

The Interwar Period

- **Origins of WWI**

- Relative Decline of Great Britain
- Economic challengers (US, Germany, Japan)
- Military challengers (Germany, Russia, Japan, U.S.)
- Race for colonies (Africa, Asia)

- **World War I and the International Economy**

- U.S. suddenly the world's dominant economic power
- War and U.S. trade surpluses
- War and U.S. foreign investment

Post-war Global Economic Problems

- **European economic reconstruction**
 - all belligerents (except US) devastated by the war
- **International monetary instability**
 - all nations (except US) off the gold standard
 - beggar-thy-neighbor policies
- **War debts and reparations (war damages) problem**
 - Allies owe \$10 billion to US
 - Germany required to pay \$33 billion in damages to victors

Disjointed U.S. Response to Global Economic Problems

- **“Stabilizing” U.S. policies**
 - Federal Reserve Bank of New York leads efforts at central bank cooperation
 - Federal Reserve, State Department, private banker actions on war debts and reparations (e.g., Dawes Plan)
- **“Destabilizing” U.S. policies**
 - refusal to join League of Nations
 - refusal to forgive war debts
 - protectionist trade policy (Smoot-Hawley)

Table 1: Pre-War Arms Race

Warship Tonnage, 1880-1910

	<i>1880</i>	<i>1910</i>	<i>% change</i>
Great Britain	650,000	2,174,000	+ 235
Germany	88,000	964,000	+ 995
Russia	200,000	401,000	+ 100
United States	169,000	824,000	+ 388
Japan	15,000	271,000	+ 1706

Figure 1: War Debts and Reparations

