

Global Economy in the 1930s

The World Economic Conference convened in London on June 12th, 1933. Under the leadership of British Prime Minister Ramsay MacDonald, its members intended to address the global economic crisis. Before the delegations met, the conference planning committee published a broad agenda of topics including war debts, exchange rates, currency stabilization, and trade policy. However, many of the 64 delegations that met in London entered the conference with a different goal and understanding of what should be accomplished. This led some politicians to suspect that the conference would not result in any real compromises. Three of the most influential delegations—the United States, France, and the UK—all prioritized different issues in the global economy. The conference collapsed in a matter of weeks, and the cause of its failure has been debated by historians and politicians alike. For example, Patricia Clavin argues that the British government's attachment to war debt cancelation was largely at fault whereas Barry Eichengreen blamed Mr. Roosevelt's decision to devalue the US dollar during the conference. Eichengreen goes on to list three major factors that limited the success of the conference: disagreement over war debts, rise of protectionist attitudes, and lack of cooperation over exchange-rate policies.¹

In his chapter, "The London Conference: The Growing Failure of the Old Governments: The Spread of Dictatorships and Fascisms," H.G. Wells portrays the conference as doomed for failure from the moment it was designed. He believes the authority of the delegations to

¹ Barry Eichengreen, "The Dollar and the World Economic Conference," in *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (n.p.: Oxford University Press, 2003), 4.

compromise was diminished by the influence of their domestic voters and press. He echoes a commonly held sentiment when writing that each nation “professed faint hope of cosmopolitan cooperation and then concentrated practically and urgently upon establishment of internal prosperity.”² In other words, each delegation went into the conference primarily focused on growing their economies through domestic measures. Germany, the Soviet Union, and the United States are three examples of countries that primarily focused their political efforts on “internal prosperity.” Additionally, they were among the most influential delegations in the conference, so if they arrived in London with little focus on cooperation, it is doubtful that the conference could have ever succeeded in facilitating international compromise.

The German delegation entered this conference only around ten years after the signing of The Treaty of Versailles in 1919 where it was saddled with large reparations and demilitarization. In an extract of the minutes of a meeting held at the Reich Chancellery on April 7th, the German foreign policy minister expressed that “the weakening which Germany has suffered through the Versailles Treaty is much greater than is generally known...for a long time to come we have no prospect of restoring our military equality with respect to the other countries.”³ Before the conference even began, German leaders were concerned about the threat of war in their weakened state. The country was especially vulnerable after Dr. Brüning stated in an interview on January 9th, 1932 that Germany would no longer pay reparations.⁴ Therefore, upon entering the conference, Germany was incentivized to prioritize internal prosperity in order to rebuild its military and avoid threats of warfare waged against the country. Additionally, while

² Barry Eichengreen, “The Dollar and the World Economic Conference,” in *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (n.p.: Oxford University Press, 2003), 133.

³ “Extract From the Minutes of the Conference of Ministers, Held at the Reich Chancellery, on April 7, 1933, at 4:15 p.m.,” 1933, in *Documents on German Foreign Policy 1918-1945*, I:256.

⁴ “Extract From,” in *Documents on German*, I:257.

German reparation was suspended at the 1932 Lausanne Conference, the country still had a large amount of debt from funding its war efforts. In a letter sent on April 15th from The President of the Reichsbank, Hjalmar Schacht, to the Reich Chancellor, Adolf Hitler, Schacht wrote “I have some anxiety about our preparations for the WEC, appreciating problems relating to trade policy, it seems to me the central issue is question of private indebtedness.”⁵ Hjalmar Schacht wants the delegation to focus on its war debts—being the largest international debtor at this time. He continues to write that the delegation must arrive with concrete ideas that can be rejected so that Germany has “the moral right of rejecting the proposals of the others.”⁶ This is telling of how Germany may have entered the conference in a defensive position and was therefore focused on protecting itself from threats of violence or questions surrounding debt repayment rather than on achieving international compromise. The Foreign Minister, Freiherr von Neurath, even asks that the Conference of Ministers emphasize Germany’s right to have sovereignty over defense.⁷ Besides a domestic focus on rearmament, German politicians also expressed an overall disinterest in the conference. In a letter sent on April 16th, Minister of Economics, Alfred Hugenberg, wrote to the Reich Chancellor, Hitler, that “hardly anything was done under the former government to prepare for the Conference” saying how the elections and “more pressing” tasks took the Cabinet’s attention.⁸ In a literal sense, this also reveals how the German delegation prioritized domestic operations over international cooperation—by focusing on elections. On August 1st, after the conference has failed, Burgomaster Krogmann wrote a letter to the Foreign

⁵ "The President of the Reichsbank to the Reich Chancellor," 1933, in *Documents on German Foreign Policy 1918-1945*, I:293.

