Chapter 35

The Great Depression and the Authoritarian Response

OUTLINE

I. Introduction

The Great Depression intensified the decline in globalization and the shakiness of Western democracy. Authoritarian regimes arose in Europe, Asia, and Latin America. The global framework established by Western dominance seemed to collapse entirely.

II. The Global Great Depression

A. Introductions

The global slump that began in 1929 contributed to the growing international crisis. While the New York stock market crash of 1929 was dramatic, the Depression stemmed from deeper structural problems in the world economy.

B. Causation

There were numerous economic problems in the aftermath of World War I. Germany suffered from massive inflation, which was difficult to control. Britain, dependent on exports, found a global market with much stiffer competition. Agricultural overproduction sent prices for food products plummeting in all nations. In Europe, falling farm prices made it more difficult to repay war loans. Economic recovery in Germany and France in the 1920s was fragile. Overproduction was a particular problem in dependent countries of the world trade system. The inability of colonies and dependent regions to purchase European-manufactured goods weakened demand for Western goods. Nationalism frustrated international attempts to deal with these problems. Tariffs barriers, which further reduced trade, were erected in many nations.

C. The Debacle

The economic collapse first occurred in the United States in 1929. As American banks closed their doors, Europe, which remained dependent on American credit, was drawn into the crisis. Investment funds were withdrawn when creditors went bankrupt. Without capitalization, industrial production fell, and with it, the demand for labor. Massive unemployment made it impossible for large numbers of people to consume goods, thus contributing to falling demand. The social devastation of the Depression was evident at all levels. This slump was deeper and more prolonged than previous ones. It had a profound impact on the lives of millions, bringing widespread unemployment and increased suicide rates. Popular culture turned towards escapism. The Depression confounded 19th century optimism and led to extreme experiments and paralysis in government. One of the few economies that resisted the general trend to depression belonged to the Soviet Union. Without ties to most of the West, the Soviets were unaffected by the drop in
worldwide demand. Colonial nations that depended on exports of raw materials suffered enormously, as did the export sectors of Latin America. Japan, industrialized, but heavily dependent on exports, suffered typically high unemployment figures. The Depression increased Japanese paranoia about the West and promoted more aggressive imperialism in Asia. In Latin America, it inspired greater state involvement in the economy. In the West the Depression prompted new government-led welfare schemes and political radicalism. In part, reactions to the Depression helped to create the conditions that led to World War II.

D. Responses to the Depression in Western Europe

In Western Europe and the United States, the Depression showed that the achievements of the 1920s had been fragile. Weak governments responded counterproductively to the crisis, with economic policies that often made things worse. Confidence in normal politics declined, as radical political parties gained new support. In most cases, however, parliamentary forms of government were weakened. In France, a Popular Front government dominated by socialist groups won the election in 1936. Opposed by more conservative groups, the Popular Front was unable to enact effective policy. In Scandinavia, the government chose to intervene more actively in the economy with generally positive results. In Britain, new industrial sectors emerged under creative business leadership.

E. The New Deal

After floundering for a few years, the United States initiated a new economic program called the New Deal based on social welfare and government intervention. Under the leadership of Franklin Delano Roosevelt, the New Deal greatly increased the size of government and restored public confidence, though the problems of the Depressions were not solved until World War II.

F. Nazism and Fascism

In Germany, the Depression led to Fascism. German Fascists attacked parliamentary democracy as corrupt and weak, proposing a strong leader with a vigorous foreign and military policy. They gained support among business leaders by attacking unions and socialists. Adolf Hitler called for the state to guide society, since it was greater than the sum of individual interests. He criticized much of modern life, promised to end the humiliation of Versailles, and railed against Jews. In power, he built a totalitarian state, exercising direct control over many aspects of German life while eliminating opposition groups. Jews were made the scapegoats for all modern problems, and Hitler placed severe restrictions on them. In foreign policy, Hitler prepared for war, looking to build a German empire. He withdrew Germany from the League of Nations and intentionally broke the terms of the Treaty of Versailles by suspending reparations, rearming, and entering the Rhineland. Only when Germany declared a union with Austria and invaded Czechoslovakia in 1938 did the other European nations demand a conference. At the Munich conference, the leaders of France and Britain acceded to Hitler’s demands in return for the hope of continued peace. Appeasement failed when Hitler’s forces swallowed all of Czechoslovakia in 1939. The Soviet Union and Germany signed a peace treaty in the same year. Finally, when Hitler invaded Poland in 1939, Britain and France declared war.

