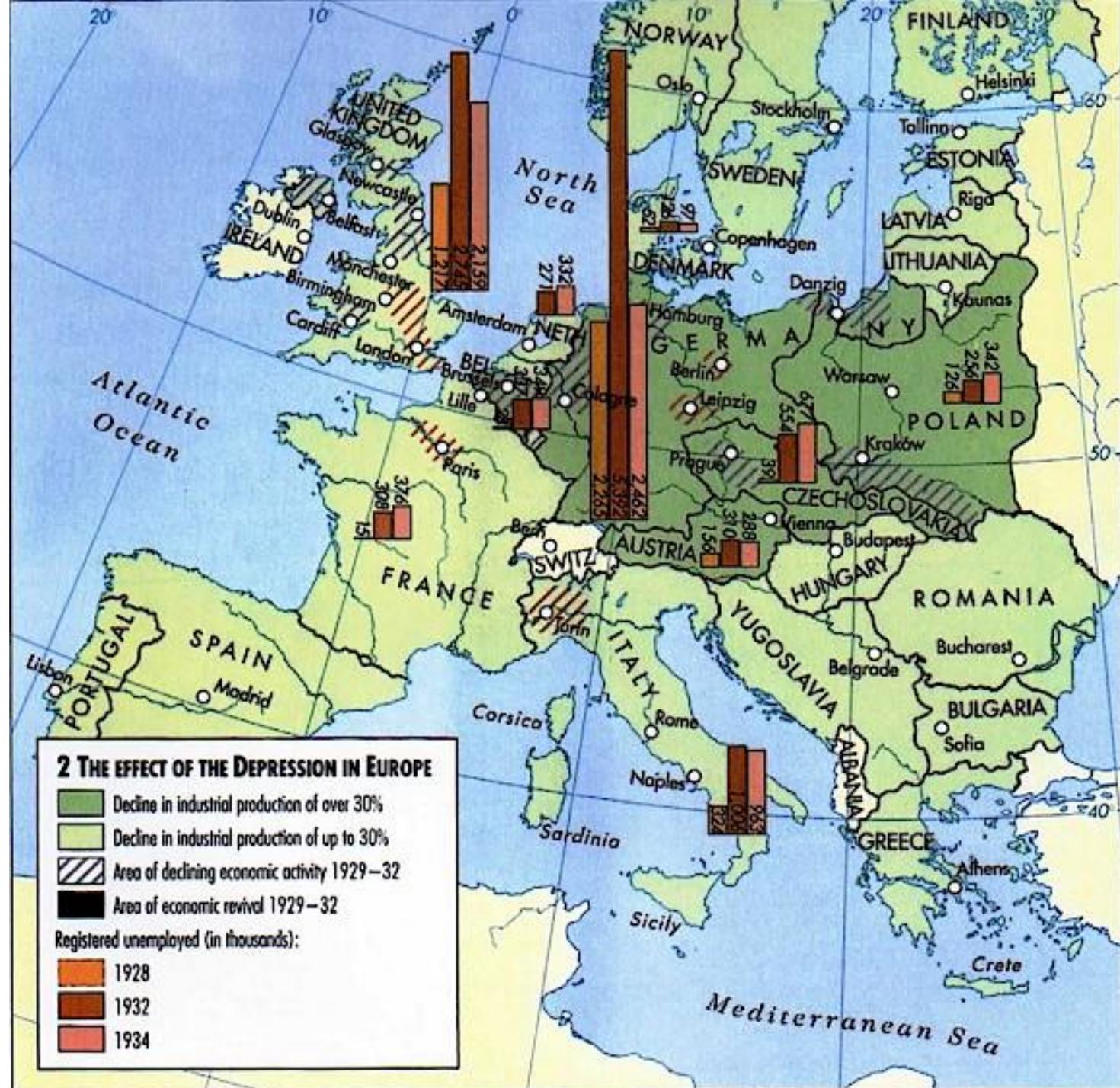
The 1930's: Illusions Dispelled

Part I: The Great Depression and the Economic Consequences

The Great Depression

- US Stock market begins a multi-year decline leading to the withdrawal of US capital from domestic and foreign markets – investment dries up and banks begin to fail further eroding access to credit
- International financial markets also collapse and a world wide economic catastrophe ensues (made worse by new tariffs and trade barriers)
- The collapse didn't happen overnight
 - Gradually worsened through the early 1930's
 - Bank Failures the destruction of credit markets
 - Massive layoffs and unemployment (Germany was one of the hardest hit nations)

