

The LEAGUE of NATIONS *at its* FIRST MEETING

Tensions After World War
I and the Great Depression
Muhammad Najm Akbar
Gentrain
makbar@mpc.edu



A GENERAL VIEW OF THE ASSEMBLY OF THE LEAGUE OF NATIONS in the Salle de la Reformation at Geneva. When the photograph was made, Paul Hymans, formerly Belgian minister of foreign affairs, had just been elected president and had taken the president's chair on the pulpit of the old church.

(Photograph from Henry Wales. Copyright, 1920, by The Chicago Tribune.)

Aftermath of the Great War

- The Treaty of Versailles, 1919, ended the Great War and created the League of Nations to avert another war.
- The unpredictable future, however, defied the expectations of the signatories of the Treaty of Versailles in multiple ways.
- The peace terms and the League of Nations failed to forbid another, yet more destructive and widespread war. In retrospect, we will discuss the factors that led mankind there.
- Another challenge that humans faced in what we can now call the interwar period was the economic meltdown and the depression of 1929-1939.

Aftermath of the Great War

- We will answer two questions:
 - First, did the League of Nations achieve its purpose?
 - Second, what impact did the interwar period's economic meltdown and the depression of 1929-1939 have on the world?

References

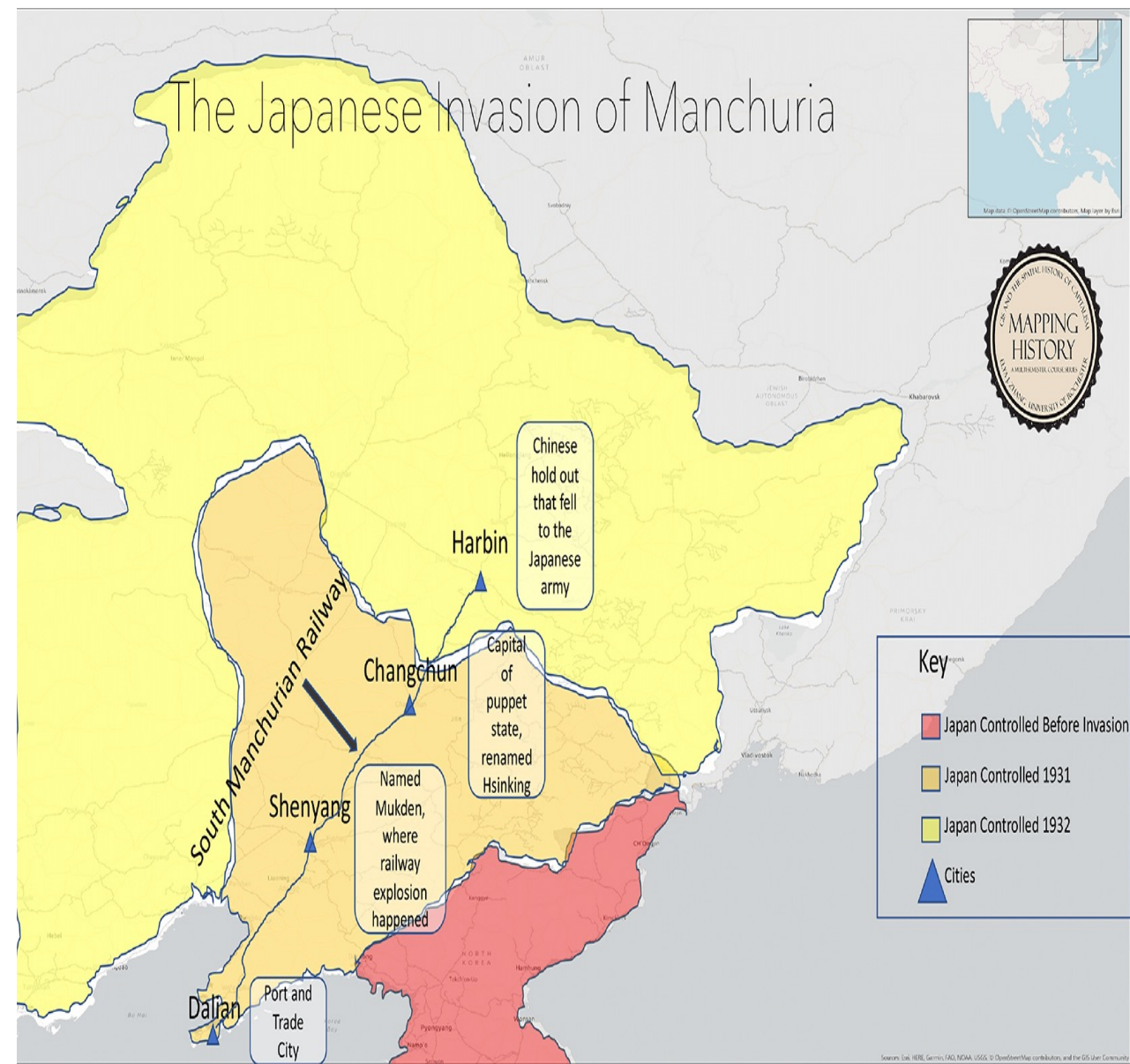
- Eric Hobsbawm, *The Age of Empire, 1875–1914* (New York: Vintage Books, 1989).
- Eric Hobsbawm, *The Age of Extremes: A History of the World, 1914–1991* (London: Michael Joseph, 1994).
- Walter LaFeber, *The American Age: United States Foreign Policy at Home and Abroad, 1750 to the Present*, 2nd ed. (New York: W. W. Norton, 1994).

