

LESSON 1

Instability After World War I

ESSENTIAL QUESTIONS

- What can cause economic instability?
- How might political change impact society?

READING HELPDESK

Academic Vocabulary

- annual
- appropriate

Content Vocabulary

- depression
- collective bargaining
- deficit spending
- surrealism
- uncertainty principle

TAKING NOTES

Key Ideas and Details

Organizing As you read, use a table like the one below to compare France's Popular Front with the New Deal in the United States.

Popular Front	New Deal

IT MATTERS BECAUSE

The peace settlement of World War I left many nations unhappy. The brief period of prosperity that began in Europe during the early 1920s ended in 1929 with the beginning of the Great Depression. This economic collapse shook people's confidence in political democracy. The arts and sciences also reflected the insecurity of the age.

Uneasy Peace, Uncertain Security

GUIDING QUESTION *What led to new problems in the years after World War I?*

From the beginning, the peace settlement at the end of World War I left nations unhappy. President Woodrow Wilson had realized that the peace settlement included provisions that could serve as new causes for conflict. He had placed many of his hopes for the future in the League of Nations. This organization, however, was not very effective in maintaining the peace.

One problem was the failure of the United States to join the League. Most Americans wanted to avoid involvement in European affairs. The U.S. Senate, in spite of President Wilson's wishes, refused to ratify, or approve, the Treaty of Versailles. That meant the United States could not join the League of Nations. Without the United States, the League of Nations' effectiveness was weakened.

Between 1919 and 1924, desire for security led the French government to demand strict enforcement of the Treaty of Versailles. This tough policy began with the issue of reparations (payments) that the Germans were supposed to make for the damage they had done in the war. In April 1921, the Allied Reparations Commission determined that Germany owed 132 billion German marks (33 billion U.S. dollars) for reparations, payable in **annual** installments of 2.5 billion marks.

The new German republic made its first payment in 1921. One year later, the German government faced a financial crisis and announced that it could not pay any more reparations. Outraged, France sent troops to occupy the Ruhr Valley, Germany's chief

industrial and mining center. France planned to collect reparations by using the Ruhr mines and factories.

Inflation in Germany

The German government adopted a policy of passive resistance to this French occupation. German workers went on strike. The German government mainly paid their salaries by printing more paper money. This only added to the inflation (rise in prices) that had already begun in Germany by the end of the war. The German mark soon became worthless. In 1914, 4.2 marks equaled 1 U.S. dollar. By the end of November 1923, the ratio had reached an incredible 4.2 trillion marks to equal 1 dollar.

Both France and Germany began to seek a way out of the disaster. In August 1924, an international commission adopted a new plan for reparations. The Dawes Plan, named after the American banker who chaired the commission, first reduced reparations. It then coordinated Germany's annual payments with its ability to pay.

The Dawes Plan also granted an initial \$200 million loan for German recovery. This loan soon opened the door to heavy American investment in Europe. A brief period of European prosperity followed.

The Treaty of Locarno

With prosperity came a new European diplomacy. The foreign ministers of Germany and France, Gustav Stresemann and Aristide Briand, fostered a spirit of cooperation. In 1925, they signed the Treaty of Locarno, which guaranteed Germany's new western borders with France and Belgium. Many viewed the Locarno pact as the beginning of a new era of European peace.

Three years later, the Kellogg-Briand Pact brought even more hope. Sixty-five nations signed this accord and pledged to "renounce [war] as an instrument of national policy." Nothing was said, however, about what would be done if anyone violated the pact.

READING PROGRESS CHECK

Explaining What contributed to the German mark becoming worthless?

The Great Depression

GUIDING QUESTION *What triggered the Great Depression?*

The brief period of prosperity that began in Europe in 1924 ended in an economic collapse that came to be known as the Great Depression. A **depression** is a period of low economic activity and rising unemployment.

Two factors played a major role in the start of the Great Depression. First was a series of downturns in the economies of individual nations in the second half of the 1920s. For example, prices for farm products, especially wheat, fell rapidly due to overproduction. An increase in the use of oil and hydroelectricity led to a slump in the coal industry.

The second trigger was an international financial crisis involving the U.S. stock market. Much of the European prosperity between 1924 and 1929 was built on U.S. bank loans to Germany. During the 1920s, the U.S. stock market boomed. By 1928, American investors pulled money out of Germany to invest it in stocks. Then, in October 1929, the U.S. stock market crashed. Stock prices plunged.

In a panic, U.S. investors withdrew more funds from Germany and other European markets. By 1931 trade was slowing, industrial production was declining, and unemployment was rising.

READING PROGRESS CHECK

Applying Why were farmers hit hard at the onset of the Great Depression?