Unemployment and Industrial Production in Europe 1928-1934



Impact of the Depression Across Europe

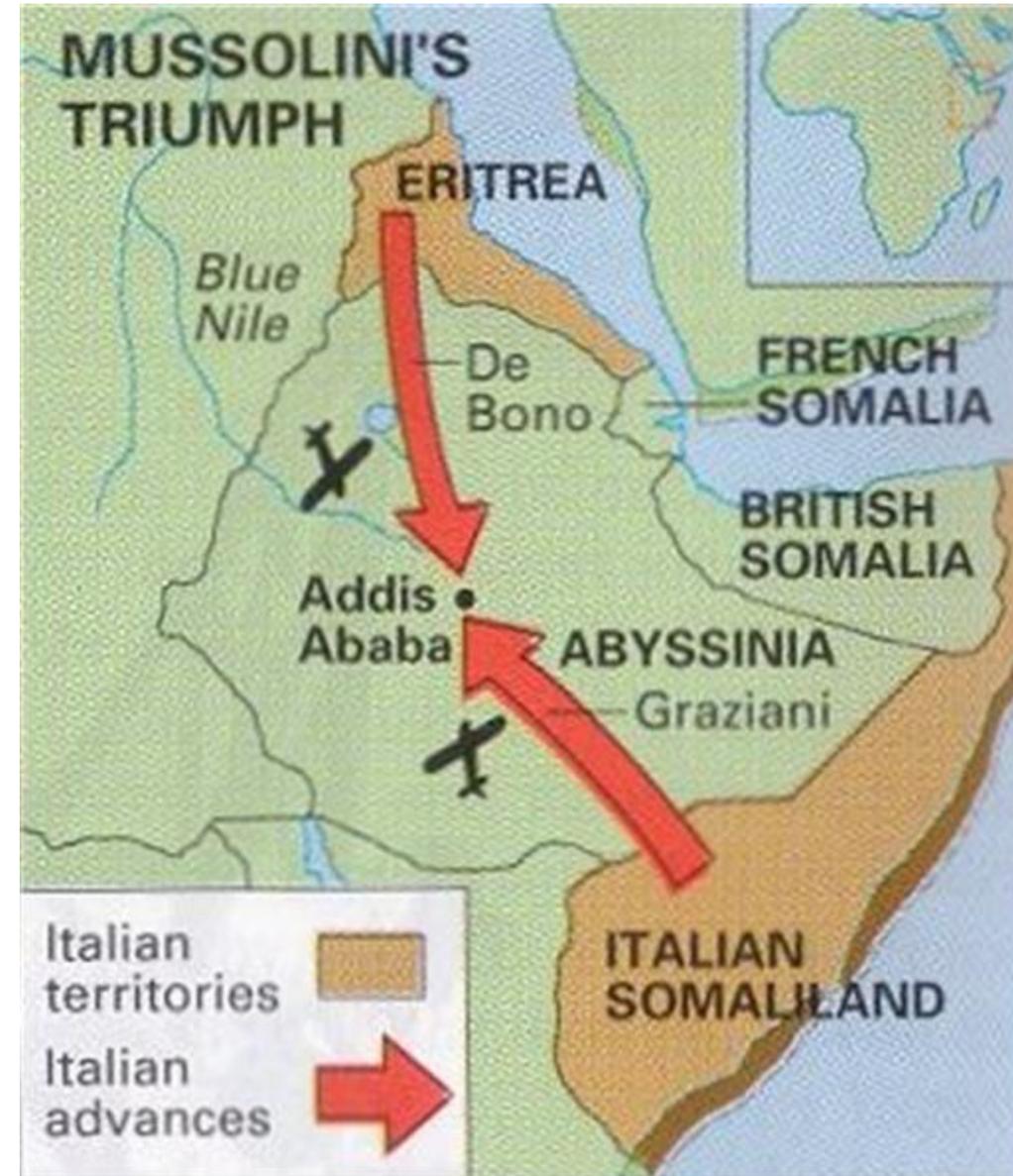
- The economic declines brought about economic and political instability across Europe
 - Germany saw the rise of the Nazi party and was unable to continue reparations payments
 - France and England saw bank runs and bank failures; measures taken to protect their currency and protect domestic industry; England left the gold standard creating a new trading block based on the pound sterling
 - Many nations reduced to essentially bartering internationally as currency controls were enacted
 - France and England default on their payments to the US and the US responds with the Johnson Act (1934) that makes foreign investment essentially illegal