The League and its Purpose

- The League of Nations had its membership reduced and increased.
- The United States did not join.
- Germany joined in 1926, and the USSR in 1934. A year earlier, FDR had recognized the Soviet State.
- Serious violators of the Covenant discovered a safe exit: leave, if it condemns you. Japan left in 1933, Germany in 1935, and Italy in 1937.

The League and its Purpose: Japanese Challenge

- The first major challenge for the League came from the Pacific. It began in March 1931 when Japan invaded Manchuria in its bid to eliminate the Chinese obstacle to its ambitions for the Greater East Asia Co-Prosperity Sphere.
- The League of Nations condemned Japan but took no action.



The League and its Purpose: Japanese Challenge

- In 1937, Japanese troops invaded China proper. Within six months, the Japanese imperial army captured Nanjing and committed the most egregious violations of human rights. Only the Japanese defeat in WWII ended this expansionism.



The League and Its Purpose: Japanese Challenge

- To strengthen its position, Japan allied with the aggressive, authoritarian states of Italy and Germany. The world would know them as Axis Powers. Japan was thus not alone. Italy, Germany, and Japan finally joined as Axis Forces during World War II.
- We can trace Italian and German fascism directly to the outcome of the Great War.
- Moreover, internal dissensions governed Spanish fascism, which Italy and Germany openly supported.



The League and its Purpose: Italian Challenge

- Italy invaded Ethiopia in 1935. This time, they remained in control until 1941 when the British evicted them.
- The League condemned the invasion but took no substantive action under its Covenant to reverse the aggression.
- Italy, however, was the first to opt for fascism following the war because it believed that the Treaty did not reward it enough.
- During the winter of 1920 to 1921, workers seized control of several factories.



The League and its Purpose: Italian Challenge

- Italy's newly elected government failed to find solutions to the burgeoning problems.
- Benito Mussolini stepped into this void and, during a popular movement, the March to Rome, 1922, staged a coup d'état.
- Italy found a partner in Germany, 1933 onwards. Italy and Germany forged a friendship alliance in 1936, the Rome-Berlin Axis.



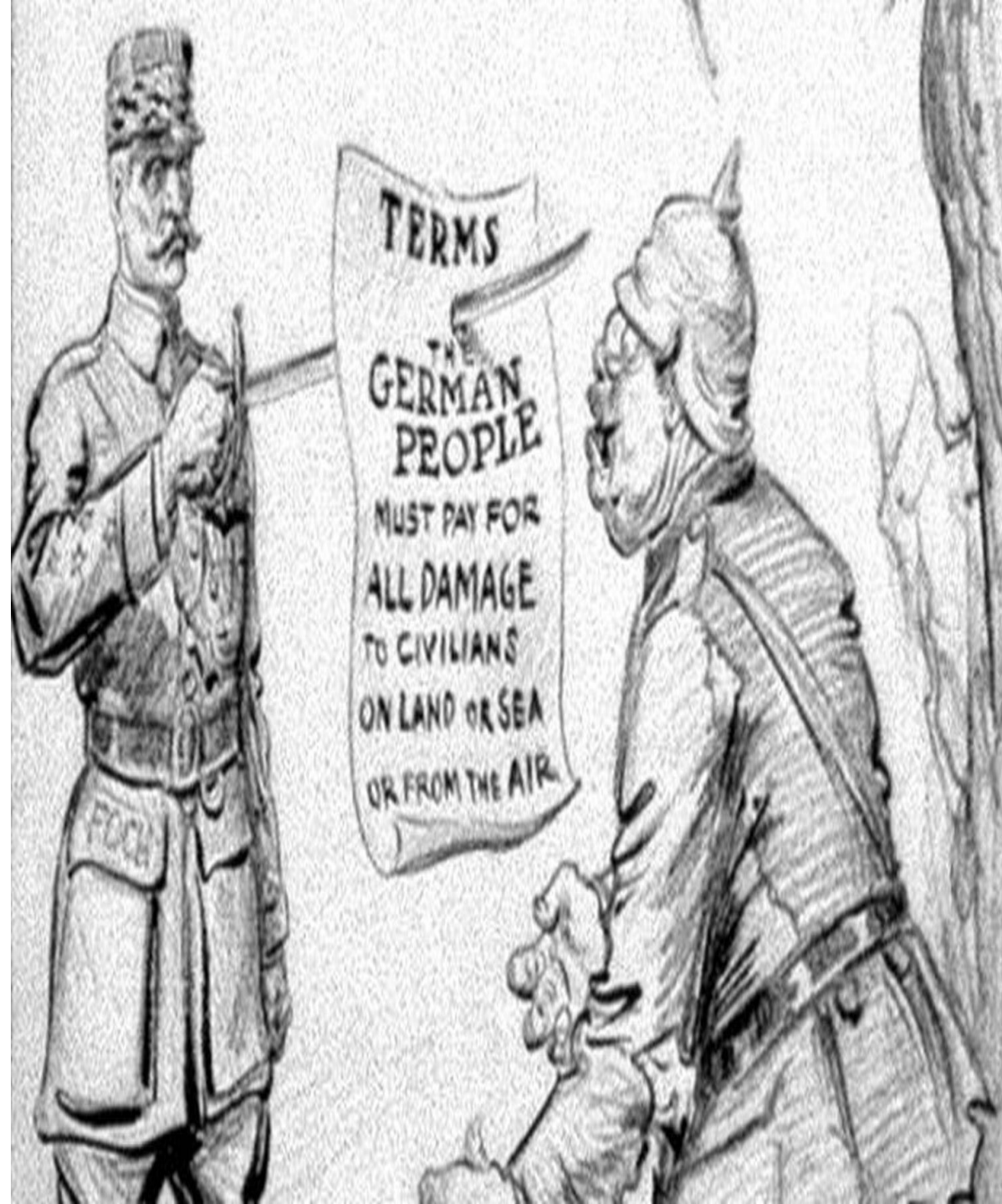
The League and its Purpose: Italian Challenge

