

Evaluate criticism of the treaty of versailles



**ASSIGN
BUSTER**

\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Introduction](#) \n \t
2. [Literature review](#) \n \t
3. [Explanation of Keynes's criticism](#) \n \t
4. [Evaluation of Keynes's criticism](#) \n

\n[/toc]\n \n

The works of John Maynard Keynes have left remarkable points on the history of the international economy. In order to understand, explain and evaluate Keynes criticism on the Treaty of Versailles, it is important to define the treaty itself and the negotiations involved. This serves as a standing stone in the completion of this task. In addition, the assessment of the possible economic reasons that could have led to the break out of the First World War will be brought into this preview as it will depict what motivated the war. The Treaty of Versailles was a peace treaty that aimed at restoring peace between the Germany and its allied powers. The negotiations that followed are what brought the Keynesian economics into this picture. The treaty in question blames the Germany as the sole initiator of World War I hence the demands to compensate the affected countries. In imposing the reparations, the treaty adhered to already laid down articles in the legal procedures of the time that required Germany to bulge under this pressure. For instance, article 231-248 that was posed as ' War guilt clause' required the disarmament of Germany and required it to pay huge sums of money to some countries as reparation for the harm caused. In 1921 the amount was \$31. 4 billion which is equivalent to US\$ 385 billion today. Through a review

<https://assignbuster.com/evaluate-criticism-of-the-treaty-of-versailles/>

of relevant literature by key authors on this topic, Keynes criticism of the Treaty of Versailles will be explained and evaluated.

Introduction

Arguing from the economic front, John Maynard Keynes viewed this move as counterproductive as it will take the country a very long time to pay the amounts. Though the reparation would serve as a punishment for Germany for causing World War 1, it was driven by selfish interests of the other powers who wanted to benefit from the post war actions. For instance, the Britain argued that it was worth compensation for human life loss which left many widows, orphans and wounded men who could not provide adequate labour in their industries (Aldcroft, 2001 p. x). On the contrary, the United State protected the Germany as it intended to do business with them later. Though Germany went against international morality, there were other forces that facilitated the war and that emanated from other countries. Looking at the secret alliances in Europe that divided it into two hostile groups, there is no doubt that it was responsible for the war as well. Another reason lies on the colonizers competition that aimed to tap more resources and labour for their industries. It is also evident that all the countries in the hostile setting were building armies and actually waited for a sign to begin the war. How then, can the Treaty of Versailles rest the whole burden on Germany economy's shoulders?

Literature review

According to Aldcroft (2001), there were major economic changes that occurred in Eastern as well as the Western Europe in the course of the twentieth century. By contrasting the 19th and the 20th centuries, he shows <https://assignbuster.com/evaluate-criticism-of-the-treaty-of-versailles/>

that, the 20th century was more turbulent on political and economical fronts. He supports this claim by the great depression that was coupled by the two World Wars that gave the world economy an about turn. Though the countries involved had mixed emotions and uncertainty on the consequences of war, there was an assumption that after the war, the economies as well as life will continue as usual; that is as it was prior to the war. This is what Aldcroft termed as “normalcy”, or the natural order of things”. (Aldcroft, 2001 p. ix) This mentality proved later to be the post war mistake as it took the economies close to a decade to get back to the normalcy. As posed by Aldcroft, at the end of the First World War, the strength of all the sectors of the nation were adversely affected. During the depression that occurred between 1929- 1932 the governments in Europe adopted ineffective policies that worsened the economic crisis of the time. This is based on the fact that they protected the domestic economies from external influences. Following this, as the World War 2 broke out, Europe joined as a weaker party compared to its state at the time it was joining the First World War. Consequently at the end of war, she was worse than in 1918. This is with reference to physical destruction, loss of life and deterioration of living standards. At the end of the war, Europe economic state was at risk of further external shocks as its previous equipoise had been destroyed. In addition, Europe’s political as well as the social fronts were at stake. Its statesman geared efforts in resurrecting the already collapsed system as the solution to the post war problems but this took the economy further below than it was as it could not hold further external shocks that came with the Second World War and the great depression (Aldcroft, 2001).