G. The Spread of Fascism and the Spanish Civil War

Nazi triumphs emboldened Fascists and authoritarians elsewhere. Italy attacked Ethiopia in 1935 with impunity. When civil war broke out in Spain, Italy and Germany actively supported the right-wing faction in its overthrow of a parliamentary republic.
III. Economic and Political Changes in Latin America

A. Introduction

World War I, by bringing an end to Latin American export prosperity, directly affected all Latin American governments. Although the absence of goods from Europe produced some minor industrialization and produced a short-term increase in exports, the postwar inflation led to political unrest and declining standards of living in many Latin American nations.

B. Labor and the Middle Class

The growing importance of both labor and the urban middle class compelled the traditional landowning elite in Latin America to open up the political structure. In 1916, the middle-class Radical party won an election in Argentina, but it soon created ties with traditional elites. In Brazil, the new middle class allied with traditional landed interests in the Republican party until the 1920s. Industrial labor groups, often composed of European immigrants, also exerted some influence on politics in the early 20th century. Strikes and other labor movements were often suppressed violently. Despite government opposition, strikes and labor unrest were common in Latin America between 1914 and 1930.

C. Ideology and Social Reform

In Latin America, liberalism seemed out of place, particularly when middle-class political movements so often allied with traditional landed elites. Disillusioned intellectuals began to attack the concepts of liberalism during the 1920s. Movements for social reform spread rapidly in many countries. Both socialism and Communism appeared in Latin America. The Roman Catholic Church also contributed to the assault on liberalism.

D. The Great Crash and Latin American Responses

Both the demand for Latin American exports and foreign investment in Latin American infrastructure collapsed in the aftermath of the Great Depression. Their failure led to the complete bankruptcy of the liberal agenda. Corporatism won growing support. New regimes intent on social reform and based on mobilizing mass support appeared in many nations of Latin America during the 1930s. One of the most successful reform governments was the administration of President Cárdenas in Mexico, where land reform and state control of the petroleum industry were hallmarks of change. In Cuba, Brazil, and Argentina, similar attempts at reform were launched.

E. The Vargas Regime in Brazil

Getúlio Vargas became president of Brazil after a disputed election in 1929. Vargas gained power on the basis of promises to resolve economic problems after the 1929 crash but instead began to construct a strongly centralized government. After defeating both Communist and Fascist insurrections, Vargas, with the support of the military, imposed a new constitution in 1937 based on Mussolini’s Italy and the corporatist state. Vargas chose to ally himself with the United States during World War II, in return for which his government received arms and economic aid. As opposition to the strongly centralized state grew toward the end of the war, Vargas turned to labor groups and Communists for support. Vargas nationalized the petroleum industry as a means of limiting foreign capital in Brazil. Under increasing political pressure, he committed suicide in 1954. After his death, Vargas became a popular national hero in Brazil.
F. Argentina: Populism, Perón, and the Military

After the failure of a first military coup in 1929, a second military insurrection brought the Nationalists to power in 1943. Seeking to industrialize and strengthen Argentina relative to neighboring states, the leader of the Nationalists, Juan D. Perón, sought to create a broad base of support among workers and the lower classes. His wife, Eva, became a popular figure and spokesperson for Perón. Using a coalition of workers, industrialists, and the military, Perón pursued a populist program including the nationalization of resources and industries, exclusion of foreign capital, and political repression of opponents. When the economy weakened after 1949, Perón’s grip on the government weakened. As the opposition strengthened, the military unseated Perón in 1955. A succession of military-backed civilian governments were unable to establish credibility. In 1973, Perón won the presidential election but died within a year. The military once again took over the government.