- In 1939, the Italian-German alliance solidified into a military pact.
- To show unity with Hitler, Mussolini promptly adopted antisemitic racial laws.
- Pursuing his military ambitions, Mussolini invaded and annexed Albania in 1939.



The League and its Purpose: German Challenge

- Germany reeled under the suffocating burden of reparations, approximately \$ 33 billion. The United States helped under a renegotiated “Young Plan” in 1928. The plan had a positive impact until the Great Depression of 1929 hit the world.
- Germany relied heavily on the US-based international loan market to pay reparations. In 1928, Germany borrowed between 20,000 and 30,000 billion marks.



The League and its Purpose: German Challenge

- Beginning in 1928, American investors sought to maximize the advantage at home from the soaring, unregulated stock market.
- When the American money stopped in 1929, it exposed the vulnerability of the German reliance on loan markets.
- The Europeans, besides Germany, also owed large debts to the United States: the British equal to half the British national income, the French 2/3rd.

The League and its Purpose: German Challenge

- The Europeans linked their repayments to the United States to German reparations: Germany pays me, I will pay you. Germany borrowed from the US, paid reparations due, and the receiving countries paid part of their debts to the United States.
- In 1933, Hitler rose to power, promising a way out of economic chaos and national humiliation.
- For practical purposes, all payments, German and Allied, had ceased in 1932. Hitler reneged on German reparations in 1933.

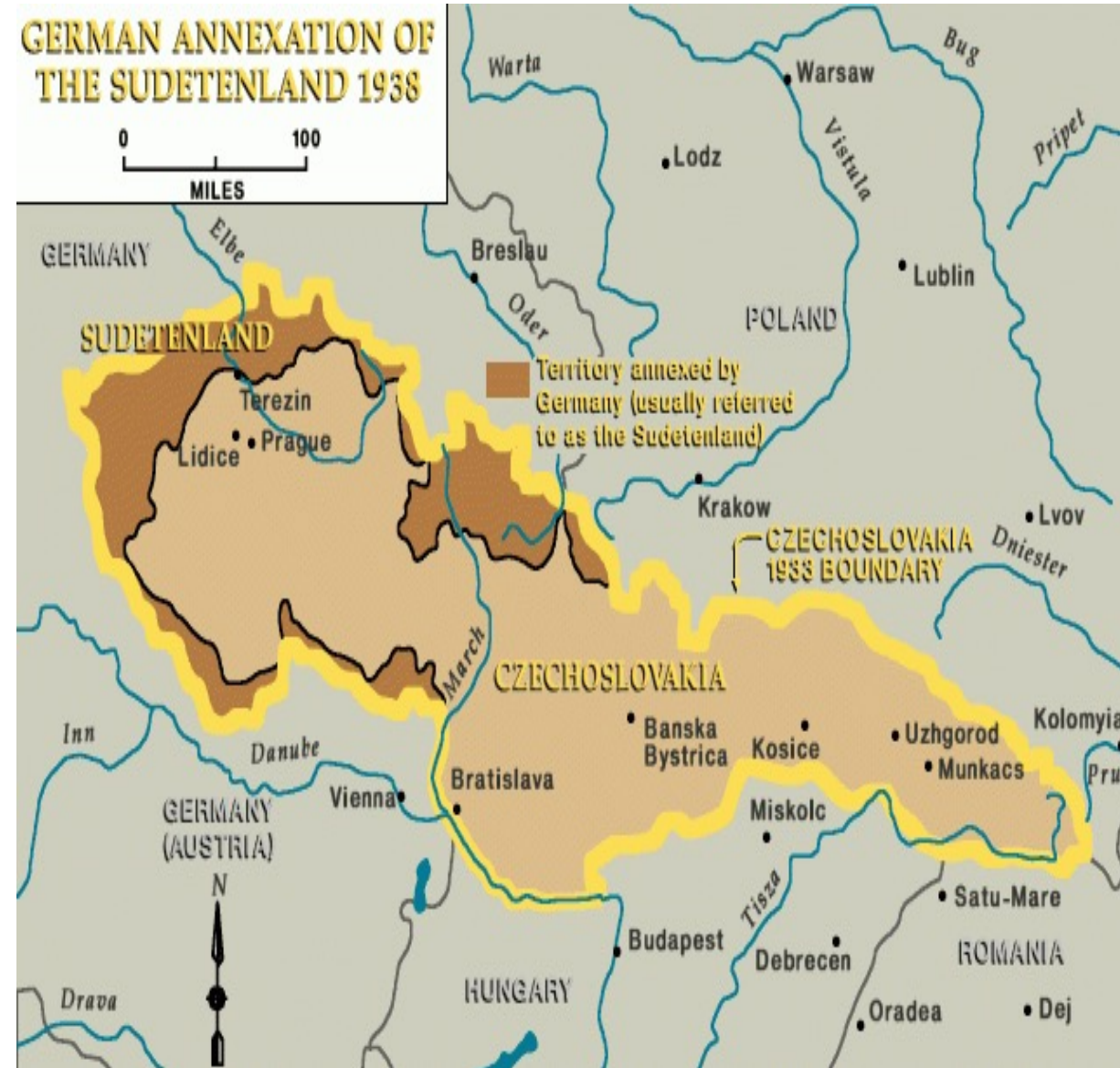
The League and its Purpose: German Challenge