CRITICAL THINKING

Analyzing Why was the Ruhr Valley important to Germany?

annual yearly

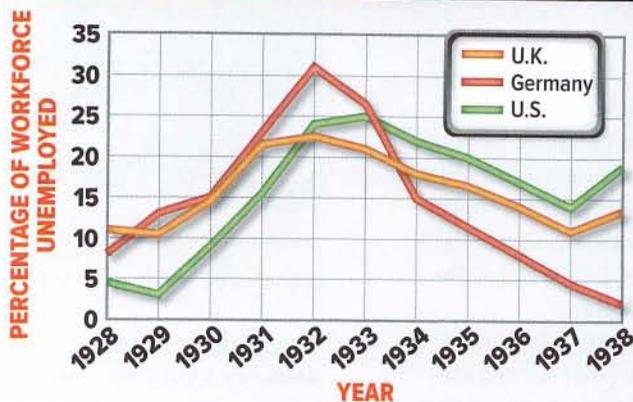


▲ This woman uses German marks to light her stove during the Great Depression.

CRITICAL THINKING

Explaining Why would this woman burn money during the Great Depression?

depression a period of low economic activity and rising unemployment



Sources: *European Historical Statistics, 1750–1970*; *Historical Statistics of the United States*.



▶ CRITICAL THINKING

1 Drawing Conclusions When was the height of the Great Depression?

2 Transferring Which country experienced the largest rise in unemployment?

▲ Long lines of unemployed workers sought food and jobs.

Responses to the Depression

GUIDING QUESTION How did the Great Depression affect people's confidence in democracy?

Economic depression was not new to Europe. However, the extent of the economic downturn after 1929 truly made this the Great Depression. During 1932, the worst year of the Depression, nearly 1 in every 4 British workers was unemployed. About 5.5 million Germans, or roughly 30 percent of the German labor force, had no jobs. The unemployed and homeless filled the streets.

Governments were unsure of how to deal with the crisis. They raised tariffs to exclude foreign goods from home markets. This worsened the crisis and had serious political effects.

One effect of the economic crisis was increased government activity in the economy. The Great Depression also led masses of people to follow political leaders who offered simple solutions in return for dictatorial power. Everywhere, democracy seemed on the defensive.

In 1919, most European states, both major and minor, had democratic governments. In a number of states, women could now vote. Male political leaders had rewarded women for their contributions to the war effort by granting them voting rights. (However, women could not vote until 1944 in France, 1945 in Italy, and 1971 in Switzerland.) In the 1920s, maintaining these democratic governments was not easy.

Germany

Imperial Germany ended in 1918 with Germany's defeat in the war. A German democratic state known as the Weimar (VY • mahr) Republic was then created. The Weimar Republic was plagued by serious economic problems. Germany experienced runaway inflation in 1922 and 1923. With it came serious social problems. Families on fixed incomes watched their life savings disappear.

To make matters worse, after a period of relative prosperity from 1924 to 1929, Germany was struck by the Great Depression. In 1930, unemployment had grown to 3 million people by March and to 4.38 million by December. The Depression paved the way for fear and the rise of extremist parties.

Depression vs. Recession

When the United States experienced a recession in 2008, people worried unemployment would reach Great Depression levels. But in studying unemployment numbers, economists discovered that, while the economic downturn was the worst since World War II, it was nowhere near as bad as the Great Depression. In 1933, unemployment had reached 29.4 percent. In December 2010, 9.4 percent of the U.S. population was unemployed.

collective bargaining

the right of unions to negotiate with employers over wages and hours

deficit spending when a government pays out more money than it takes in through taxation and other revenues, thus going into debt

France

France, too, suffered from financial problems after the war. Because it had a more balanced economy, France did not begin to feel the full effects of the Great Depression until 1932. The economic instability it then suffered soon had political effects. During a 19-month period in 1932 and 1933, six different cabinets were formed as France faced political chaos. Finally, in June 1936, a coalition of leftist parties—Communists, Socialists, and Radicals—formed the Popular Front government.

The Popular Front started a program for workers that some have called the French New Deal. This program was named after the New Deal in the United States. The French New Deal gave workers the right to **collective bargaining**, a 40-hour workweek in industry, and a minimum wage.

Great Britain

Although Britain experienced limited prosperity from 1925 to 1929, by 1929 it too faced the growing effects of the Great Depression. The Labour Party failed to solve the nation's economic problems and fell from power in 1931. A new government, led by the Conservatives, claimed credit for bringing Britain out of the worst stages of the Depression by using the traditional policies of balanced budgets and protective tariffs.

Political leaders in Britain largely ignored the new ideas of a British economist, John Maynard Keynes. Keynes argued that unemployment came from a decline in demand, not from overproduction. He believed governments could increase demand by creating jobs through **deficit spending**, or going into debt if necessary. Keynes's ideas differed from those who believed that depressions should be left to resolve themselves without government interference.

The United States

After Germany, no Western nation was more affected by the Great Depression than the United States. All segments of society suffered. By 1932, U.S. industrial production fell by almost 50 percent from its 1929 level. By 1933, there were more than 12 million unemployed. Under these conditions, Democrat Franklin D. Roosevelt won the presidential election in 1932 by a landslide. Believing in free enterprise, Roosevelt felt that capitalism must be reformed to save it. He pursued a policy of active governmental economic intervention known as the New Deal.