IV. The Militarization of Japan

A. Introduction

Authoritarianism appeared earlier in Japan than in the West. Nationalist groups emerged supporting Confucian and Shinto values, as well as increased militarization. In 1932, some officers assassinated the prime minister, leading to a moderate military government. A second attempted military coup in 1936 was blocked by established officers, but the military gained further control over the government, and civilian politics were suspended. After 1936, militaristic prime ministers presided over expansion in Asia and the creation of a regional empire. The military demanded even wider conquests and prompted Japan’s entry into World War II.

B. Industrialization and Recovery

Massive government spending helped pull Japan out of the Depression quickly. Industrialization grew quickly after 1931. New policies stabilized the labor force and reduced unrest. By 1937, the basis for major expansion had been set, but it would be delayed by World War II.

V. Stalinism in the Soviet Union

A. Introduction

An autocratic leader, not the Depression, led to authoritarianism in the Soviet Union. As Joseph Stalin was able to gain control of the Communist apparatus, the process of experimentation came to an end. Stalin wished to accelerate the process of nationalization temporarily halted by the NEP and to establish an industrialized society under governmental control without private initiative or capitalization. Even agriculture was to be subjected to the goals of industrialization.

B. Economic Policies

Stalin ordered the collectivization of agriculture in 1928. Large state-run farms replaced individual family units. Collectivization permitted government capitalization and firmer control over the peasant population. When the wealthier peasants, or kulaks, resisted, Stalin ordered them killed or deported. The Communists imposed collectivization by force. Government-run farms produced little incentive on the part of the peasantry, and production suffered. Collectivization siphoned capital and labor out of agriculture into industrialization. To foster industrialization, Stalin created a state planning commission and a series of five-year plans.
Government capitalized infrastructure and industrialization. The focus was entirely on heavy industry, not consumer production. State planning reduced dependence on markets but also created bottlenecks and waste. Despite problems, Russian industrialization under the five-year plans was rapid.

C. Toward an Industrial Society

Soviet industrialization shared some aspects with Western developments. Urbanization rapidly increased, factory management of labor was strict, and welfare services developed over time. Standards of living remained low, as industrialization produced few consumer products. Incentives were given for greater production. The entire process was state-directed, and there was no mechanism to air worker grievances.

D. Totalitarian Rule

Stalin forced both artists and scientists to conform to government demands. He created a totalitarian state through the creation of a state police apparatus and the party. Potential rivals were ruthlessly eliminated. Dissemination of information was carefully controlled. Stalin's regime was repressive. His elimination of many military officials weakened the Soviet Union’s ability to respond to external threats, particularly the rising challenge of Nazi Germany. His emphasis on internal development left the Soviet Union without allies or much of a foreign policy. Hitler’s rise necessitated a change to a more aggressive foreign policy. When Britain and France failed to support Stalin’s initiatives in Spain, he signed a pact with Hitler in 1939.

VI. New Political and Economic Realities

The Depression strengthened authoritarian regimes and weakened democracy. Attacks on Western colonialism continued. Turkey, Persia, and Latin America sought to reduce their dependence on the Western economy, while nationalism in Arab lands grew. The framework of Western imperialism was unraveling.

VII. Global Connections: Depression and Retreat

The Depression encouraged increasing isolationalism, nationalism, and protectionism. Globalization was rapidly falling apart.
TIMELINE

Insert the following events into the timeline. This should help you to compare important historical events chronologically.

- Popular Front takes power in France
- Hitler takes power in Germany
- Perón first elected in Argentina
- Hitler attacks Poland
- War breaks out between Japan and China
- stock market crash that saw beginning of Depression

TERMS, PEOPLE, EVENTS

The following terms, people, and events are important to your understanding of the chapter. Define each one.