The 1930's: Illusions Dispelled

Part II: Political Upheavals and the Rise of the Nazis

The Abyssinian Crisis 1935-1936

- A territorial dispute about the boundary between Italian Somaliland and Abyssinia (Ethiopia) led to conflict between the two states
- Both were members of the League of Nations – and membership in the league was supposed to guarantee your security
- The League (largely England and France) responded with economic sanctions applied to Italy
- The War continued, Italy left the league and ignored the consequences
- This served to discredit the League and undermined Italian-French-English cooperation which led Italy closer to an alliance with Germany



The Spanish Civil War 1936-1939

- Fought between the Republicans/Anarchists and the Nationalists/Fascists Conservatives, and Monarchists
- The Conservatives eventually won after a bloody struggle that many (most in retrospect) viewed as a pre-cursor of the war to come
- The leader, General Francisco Franco, would lead Spain for the next 36 years
- Spain became a brutal totalitarian state that was economically and politically isolated from the rest of Europe until the mid-1950's



FASCISM	COMMUNISM*
Glorification of the state	World wide "dictatorship of the proletariat" (classless society)
Single party; single ruler (dictator)	One party (communist) under the control of the Politburo. Dictatorship is not the final goal.
Condemns democracy: rival parties destroy unity. Man is unable to successfully govern collectively.	Condemns capitalism for exploiting workers ("haves" vs. "have nots")
Supports the idea of capitalism & owning of private property so long as it serves the needs of the state	Government controls all means of production (industrial & agricultural). No private ownership.
Corporate State: captains of industry become state economic deputies	Economy is centralized under the communist party
Aggressive nationalism	Spread of communism for the benefit of the world's working class (Comintern)
Advocates Social Darwinism (powerful states control weaker ones)	Condemns imperialism: advocates a world without nationalism with the workers united
Desire for peace shows weakness of gov't	Peace is the ultimate goal
Glorification of war (military sacrifice is glorified)	Violent revolution to bring about the "dictatorship of the proletariat." War is not the end but merely the means.
Emphasizes the inequalities among humans	Emphasizes the perfectibility of society. Mankind is

The Rise of Hitler – the Early Years

- The National Socialist German Workers Party (NSDAP) or Nazi party had been around since the end of WWI
- Hitler and the Nazis had attempted a coup d'état in 1923 starting in Munich with a planned march on Berlin (the “Beer Hall Putsch”)
 - The march quickly ended in failure when the local authorities used force to end the Nazi uprising
 - A number of Nazis were killed, a few police officers and Hitler was arrested
 - Hitler’s trial made him famous, he served 19 months in prison where he wrote his famous book “Mein Kampf” (in German this means “My Struggle”, but his original title which his publisher rejected was “Four and Half Years of Struggle Against Lies, Stupidity, and Cowardice”)

The Rise of Hitler – Building the Party

- After the failed Putsch, the Nazis reorganized and began to attempt to work within the political system to seize power and transform the government from within
- In the 1928 elections their level of support was only 2.8% of the vote, by 1933 they would get 33% making them the largest single party in Germany
- Their ideas included: extreme Nationalism, an end to the terms of the Treaty of Versailles, an expansion of German territory (lebensraum) to the east, scapegoating of the Jews for Germany's problems (especially Versailles and the economic problems of the Great Depression)
- Without the Great Depression its unlikely they would have taken over

An Attempt to Create an "Eastern Locarno"

- French foreign minister Louis Barthou tried to bring together France, Russia, Poland, Czechoslovakia, Finland and the Baltic States to create a military alliance to guarantee each other's borders
- October 9, 1934 Barthou is assassinated (its unclear, but many suspect the Nazis and Hitler plotted the assassination)
- The new minister Pierre Laval concludes a French-Russian treaty that is less robust and harder to implement than Barthou's agreement
- *(Laval will later be a Nazi sympathizer in occupied France and cooperates with the deportation of many Jews as part of the Vichy government...he will be executed after the war for high treason)*

The Rise of Hitler – Taking Office and Once in Power

- Conservative business leaders and politicians convinced to allow Hitler to take over a chancellor as leverage against the growing discontent and unrest in Germany (January 1933)
 - Hitler was seen as a better alternative to the Communists, and conservative leaders viewed him as someone they could use for their own purposes
 - Others viewed him as a serious threat to the republic
- In February of 1933 the main legislative building (the Reichstag) suspiciously caught fire and was blamed on communists and jews
 - Immediately following the fire Hitler and President Hindenburg suspended all civil liberties which the Nazis used to further consolidate power
- March 1933 the legislature passed the Enabling Act giving Hitler dictatorial power and the ability to create laws by executive order with the Reichstag
- Once in power the Nazis consolidated power through new laws that banned other political parties by July of 1933 (e.g. the Social Democrats)