Hitler tested the League and the Western resolve in many ways.

- Shredding the Treaty of Versailles into pieces, he left the League and the Geneva Disarmament Conference in 1935.
- In 1936, Hitler initiated a secret four-year plan to prepare Germany for war. By 1939, the Nazis had increased armaments expenditures 30-fold.
- Also in March 1936, Hitler ordered his armed forces into the Rhineland, violating the Treaty of Versailles provision that the West Bank of the Rhine River would be a Demilitarized Zone.
- In 1938, the Nazis annexed Austria with its 6.5 million citizens.

The League and its Purpose: German Challenge

- Also, in 1938, Hitler claimed the Sudetenland with 3.5 million German-speaking people, which had been part of Czechoslovakia until then.
- The capitalist democracies viewed Russia/USSR since 1921 as a communist threat, more frightening than the extreme right-wing politics of Italian fascism and German Nazism.



The League and its Purpose: German Challenge

- On the other hand, the Allies reached out to Adolf Hitler. Though Czechoslovakia resisted, at the Munich Conference of 1938, leaders of France, Germany, Italy, and Britain approved the annexation of the Sudetenland.
- The “appeasement” failed.



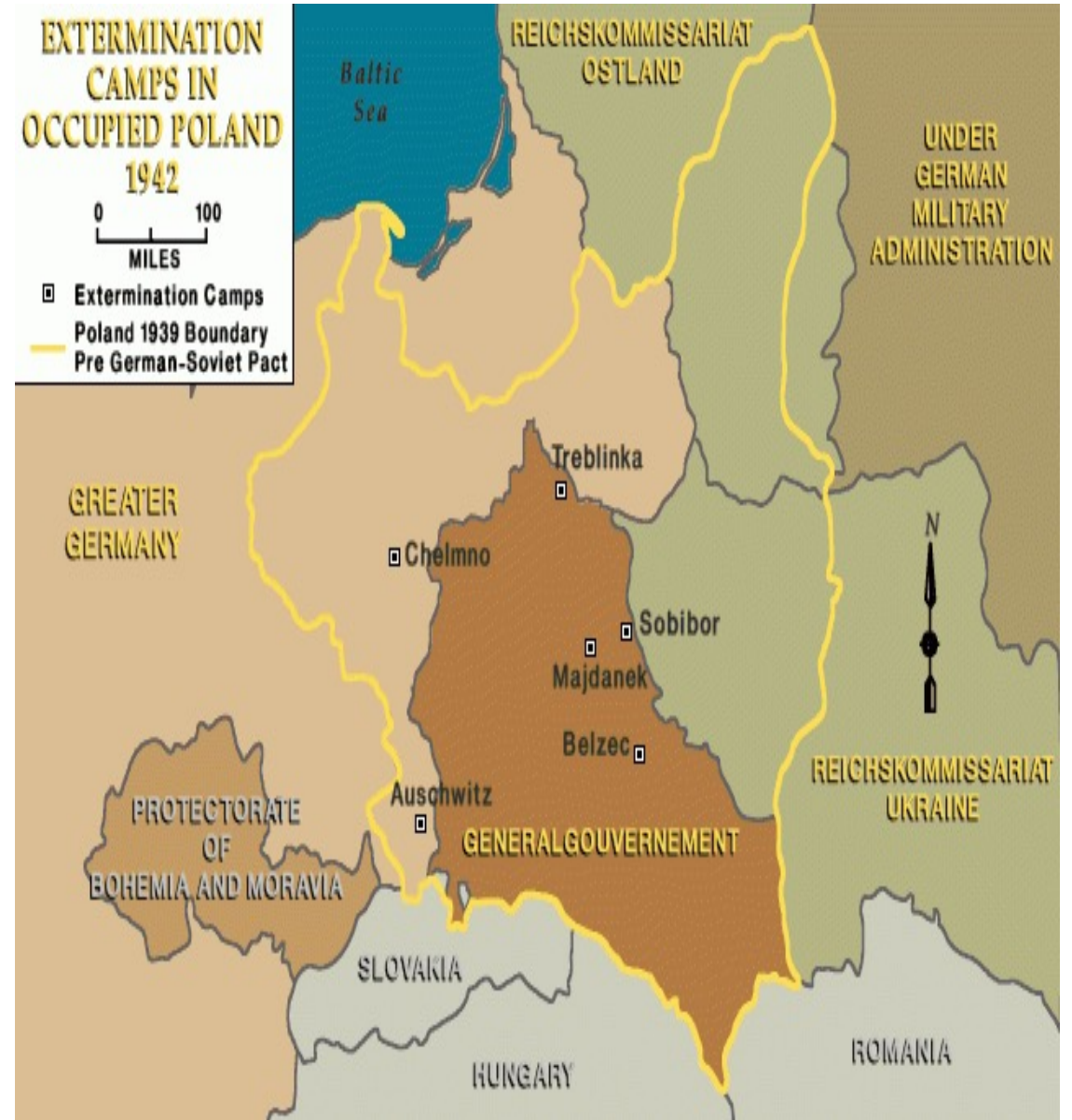
The League and its Purpose: German Challenge