The New Deal included an increased program of public works. The Works Progress Administration (WPA), established in 1935, was a government organization employing about 3 million people at its peak. Workers built bridges, roads, post offices, and airports.

The Roosevelt administration instituted new social legislation that began the U.S. welfare system. In 1935, the Social Security Act created a system of old-age pensions, to be collected at age 65 by those no longer working. It also supplied unemployment insurance, or a temporary income to workers who had lost their jobs. Finally, this legislation also provided small welfare payments to others in need, including those with disabilities.

These reforms may have prevented a social revolution in the United States, but they did not solve the unemployment problems. In 1938, unemployment in the United States was more than 10 million. Only World War II and the growth of weapons industries brought U.S. workers back to full employment.

READING PROGRESS CHECK

Defining How might collective bargaining have helped French workers?

appropriate suitable or compatible; fitting

surrealism an artistic movement that seeks to depict the world of the unconscious

uncertainty principle the idea put forth by Werner Heisenberg in 1927 that the behavior of subatomic particles is uncertain, suggesting that all of the physical laws governing the universe are based on uncertainty

Arts and Sciences

GUIDING QUESTION *How were the arts and sciences influenced by World War I?*

With political, economic, and social uncertainties came intellectual uncertainties. These were evident in the artistic and scientific achievements of the years following World War I. The shocks of World War I had left many authors with a sense of aimlessness once it was over. Writer Gertrude Stein coined the phrase “the lost generation” to describe this feeling of spiritual disorientation. Author Ernest Hemingway’s work *The Sun Also Rises*, a central work of this “lost generation,” portrays many individuals psychologically damaged by the human losses of World War I.

After 1918, the prewar fascination with the absurd and the unconscious content of the mind seemed even more **appropriate** in light of the nightmare landscapes of the World War I battlefronts. “The world does not make sense, so why should art?” was a common remark. This sentiment gave rise to Dadaism and surrealism.

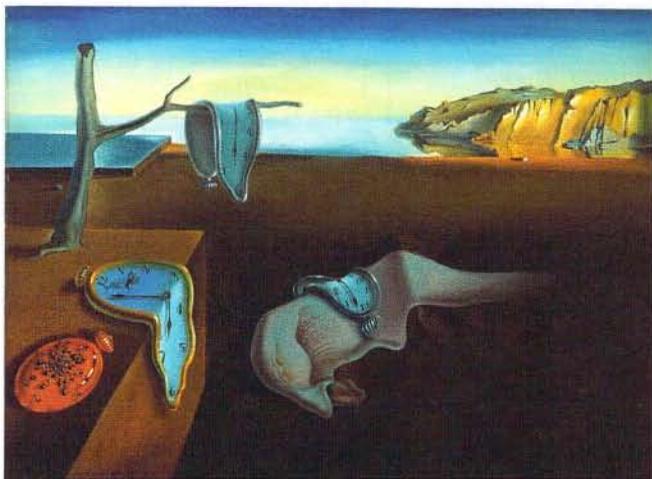
The Dadaists were artists who were obsessed with the idea that life has no purpose. They tried to express the insanity of life in their art. A more important artistic movement than Dadaism was **surrealism**. By portraying the unconscious—fantasies, dreams, and even nightmares—the surrealists sought to show the greater reality that exists beyond the world of physical appearances. One of the world’s foremost surrealist painters, the Spaniard Salvador Dalí, placed recognizable objects in unrecognizable relationships, thus making the irrational visible.

The prewar physics revolution begun by Albert Einstein continued in the 1920s and 1930s. In fact, some have called the 1920s the “heroic age of physics.” Newtonian physics had made people believe that all phenomena could

be completely defined and predicted. In 1927, German physicist Werner Heisenberg’s **uncertainty principle** shook this belief. Physicists knew that atoms were made of smaller parts (subatomic particles). The uncertainty principle is based on the unpredictable behavior of these subatomic particles. Heisenberg’s theory essentially suggests that all physical laws are based on uncertainty. This theory challenged Newtonian physics and represented a new worldview. The principle of uncertainty fit in well with the other uncertainties of the interwar years.

READING PROGRESS CHECK

Assessing Why was non-realistic art popular after World War I?



▲ *The Persistence of Memory* (1931), a surrealist painting by Salvador Dalí

LESSON 1 REVIEW

Reviewing Vocabulary

1. **Applying** Explain why John Maynard Keynes argued for the concept of deficit spending.

Using Your Notes

2. **Identifying** Use your notes to write a summary of the key points of the Popular Front and the New Deal.

Answering the Guiding Questions

3. **Exploring Issues** What led to new problems in the years after World War I?

4. **Discussing** What triggered the Great Depression?

5. **Evaluating** How did the Great Depression affect people’s confidence in democracy?

6. **Identifying** How were the arts and sciences influenced by World War I?

Writing Activity

7. **Informative/Explanatory** Write an essay that explains how President Roosevelt’s New Deal had immediate and far-reaching effects on the U.S. economy.