The Rise of Hitler – Once in Power and Towards War

- Use of the Storm troopers (“Brown Shirts”) in terrorize potential rivals and the Jewish population (the Night of Broken Glass e.g.)
- Consistent efforts to remove provisions of the Treaty of Versailles
 - Rebuilding the military (in part to boost the economy)
 - Reoccupying the Rhineland
 - Annexation of Austria, the Sudetenland and Western Czechoslovakia
- Building an alliance between Italy, Germany and Japan – all authoritarian powers with expansionists ideas (but expanding into different regions)
- The USSR and Germany conclude the Molotov-Ribbentrop Pact which pledge peace with each other (and secretly that they will each take ½ of Poland) is concluded in August of 1939 – one month later WWII starts

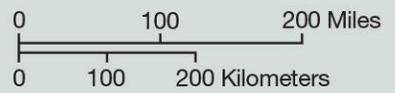
- International boundaries, 1936
- Germany in 1933
- Remilitarized in 1936
- Annexed in 1938
- States controlled by Germany, March 1939
- Conquered by Germany in September 1939
- Annexed by Soviet Union in September 1939



Gained by plebiscite, 1935

Annexed by Germany, March 1939

To Hungary, 1938-1939



Central Ideas of Adolf Hitler and Nazism

- Rearmament → end of unemployment → using the military to gain “Lebensraum” (living space)
- The Lebensraum was to be gained largely in Eastern Europe where “inferior” races (Slavs and Jews primarily) lived
- Extreme Nationalism
- State and Corporate run economy
- Goal: Keep peace with England (don’t challenge their navy or colonial system), defeat France quickly (Germany’s traditional continental foe) and then take as much of Eastern Europe as you can

The League of Nations and Diplomacy

- October 14th, 1933 Hitler unilaterally withdraws from the League of Nations and a conference on disarmament
- January 26th, 1934 Poland and Germany sign a non-aggression Pact
 - Puts a hole in France's eastern alliance system
 - Hitler has no intention of honoring this long term, this was a stalling tactic to buy time to fully rearm Germany
 - The Pact was meant to last for 10 years (but ended abruptly on September 1st, 1939)

France Reacts

- France attempts to renew relations with both Italy and Russia

Italy:

- Both Italy and France disliked the idea of “Anschluss” (the unification of all German speaking people in Europe into one nation...Austria, Sudetenland etc.)
- Germany does for a time back down from incorporating Austria

Russia:

- Russia was very cold towards France due to the attempted overthrows of the Communist government during the 1920's
- The German declaration of unrestricted rearmament in 1935 brings France and Russia closer together – Russia immediately warms to France again

Thus far...

France had therefore concluded 3 major foreign agreements:

1. The Stresa Agreement (English-French-Italian attempt at cooperation around the Austria issue and Anschluss)
2. Russian-French Agreement
3. Italian-French Talks

France believed that it was well on its way to securing an alliance system that would protect the European status quo

...but it unravels quickly...

- England and Germany conclude a naval treaty guaranteeing English naval supremacy
- Italy defects from the Italian-French agreements after the Italian debacle in Ethiopia goes poorly (England and France both denounce the Italian campaign in the League of Nations...this is the so-called Abyssinia Crisis)
- *In the spring of 1939 the final blow will come when Germany and Russia sign a non-aggression pact (more about this later)*

More German Diplomatic Victories

- Germany remilitarizes the Rhineland in March 1936
- Belgium declares its neutrality and denies England and France an invasion route through Belgium in the event of war
- Poland's non-aggression pact with Germany
- The remainder of the "Little Entente" turns towards cooperation with Germany in the face of crumbling support from the West
- The Spanish Civil War draws attention away from Germany and rearmament

Germany's Four Year Plan

- Starting in 1936 Hitler wanted to see Germany embark on both massive remilitarization effort and a drive for self-sufficiency in terms of materials and resources
- Vast expansion of the chemical industry to create synthetic substitutes for various raw materials to eliminate Germany's need for external trade

The German – Italian Axis Solidifies

- Italy and Germany come to increasingly support each other's long term expansionist ideas
 - Italy wants to expand into North Africa
 - Germany wants to expand into Eastern Europe