Besides violating his international obligations, Hitler also implemented staunchly racist and antisemitic policies in plain view. Here are some examples:

- In 1933, he excluded Jews from higher education and public employment.
- In 1935, the Nuremberg Laws rescinded German citizenship for Jews and forbade marriage or sexual relations between Jews and non-Jews.
- In 1938, on November 9-10, the Kristallnacht rampaged through Jewish properties and killed and imprisoned many.

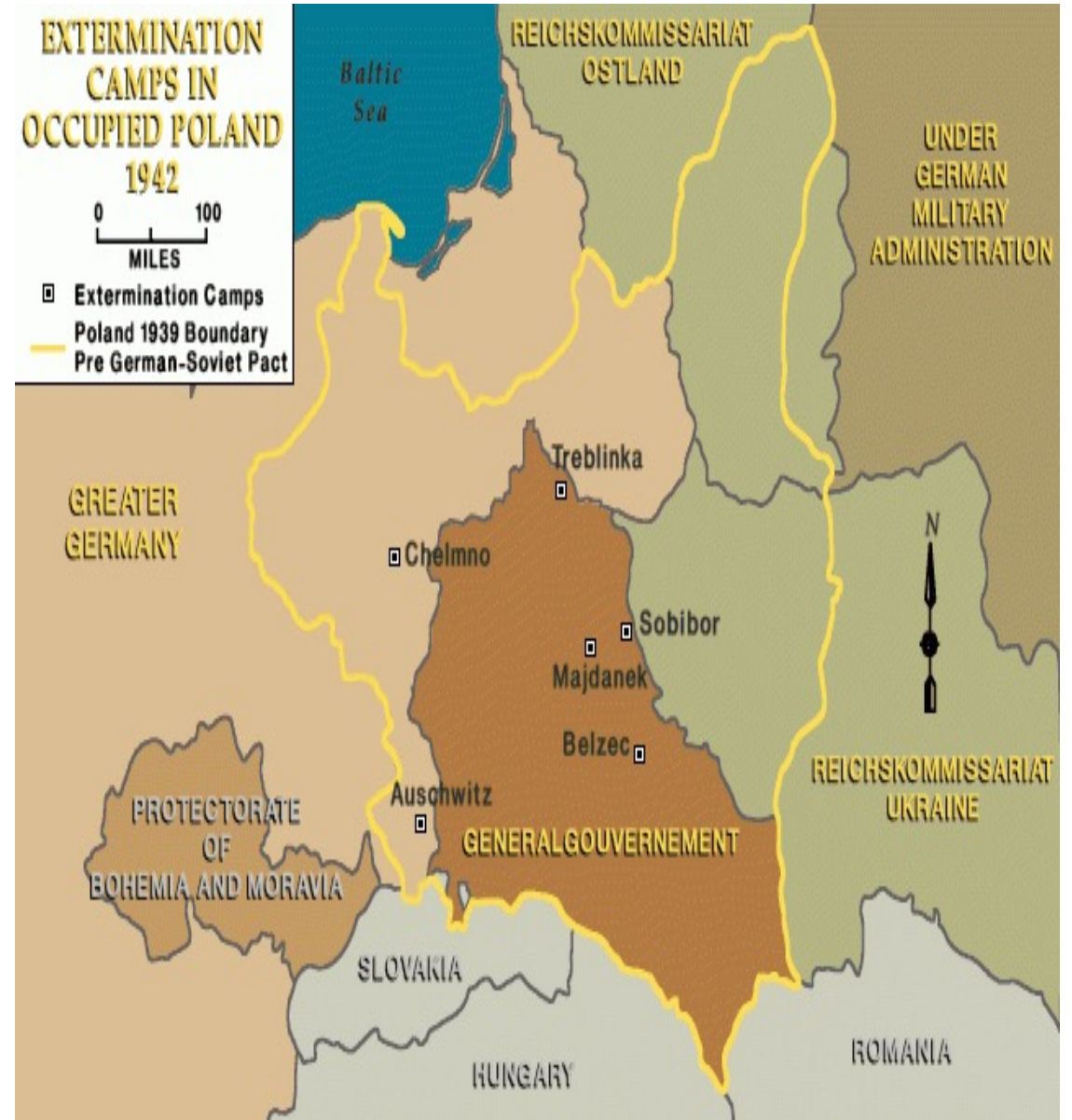
The League and its Purpose: German Challenge

- In March 1939, Hitler invaded Czechoslovakia and landed troops in Poland in September. The Second World War had begun. The Second World War, with its indiscriminate bombing, programmed genocide, the Holocaust, and the use of the atomic bomb, took some seventy-five million lives.



