

# WWI and its effect on the European Economy

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By: JUSTIN WALL

Money, money, money, money, the one aspect of any country that is the driving force on decisions being made and the progression of production. Ingvar Svennilson is a very well-known economist in the mid 1900's who researched the European economy in the early 1900's and World War I. In the book "The European Economy 1914-2000" the author Derek H. Aldcroft talked of how Svennilson analyzed and calculated that "if there had been no war and the 1881-1913 European rate of industrial output growth had been maintained (3.25 per cent per annum) then the 1929 level of production would have been achieved in 1921." This means that Svennilson is saying that World War I had caused a setback of eight years in the growth of production. Europe had the greatest impact of on the growth of their production due to economic problems and the horrible aftermath of World War I. Russia, Germany, France, Belgium, Bulgaria, Poland, Czechoslovakia, Austria, Hungary, Romania and Latvia were the countries in Europe that had most of the loss in growth in 1920 with that being at least thirty percent lower than in 1913. The European economy was devastated post World War I and rippled throughout the European economy for many decades thereafter.

## **Thesis:**

The massive European debt during the 1920s was in direct result of WWI destruction and loans taken to pay for the war, which in turn caused the great economic collapse in Europe during the 1920s.

## **Research Question:**

1. What did Europe try to accomplish in developing an economic foothold post World War I?
2. How did the German economy drop down to nothing and then grow to be so powerful?



This picture shows the despair of the economy of Europe after the effects of WWI. These kids are using stacks of money as building blocks to make a tower. The economy of Europe post World War I was so destroyed that people were throwing stacks of money away.

World War I had many drastic changes around the world from physical to economical. The majority of the changes occurred in Europe from all the beneficial parts such as raising the economy of the majority of Europe due to the technology boost after the war from the production of automobiles to airplanes. WWI had also done a lot of damage to the economy too, economy in Germany became destroyed and the European nations started a period of inflation due to over printing of their currencies. The European countries had diverse ways of thinking from printing more and more money to producing different goods for countries around the world. The one thing that is abundant in Europe is the conflict between the different countries. Due to the countries being so close the nations have conflicts over small things and always have a lot of resentment toward one another.

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The attached picture depicts the euro GDP forecast in 2010 when the article “Strong German Growth Lifts European Output.” was written.

Published in 2010, Ewing and Saltmarsh’s article depicts the German economy boost and how it helped boost the value of the euro. The value of the euro rose 1% in the second quarter of the year and since Germany did so well it allowed for compensation of the slowing growing economy of Spain and a sharp decline in Greece. The hopes were that Germany’s success were to spill over and spread prosperity over the rest of Europe. Predicted growth of the euro was projected at close to zero but because Germany was in the middle of an export boom, grew 2.2% German stocks and investors have highly benefited from concern in Spain and Greece from the growth while trade surplus was around 60.2 billion euros or \$76.9 billion. German-made products have fallen in price outside Europe and Volkswagen reported one of its best sale performances ever. Lastly, the article describes that growth was in place in companies again, more jobs would be created, and finance minister were confident that the country would hit its target for 1.4% annual growth.

European economy from the past can be sought through many sources, but a great book that recounts the European economy post World War One and after is Derek H. Aldcroft’s book, “The European Economy 1914-2000 4th Edition”. Aldcroft’s primary argument is the account of the European economy during the twentieth century and of its developments and its problems. This book recounts the economic stability and turmoil s throughout Europe during the 20<sup>th</sup> century, specifically from 1914-2000. There have been many incidents that shaped the European economy in the 20<sup>th</sup> century which includes Both the World Wars and the great depression.

The effects of World War I caused such an “external shock of such violent magnitude” that the European economy had never been exposed to. Most people of this time did not realize the impact World War I had on the economic relationships between nations.

The European people strove to find a sense of footing after World War I and they believed that the best way to address the issue was keep doing what they normally do. The problem was that the war had made the economic infrastructure of Europe vulnerable to external shock. The European economy somehow found some stability during the 1920’s, but the real issues of their economy were not addressed allowing the external vulnerability to take effect in 1929, allowing for the structural supports of the European economy to come tumbling down. This was the prelude to one of the world’s worst depressions in economic history.