- Great Depression
- Francisco Franco
- totalitarian state
- appeasement
- Juan D. Perón
- Lázaro Cárdenas
- collectivization
- Politburo
- Popular Front
- New Deal
- Gestapo
- Tragic Week
- Eva Duarte
- Manchuria
- five-year plans
- socialist realism
- Spanish Civil War
- Franklin Roosevelt
- Anschluss
- Getúlio Vargas
- syndicalism
- Joseph Stalin
- Korekiyo Takahashi
- kulaks
MAP EXERCISE

The following exercise is intended to clarify the geophysical environment and the spatial relationships among the important objects and places mentioned in the chapter. Locate the following places on the map.

Identify those countries in Europe that fell under authoritarian or totalitarian rule, and those which fell under German rule prior to the invasion of Poland on September 1, 1939.

How did Germany’s geographic position in Europe and in the world shape Hitler’s imperial ambitions?
MAKING CONNECTIONS

The following questions are intended to emphasize important ideas within the chapter.

1. What were the causes of the Great Depression?
2. What was the worldwide impact of the Depression of the 1930s?
3. What was the relationship between the Depression and political instability?
4. Define “totalitarianism.” How did Fascist Germany qualify as a totalitarian state?
5. How did various Latin American countries react to the failures of liberal government?
6. How did populist governments in Brazil and Argentina attempt to rule?

PUTTING LARGER CONCEPTS TOGETHER

The following questions test your ability to summarize the major conclusions of the chapter.

1. In what ways did Stalinism retain many of the aspects of traditional Russian politics and culture dating back to Peter the Great? In what areas did the Soviet Union depart most fully from the Russian past?
2. In what ways did the period from 1914 to 1939 witness the collapse of the old world order?
SELF-TEST OF FACTUAL INFORMATION

1. How did most Western governments respond to the Great Depression?
   a. with concerted policies of cooperation to restart global trade
   b. by encouraging industrialization in the colonies to expand trade
   c. by taking a hands-off approach to the economy to give businesses freedom to act
   d. with nationalist and protectionist policies that restricted global trade

2. Which of the following economies was least affected by the Great Depression?
   a. Latin America
   b. the Soviet Union
   c. the United States
   d. Western Europe

3. Franklin Delano Roosevelt’s New Deal emphasized what kind of policies?
   a. unemployment benefits, Social Security, and public works program to create jobs
   b. protectionism and a crackdown on labor unions
   c. an elimination of government planning for the economy to give business more freedom
   d. the deregulation of the banking industry

4. The National Socialist Party rose to power in what country prior to World War II?
   a. Italy
   b. Germany
   c. Russia
   d. Britain

5. Which of the following was NOT part of Lázaro Cárdenas’ reform program for Mexico?
   a. the redistribution of 40 million acres of land
   b. the expansion of rural education programs
   c. the writing of a new constitution based on Mussolini’s Italy
   d. the expropriation of foreign oil companies

6. The phrase ‘import substitution industrialization’ refers to
   a. the failure of Latin America to industrialize during the twentieth century.
   b. the tendency in Latin America to remain dependent on exports of raw materials.
   c. the establishment of high technology industrialization requiring limited labor.
   d. the spurt of industrialization in Latin America when World War I cut off the traditional European imports.

7. What military leader in Argentina broadened the base of support for populist government by
appealing to labor groups and the poor?

a. Juan Perón  
b. Victoriano Huerta  
c. Juan Arevalo  
d. Getúlio Vargas  

8. Which of the following regions was first swallowed as part of the Japanese program of military aggression?

a. Manchuria  
b. Malaya  
c. Korea  
d. Taiwan  

9. In his foreign policy, Stalin:

a. actively sought diplomatic ties with the West to promote Soviet trade.  
b. was disappointed by Western reluctance to challenge Hitler, and so signed a pact with him.  
c. promoted ties with East and South Asia, signing agreements with Persia, Turkey and Japan.  
d. recognizing the threat of Hitler, aggressively prepared for war against Germany.  

10. The Soviet Politburo under Stalin

a. was composed of powerful commissars who were virtually independent of the central administration.  
b. was particularly innovative in proposing new solutions to the endemic problems of Soviet society.  
c. was a rubber stamp for Stalin and lived in fear of him.  
d. was an open institution filled by the numerous new admissions to the Communist party.