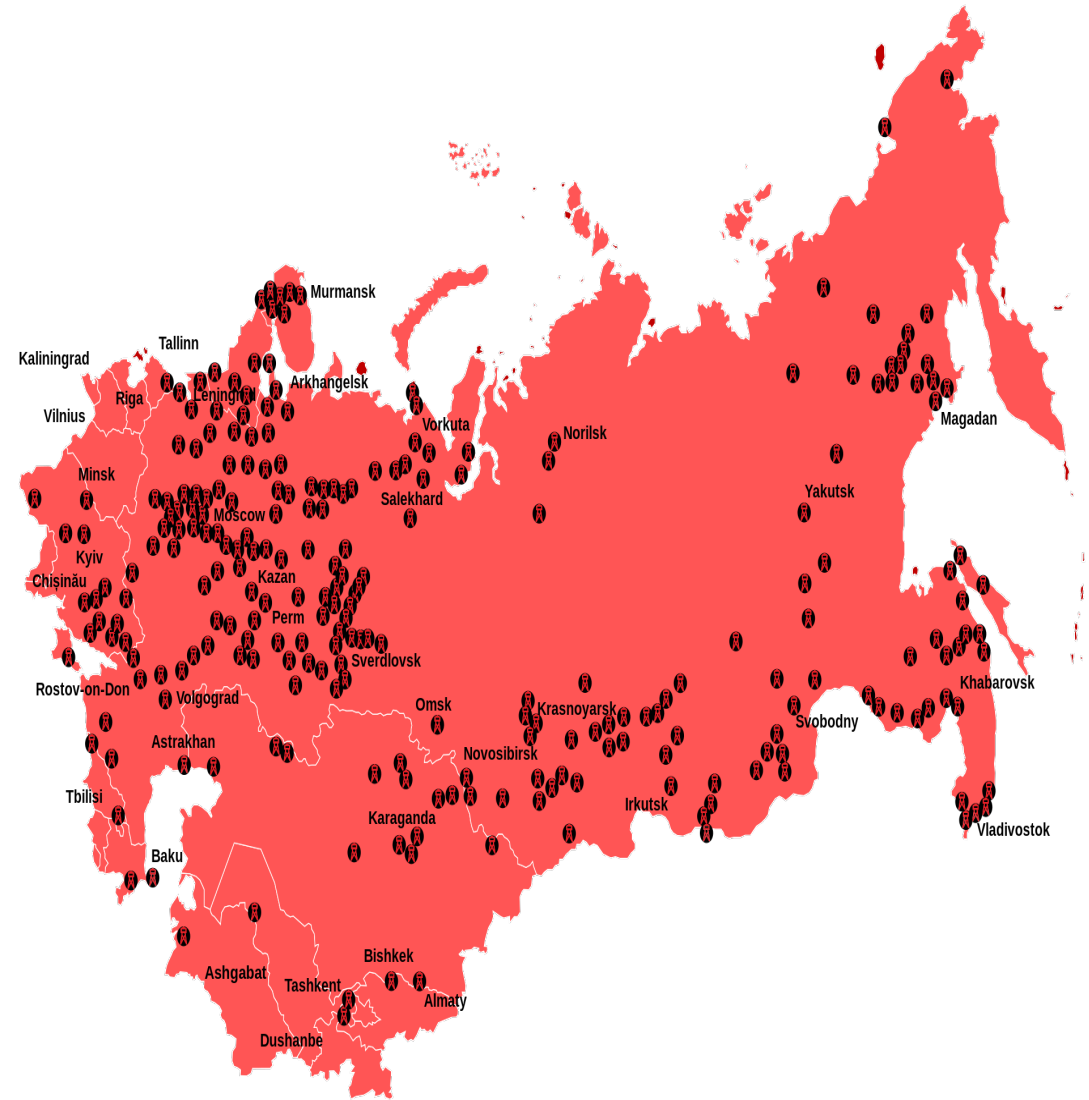
The League and its Purpose: German Challenge

- Beginning in July 1944, the Allies discovered the abominable range of [the Holocaust](#), the extermination and persecution of six million jews and millions of others, including the prisoners of war, Roma--the gypsies, and victims of Eugenics evaluations.



The League and its Purpose: Soviet Challenge

- The Soviet Union under Stalin's totalitarian rule relentlessly pursued collective agriculture and ultra-rapid industrialization.
- The Gulags became a symbol of forced labor and oppression.



The League and its Purpose: Soviet Challenge

- During its five-year plans from 1929 to 1940, Soviet industrial production tripled. It rose from 5% of the world's manufactured products in 1929 to 18% in 1938. Also, the USSR had no unemployment.
- The idea of planning gained respect in the West.



The League and its Purpose: Soviet Challenge

- The USSR initially signed a defense pact with Germany in 1939 and annexed Polish territories. They were the only member to be expelled from the League the same year.
- Finally, the USSR joined the Allies after Hitler attacked Russia, its ally, in 1941.

The League and its Purpose: A Spanish-German-Italian Challenge

- In 1936, a civil war broke out in Spain after the Popular Front, comprising radical socialists and communists, won the election.
- A group of generals led by the conservative Francisco Franco (1892- 1975) launched an armed rebellion against the new government.



