The decline of International cooperation 1929-32

Overview
- Collapse of US economy in October 1929, he Depression soon affected most countries
- Japan and Italy began to pursue aggressive foreign policies as a way of solving their economy problems
- Other countries tended to ignore foreign developments as they concentrated on dealing with own internal economic situation
- LON became increasingly ineffective, proving unable to exert any meaningful pressure on aggressive countries

How significant was the Depression in the decline of cooperation?
- Collapse of US stock market, began with the Wall Street rash Oct 1929 – caused economic chaos in the USA and the whole world
- International diplomacy as well as on countries’ internal politics
- Most countries ignored diplomatic developments as they tried to deal with the economic effects of the Depression
- Many affected moved from free trade to protectionism and foreign affairs took second place to domestic political and economic concerns
- International trade and currency was resolved by the end of 1920s, but much of the world’s economic activities had become dangerously dependent on the globally dominant US economy
- USA – National income dropped by almost 50% in 1929-32, US foreign policy became isolationist than it had before 1929
- Germany – had been rebuilt in large part by US loans arranged by the Dawes Plan and the Young Plan – During 1929-29, received 9,000 million pounds in loans and had only paid out 5,000 million pounds in reparations
- When loans ended, German economy collapsed: 1932, Germany’s industrial production dropped by 60%, and unemployment (1.4 million in 1928) soared to 12 million (unemployment rate c. 33%) – German farmers by 1932, income declined by 50% – Germany’s middle classes – Mittelstand – felt particularly hit by the depression
- Led to rise of Nazis – 1928, they only had 12 seats in the Reichstag – risen to 107 by September 1930 (making them the second largest party) – their rise was checked slightly in November 1932 elections, by Jan 1933, Hitler appointed Chancellor
- 1931, Bruning attempted to distract attention from domestic impact of the Depression by focusing on foreign affairs – he proposed economic Anschluss with Austria – blocked by International Court of Justice and by the French
- 1932, Bruning unilaterally stopped making all reparations payments – accepted by Britain and France at Lausanne later in 1932
- Germany never made any more reparation repayments
- A more nationalist government, headed by von Papen, increased tariffs on British goods by 300% and demanded the return of Germany’s former colonies and the Saar in 1932
- Britain was badly hit – iron and steel production drooped by 50% and the value of pound significantly reduced
- 1932, the Ottawa Agreements established protectionism for the British dominions and empire
- British governments dealt with the crisis by cutting government spending – defence
- British governments were more concerned about protecting the British empire (Japan’s growth was a serious threat) than risking involvement in any conflict in Europe