⁶ "The President," in *Documents on German*, I:293.

⁷ "Extract From," in *Documents on German*, I:257.

⁸ "The Reich Minister of Economics to the Reich Chancellor," 1933, in *Documents on German Foreign Policy 1918-1945*, I:293.

Minister Neurath and Hitler saying that “the view taken by the Foreign Ministry before the departure for London that no positive result would be accomplished at the conference has been fully borne out.”⁹ While skepticism on the part of the Foreign Ministry does not mean that the German delegation avoided international cooperation altogether, it does mean that the nation was not relying on the conference to improve its domestic economy. Neurath said in the April 7th meeting that “foreign policy conflicts are to be avoided until we have completely regained our strength.”¹⁰ This is a clear expression of Germany focusing more on internal prosperity than international compromise. However, there is some evidence of Germany attempting to achieve international cooperation through the conference. In a meeting of the Economic Policy Committee on April 24, The President of the Reichsbank, Dr. Schacht, said that Germany would pay their debts if their creditors were willing to buy their goods.¹¹ In other words, Germany needs a source of revenue before it can agree to pay its debts. Also, in the meeting on April 7, Neurath expressed that Germany must “attempt to support Romania and Yugoslavia economically” to gain political influence and preserve this import market for their exports.¹² Overall, Germany prioritized internal prosperity to protect itself from war and remained skeptical of the effectiveness of the conference.

Mr. Roosevelt’s ‘bombshell message’ that he sent to London on July 2nd is often stated as a major factor leading to the collapse of the conference. In his correspondence, Roosevelt announced that the US would be focusing on domestic policies—specifically depreciation of its

⁹ "Burgomaster Krogmann to Foreign Minister Neurath," 1933, in *Documents on German Foreign Policy 1918-1945*, I:712.

¹⁰ "Extract From," in *Documents on German*, I:259.

¹¹ "Minutes of the Meeting of the Economic Policy Committee of the Reich Government, Held at the Reich Chancellery, on Monday, April 24, 1933, From 6:00 to 9:30 p.m.," 1933, in *Documents on German Foreign Policy 1918-1945*, I:340.

¹² "Extract From," in *Documents on German*, I:259.

currency in order to boost the economy. While FDR did not send this letter until a few weeks after delegations convened, the US expressed an unwillingness to compromise on currency stabilization from the start of the conference. On July 11th, Cordell Hull wrote to Ramsay MacDonald that “it was not believed that the Conference had any jurisdiction over the question of temporary stabilization—that it was not listed as any definite or concrete part of the agenda.”¹³ Hull is both protecting the US from further international resentment and clarifying that the US delegation never considered cooperation over temporary stabilization. However, the US expresses a willingness to compromise on issues besides currency stabilization; FDR concludes his ‘bombshell message’ by writing that “the conference was called to better and perhaps to cure fundamental economic ills. It must not be diverted from that effort.”¹⁴ In theory, Mr. Roosevelt is open to discussing global “economic ills” at the conference. FDR also believes a focus on domestic stabilization will eventually lead to the improvement of every nation’s currency. However, the 1920s and 30s were characterized by a circular debt structure where Germany owed reparations to the UK which owed debt repayments to the US. MacDonald wrote a letter to FDR on June 4th remarking that “even if the June payment was a token amounting to little more than a recognition of these continuing payments...[it] would create a serious political situation” especially since the UK is not receiving income from Germany in the form of reparation.¹⁵ This shows how, while the US prioritized domestic issues on certain economic topics, international cooperation was also difficult due to the “combination of incompatible conceptual frameworks

¹³ "Document 104," in *FDR and the London*, 17:358.

¹⁴ "Document 75," 1933, in *FDR and the London Economic Conference*, vol. 17, *Documentary History of the Franklin D. Roosevelt Presidency*, 17:286.