The League and its Purpose: A Spanish-German-Italian Challenge

- Hitler and Mussolini aided the cause of fascism, providing and testing new weapons and troops.
- In 1937, Germans in their new airplanes attacked the small Spanish town of Guernica, the subject matter of Pablo Picasso's (1881- 1973) 25-foot-long mural in black and white.



The League and its Purpose: A Spanish-German-Italian Challenge

- Western democracies, hoping to maintain good relations with Italy and Germany, committed to a policy of neutrality. Some 40,000 idealistic volunteers traveled from abroad to Spain and fought as individuals in the loyalist cause.
- Only the Soviet Union, until 1938, and Mexico assisted the loyalists.
- In 1939, Franco's rebels won. The authoritarian Franco ruled Spain until he died in 1975.

THE
AGE
OF
E x t r e m e s

"Eric Hobsbawm is one of
the few genuinely great
historians of our century."

—The New
Republic

A HISTORY OF
THE WORLD,
1914–1991



ERIC HOBSBAWM

Author of The Age of Empire

Impact of the Economic Meltdown

- The war was “followed by the largest global earthquake ever to be measured on the economic historians’ Richter scale—” (Hobsbawm, 86).
- British historian Eric Hobsbawm covered the meltdown in detail in Chapter Three, Into the Economic Abyss (pp 85-108), in *The Age of Extremes*, 1994. All details come from Hobsbawm.
- Initially, for the US, the war had been an economic advantage.

American Economy and the Great War

- By 1913, the USA had already become the largest economy in the world, producing over $\frac{1}{3}$ of its industrial output, just under the combined total for Germany, Great Britain, and France.
- In 1929, it produced over 42% of the total world output, as against just under 28% for the three European industrial powers.
- The US steel production rose by about $\frac{1}{4}$ between 1913 and 1920, while steel production in the rest of the world fell by about $\frac{1}{3}$.

American Economy and the Great War

- After the end of the Great War, the US was the world's greatest industrial producer and the greatest creditor.
- America also imported almost 40% of all the raw materials and foodstuffs of the 15 most commercial nations, having an enormous impact on the producers of commodities like wheat, cotton, sugar, rubber, silk, copper, tin, and coffee.
- The US, nonetheless, did not escape the international economic meltdown.

The Economic Meltdown

- Here are some of the facts that stand out:
 - The world economy, on average, slowed down beginning in 1913. The economic growth did not cease but declined.
 - The World Trade fell by 60% in four years of the Great Depression from 1929 to 1932. During the slump, American imports and exports respectively fell by 70% between 1929 and 1932.
 - US and German industrial production fell by about 1/3 from 1929 to 1931.
 - The prices of primary production items, such as foodstuffs and raw materials, dropped massively.

Global Migration

- Fifteen million people had migrated to the United States in the fifteen years before 1914. In the next fifteen years, the flow shrank to five and a half million. Less than three-quarters of a million entered the USA in the 1930s and during the war years.
- Iberian migration overwhelmingly to Latin America fell from one and three-quarter million (1,750,000) in the decade 1911 to 1920 to less than a quarter of a million in the 1930s.

Monetary System

- Many European states, including Germany, experienced a drastic collapse of the monetary system. The German currency unit was reduced in 1923 to “one million millionth of its 1913 value” (Hobsbawm, 89).
- From 1931 to 1932, Britain, Canada, all of Scandinavia, and the USA abandoned the gold standard, which had been regarded as the foundation of stable international exchanges.
- By 1936, the Belgians, Dutch, and the French also joined the list.