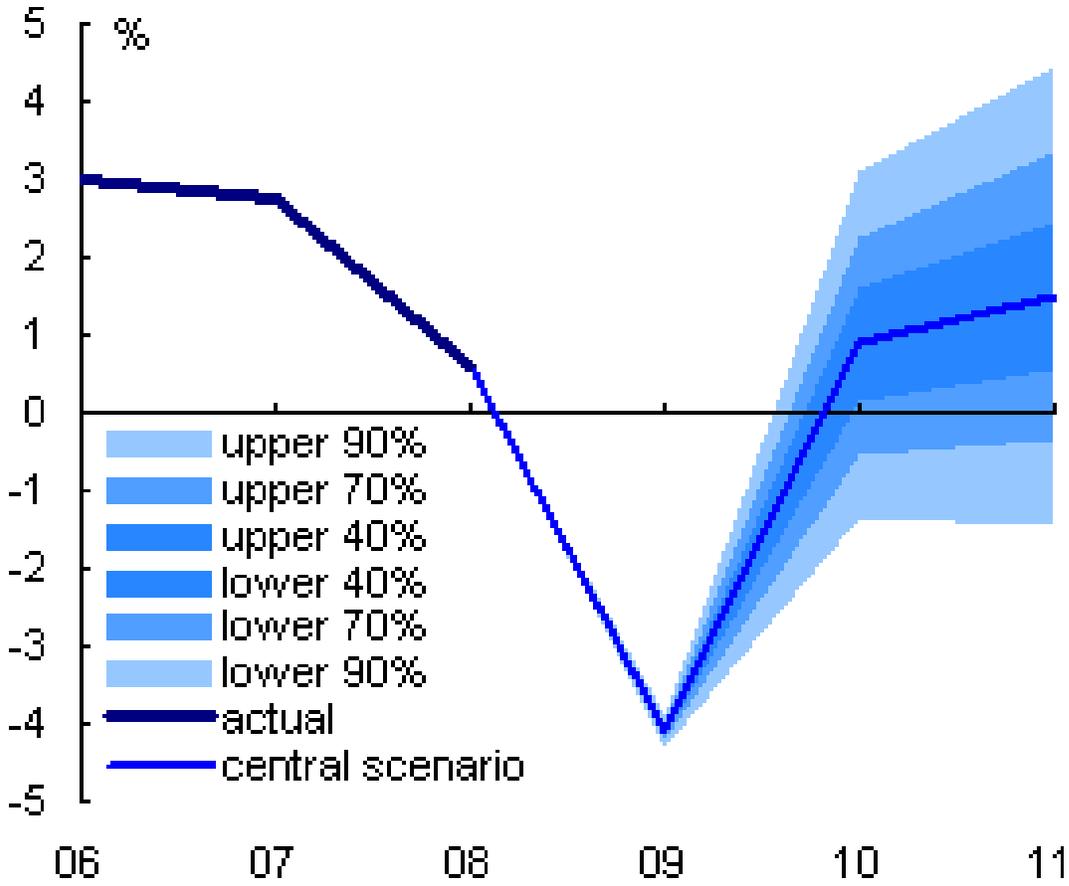
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### Euro-area GDP forecast, uncertainty linked to the balance of risks





This picture is of the Jarrow Crusade of 1936 which was made up of hundreds of people who marched from a small town named Jarrow to London to protest against unemployment. This article is about the economic financial structure of the European countries pre-World War I and during. The article is "The Failure of Economic Nationalism: Central and Eastern Europe before World War II" and was written by Ivan Berend. His main argument in this article is that Eastern and Central Europe modified their economy post World War I but the outcome was only a rise in the consumer goods industries. During pre-World War I Eastern and Central Europe tried to have an export-led industrialization effort but failed.

The majority of the economic problems for the Eastern and Central European countries came from the export-led industrialization that took place "from the 1860's on, during the half century before World War I" and was specifically towards these country's agricultural market. After the failure of the export-led industrialization effort, Eastern and Central Europe decided that they wanted to be segregated from the "Western dominated world system" in an effort to prove they had significance on their own without trying to imitate the West. All of Eastern and Central Europe enter "the first stage of import-substituting industrialization" which provided these countries with a self-sustaining economy for that time.

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# **The Economics of World War I**

By: Stephen Broadberry and Mark Harrison

The twentieth century was filled by two deadly global wars followed by a 'cold war' consisting of global threats and dangers. Nine countries' economies during World War I were put under study: five Allies, three Central Powers, and a neutral country. The investigations suggest two themes that link economies with war; one of which is that the contribution of economic factors to the outcome of war. The other is that of the effects of war on long-run economic development. One of the main lessons that emerged from the study is that times of peace are better than war.

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## **Money, Markets, and the State**

By: Ton Notermans

Dr. Notermans notes that social democrats generally hold mass unemployment to be the main scourge of the market economy yet social democratic policies for full employment have been met with strikingly varied levels of success. This book examines the economic policies of social democratic governments in five Western European countries: Germany, Great Britain, Sweden, Norway, and the Netherlands. The timeline of these examinations dates from the inflation following the end of World War I, through the Great Depression, and up to present-day conditions. The study concluded that successful social democratic policies for growth and full employment remain possible even under the present conditions of an ever increasingly globalized economy.

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