

### **Post-War (WWI) Conditions**

In addition to the 8.6 million or so people that died, perhaps twice that many returned home wounded, shell-shocked, and/or suffering the after effects of poison gas. Two million Russians, 750,000 Germans, and 400,000 Hungarians had to flee their homes.

Austria and Hungary each lost  $\frac{3}{4}$  of their territory, and Russia and Germany lost land as well. The Habsburg, Hohenzollern, and Romanov monarchies collapsed. From these losses came Poland—had existed before and was recreated, Czechoslovakia, created from the northern portion of Austria-Hungary, and Yugoslavia, made by combining the S Slav provinces of Austria-Hungary and Serbia. Romania was enlarged, Bulgaria reduced, and the Baltic states of Finland, Estonia, Latvia, and Lithuania became independent.

The mandate system was put in place as a means of administering former German colonies and the former territories of the Ottoman Empire whereby they would be placed under the *tutelage* of one of the great powers. There were 3 classes according to size and readiness for self-rule, the Arab provinces deemed as Class A, meaning closest in readiness. Even the class A territories took 20+ years for complete independence.

The peace established at Versailles in 1919 was neither gentle enough for reconciliation and rebuilding, nor was it harsh enough for conquest (i.e. Germany was allowed to remain). Nevertheless, an allied commission studied the issue of reparations and in 1921 decided on a sum of 132 billion gold marks (\$33 billion) to be paid in yearly installments of 2.5 billion. Questions in class were raised about reparations, Germany, and inflation. Germany bore the brunt of the payments b/c it was deemed to have been the cause of the war (part of the treaty was a war guilt clause). How could the British and French extract payments from an Austro-Hungarian empire that no longer existed? Some small reparations paid by successor states, but nothing like Germany.

To fully understand the situation in the 1920s, we must first think about how the various European powers financed WWI. The Allied powers used a combination of taxation and war bonds (based on the assumption of winning and extracting reparations). The only European power which used only bonds, and not taxation, was Germany. The war itself causes inflation, as does demobilization and subsequent return of young males to the job market. It is in Germany's interest to appear weakened—the reparations are harsh, but not impossible. Thus, Germany wants to appear unable to pay.

The British and the French sold war bonds as well. They also borrowed heavily from the US.

### **World Economic Crisis**

As discussed in class, the Dawes Plan perpetuated dependence on US capital that had begun during WWI. When the stock market crashed in late 1929, US banks begin to call in loans to Germany, Austria, etc. Those countries are unable to pay reparations, and then France and Britain unable to pay back loans. France and Britain survive the depression by forcing their colonial empires to purchase their products. US and USSR are the only two industrial nations coming close to self-sufficiency.