¹⁵ "Document 50," 1933, in *FDR and the London Economic Conference*, ed. George McJimsey, vol. 17, *Documentary History of the Franklin D. Roosevelt Presidency*, 17:200.

and domestic constraints” that existed from the start of the conference.¹⁶ Finally, similar to Germany, there was some fear of international hostility and influence. A memo prepared for FDR on June 20th states that “we are advancing towards a national self-containment that should be militated against by possibly hostile influences until it has had a chance to work” and continues to express that the delegation is “not to make even a temporary agreement.”¹⁷ While this is in reference to currency, the broader sentiment is that the US wants to make domestic economic changes without international influence.

Interestingly, unlike Germany’s fear of the conference causing domestic harm, representatives from the Soviet Union felt immune to the work of the World Economic Conference. In a speech he delivered on June 14th, Soviet Foreign Minister Maxim Litvinov said that “thanks to the peculiar economic structure of my country, the world crisis does not affect it in any war, nor does the crisis affect the uninterrupted progress of its economic life.”¹⁸ Litvinov justifies a focus on domestic prosperity because the Soviet Union is not as vulnerable to the fluctuations of the global economy. However, he does state that the global depression had negatively affected foreign trade. Therefore, the Soviet delegation focused on trade and was hopeful for cosmopolitan cooperation in this area. Litvinov said that they “do not strive towards autarchy and do not repudiate the advantageous import of foreign goods.”¹⁹ They are interested in improving the terms of trade between nations. Additionally, the Soviet Union is also fearful of war—like the German delegation. The German delegation told the conference that “war, revolution, and internal disruption have found a starting point in Russia, in the vast regions of the

¹⁶ Barry Eichengreen, “The Dollar and the World Economic Conference,” in *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (n.p.: Oxford University Press, 2003).

¹⁷ “Document 49,” 1933, in *FDR and the London Economic Conference*, ed. George McJimsey, vol. 17, *Documentary History of the Franklin D. Roosevelt Presidency*, 17:196.

¹⁸ Maxim Litvinov (speech, World Economic Conference, London, June 14, 1933).

¹⁹ Maxim Litvinov (speech, World Economic Conference, London, June 14, 1933).

east. This process of destruction is still going on.”²⁰ The USSR took this as an appeal for war, going against peace stipulated in the Berlin Treaty. Both the USSR and Germany are concerned about putting their domestic policies in danger of international influence or threats of violence through participating in the conference.

Economic decisions in Germany, the US, and the Soviet Union following the conference provide context for how leaders may have been considering the value of cosmopolitan cooperation versus domestic prosperity. Hitler was Chancellor during the conference and was elected as President in 1934; he focused on rearmament and boosting private business. He also increased the number of available jobs for Germans, and the average monthly unemployment rate began decreasing in 1933. Additionally, in June of 1934, Hitler’s Minister of Economics, Hjalmar HG Schacht, announced complete default on foreign debt. Germany’s actions immediately following the conference, especially those of the soon-to-be dictator, highlight German leaderships’ lack of focus on international cooperation in favor of domestic spending and defense. The US was also undergoing a change in leadership around the same time as the conference. Mr. Hoover was President until March of 1933 and was committed to staying on the gold standard. Therefore, he probably would have engaged in discussions regarding the maintenance of the gold standard at the conference, unlike FDR. Following the conference, Mr. Roosevelt focused on domestic spending for his New Deal programs. He especially concentrated on agricultural improvement, decreasing unemployment, and financial reform—boosting the economy through domestic spending rather than foreign loans or currency stabilization. Finally, Stalin became dictator of the USSR shortly before the conference convened in 1933. He

²⁰ "Protest Against the German Memorandum to the World Economic Conference: Note From the Soviet Ambassador in Berlin to the German Deputy Foreign Minister," 1933, in *Soviet Documents on Foreign Policy*, ed. Jane Degras (n.p.: Oxford University Press, 1953), 3:23.

instituted a number of Five-Year Plans to industrialize the country and pursue collectivization of agriculture. Similar to FDR, Stalin focused on increasing state power following the conference—although he achieved this goal through very different tactics. Germany, the US, and the Soviet Union were all undergoing changes in leadership around the same time as the conference and were shifting to a domestic, rather than international, economic focus.

In conclusion, H.G. Wells was largely correct in arguing that delegations prioritized internal prosperity over cosmopolitan cooperation from the outset of the conference. However, delegates were careful not to publicly dismiss the conference altogether or ignore the dire state of the international economy. All three of these delegations expressed at least a moderate interest in compromising on certain aspects of the conference's agenda in accordance with their own domestic concerns. Although, it is possible that any discussions over compromise either in speeches to the conference or in private letters reflected a fear of international retaliation rather than an active desire for cooperation.

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