Unemployment

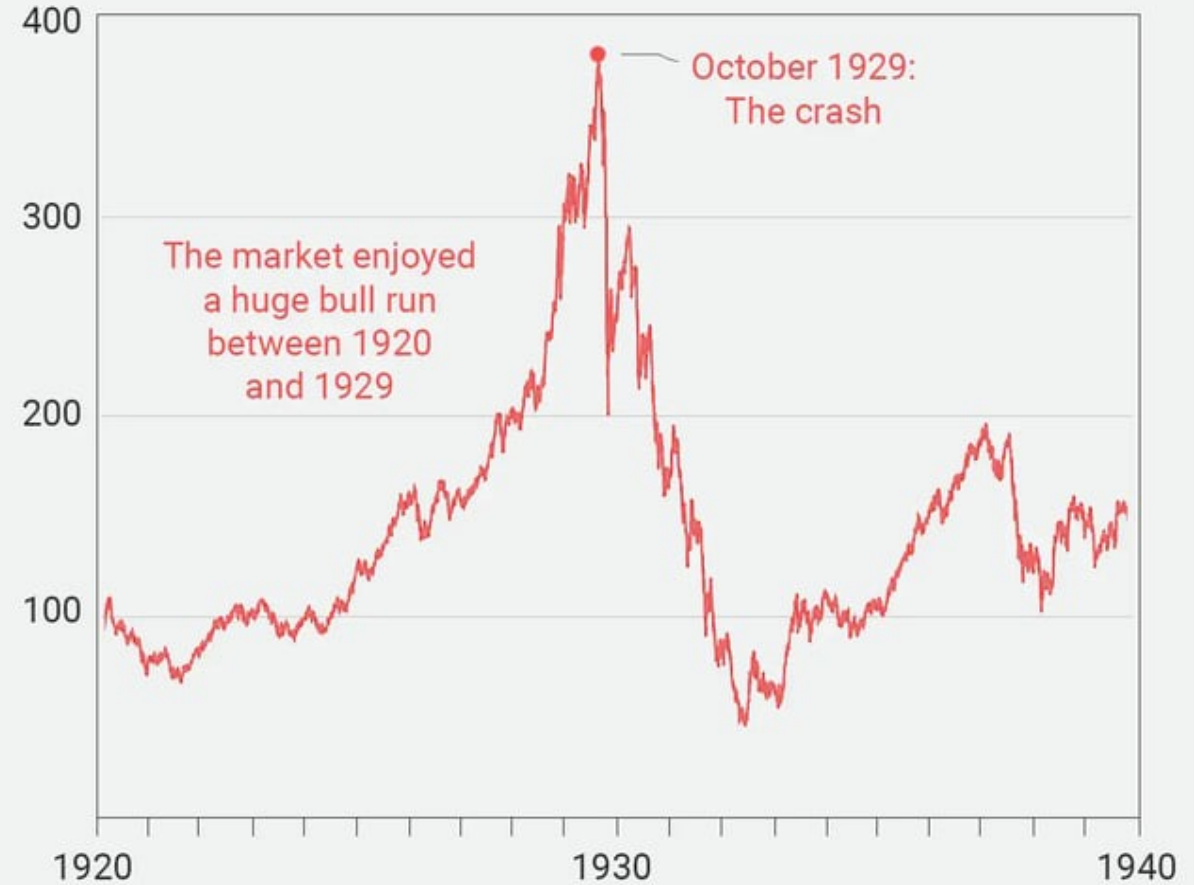
- In the worst year of the slump, 1932-33, unemployment skyrocketed: Britain and Belgium, 22-23%; Sweden 24%, the US 27%, Austria 29%, Norway 31%, Denmark 32%, Germany, 44%, or more.
- The only Western state that succeeded in eliminating unemployment was Nazi Germany between 1933 and 1938.

Industrial Production

- The Stock Exchange crash of 1929 resulted in the decline of industrial production worldwide.
- Between October 24 and 29, 1929, the stocks kept tumbling despite substantial efforts by leading bankers to stabilize the prices.
- On Black Tuesday, the shares of U.S. Steel dropped from \$ 262 to \$ 22, GM from \$ 73 to \$ 8, and Rockefeller lost four-fifths of his fortune.

Dow Jones Industrial average (1920 to 1939)

The market went way, way up before it crashed in 1929






DATA: Federal Reserve Public Data research, FRED

Economic Meltdown: Focus on the United States

- The Dust Bowl states, the Great Plains from Texas to the Dakotas, suffered the most as severe droughts hit them between 1932 and 36.
- Displaced farmers joined millions of people moving around the country. Thousands of them migrated out of the Dust Bowl areas.

DUST STORM DAMAGE, 1930-1940



-  Dust Bowl States
-  Area with most severe dust storm damage
-  Other areas damaged by dust storms



Economic Meltdown: Focus on the United States

- California was a favorite destination for the displaced farmers, but the receiving states, like California, Florida, and Colorado, turned hostile to the poor migrants. In 1935-36, these states established "border blockades" to discourage inflows.

Searching for Solutions: Focus on the United States

- Preferring the old methods of coping with economic crises, the Hoover administration enforced the highest tariff in American history, the Smoot-Hawley Tariff of 1930, between 20 to 60 percent.
- Other countries responded in kind, hurting international trade. Between 1929 and 1932, international trade dropped from \$36 billion to only \$12 billion.
- American exports in the same period fell by 78 percent.

Searching for Solutions: Focus on the United States

- The crisis took a turn toward possible exit with the consequential election of 1932.
- Crisis-ridden Americans liked what Franklin Delano Roosevelt proposed and believed in his July 1932 affirmation, “I pledge you, I pledge myself, to a new deal for the American people.”
- Americans voted for him in four consecutive Presidential elections, and the New Deal opened the road to the end of the economic crisis.

Profound Effect of the Economic Breakdown

- “But for it, there would certainly have been no Hitler. There almost certainly have been no Roosevelt. It is extremely unlikely that the Soviet system would have been regarded as a serious economic rival and alternative to world capitalism,” (Hobsbawm, 86).



Conclusion

- Wars have unforeseen consequences. The peace terms in this case contributed to a worldwide economic crisis and enabled the emergence of fascism, which we will discuss in our next lecture.
- The Allies codified the reparation to weaken an enemy. The German economy failed to ensure payments. The requirement for cash payments generated the need for loans that dried up and crashed the repayment system.
- The US faced a challenge to recover from the Great Depression. FDR began the process, but full recovery will have to wait for another war.

Conclusion

- The League of Nations was the first international effort to design a framework within which states would willingly run a countercheck on their understanding of national interests and their consequences on others.
- Consensus among the allied powers was to be the driving force of the League. They found it cumbersome. So, the Wilsonian mechanism for world peace collapsed.
- Humanity will wage another war and then make another effort in 1945 to stop its recurrence, improving upon the Covenant.

Email

Questions/Comments

makbar@mpc.edu