Because of the massive loans made by the USA to Europe after WWI, the crash of the American Stock Market in October of 1929, and subsequent withdrawal of those loans, a worldwide Depression ensued.

Unemployment in some countries was as high as 25%.

The USA elected Franklin D. Roosevelt to bring a New Deal to the USA

Created a myriad of government programs to employ the unemployed.

This was in keeping with the philosophy of John Maynard Keynes, a British economist, who advocated heavy borrowing by governments in time of emergency.

- The resulting spending by governments of borrowed funds would lead to inflation, thereby lessening the value of borrowed money, so that upon its repayment, the borrowed funds would have been eroded in value.
- So repayment of borrowed funds would be in currency less valuable than the funds originally borrowed.

In Europe extreme political parties arose as a result of dissatisfaction with the treaty ending WWI and because of the worldwide Depression.

Most notably was the National Social/Party of Germany under the leadership of Adolph Hitler, a veteran of WWI.

- His extreme nationalism, expressed in the book Mein Kampf (My Struggle), asserted the racial superiority of the Aryan/German nation, the inferiority of non-Aryans, particularly Jews, and the harshness of the peace treaty ending WWI on Germany.
- As the British and French were reluctant to confront Hitler, and thereby risk another world war, he was allowed to rearm Germany, create an air force, and begin policies which resulted in German Jews losing their citizenship (Nuremberg laws).

The Spanish Civil War began in 1936, when conservative general, Francisco Franco, rebelled against the socialist/communist government which had been elected in 1931.

- The Franco regime was supported by Germany, and Italy under Benito Mussolini.
- The government was supported by the Soviet Union.
- The war became a test ground for the new weapons which had been developed by Nazi Germany.
- Pablo Picasso painted Guernica, a town in Catalonia, given by Franco to Hitler for target practice, as an indictment of war.

Hitler believed Germany had been reduced in size unjustly

- Therefore he desired repatriation of Germans into the Fatherland, which was to include people in Czechoslovakia, Austria and Poland.
- He moved into Austria, and then took over Czechoslovakia – not just the German-speaking Sudetenland.