In light of Aldcroft (1981), there were assumptions that, without the interruptions of the World War 1, the economy would have continued to develop in spite the increasing symptoms of strain. It is however evident that the pattern of growth and that of income distribution would not escape the fate of the secular trends that had emerged with the first half of the century. With this in mind, Aldcroft treats the war as “ a large exogenous shock” which destroyed the pattern of development that was integrated in the 19th century international economic framework as well as its equilibrium (Aldcroft, 1981). On the contrary according to Aldcroft, the First World War served as the initial shock which ended the cyclical as well as the secular economic development. This further implies that the economies had the potential to go back to their previous positions upon minor adjustment.

According to Oliver & Adcroft (2007, 43), the First World War resulted to monetary affairs chaos which gave policy makers a hard time to reconstruct a mechanism that would last after the end of the war. It is important to note that although it was in Russia where the longest impacts of war were witnessed, its market economic system did not collapse. From a general point of view, it was noted that the economic growth in almost all parts of the world was slow during the interwar period. The most notable aspect that World War 1 left was the challenge it brought to modern capitalism prior to the depression that set in 1930s. As seen from the previous literature, economic policy mistakes that were committed in the twentieth century are highlighted in conjunction with major key disasters which have implications on international economic growth. They named them as two World Wars (WW1 and WW2), inflation, disintegration of the soviet command economy,

the great depression, financial crises, third world disaster, oil shocks and stock market crashes (Oliver & Adrocroft, 2007 p. 43). These disasters had major impacts on some regions and prove to be key economic aspects that have continued to trouble the modern economies of the 21st century.

Hardach (1981) highlights various ways in which the World War 1 was interpreted and its relevance in economic history. It was perceived as the disintegration of classical capitalists which was then known as the Great Britain and the end of the Gold standard. In another light, it signified the increased industrialization across the borders and saw the temporary collapse of the Europe economy. In addition, it merged the state to the economy as part of the long term structural transformations. Lastly in view of Hardach, the historical labour movement which saw the Russian revolution was formed under the influence of the First World War 1.

Explanation of Keynes's criticism

Being the chief representative of the British treasury, Keynes criticized the Treaty of Versailles for its harsh measures on Germany and the gold economy which was coupled by low tariffs. In his economic forecast, Germany's economy was prone to weaknesses based on the Versailles provisions that could bring down Europe as a whole. His commitment to this fact can be ascertained by his resigning after the treaty failed to recognize his bid to reduce the reparation demands made on Germany. This can be evidenced in his statement as quoted, " The Assembly may from time to time advise the reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world". (Keynes, 2010 <https://assignbuster.com/evaluate-criticism-of-the-treaty-of-versailles/>

p. 148) There is no doubt that the treaty of Versailles was biased. Keynes's criticism was justified as the treaty turned out to have negative effects on Germany and the world at large. The negotiations on this treaty led to further disaster to an extent that it necessitated World War 2. The other reason that Keynes criticized the treaty was due to its inability to use the negotiation to promote peace and benefit Europe. The negotiation was full of selfish expectations but the major demerit is that, Germany which was at the centre of the treaty was not represented hence a 'lopsided negotiation'. As Keynes quote in his book, 'The economic consequences of peace', "Treaty, decisions at any meeting of the Assembly or of the Council shall require the agreement of all the Members of the League represented at the meeting". (Keynes, 2010 p. 148) Following this quote, the treaty of Versailles was ineffective as there was no Germany in the picture and any decisions made were insufficient.

According to Aldcroft (1981), the war left a bunch of problems that made the process of returning to normalcy impossible. This led to the increase on reparations and war debts which facilitated a formation of a mode of payment. As a result friction between the nations increased hence creating problems for the international monetary system. In addition, the problem of debtor countries was eminent in Eastern Europe as they had suffered the activities of the military and depreciation of their currency. Further, the issues of supply among other structural problems were on the rise. This resulted to over supply for the primary producing countries from the lopsided (Aldcroft, 1981 p. 5). In turn and in the later 1920's, incomes for the producing countries fell drastically and their imports of industrial products

declined. One economic situation led to another and price adjustment became a major problem as the tariffs were rising among other restrictions that were imposed to maintain prices. This can be supported by Lewis (2003) as he quotes, "... a reduced rate of growth of demand for primary products by manufacturing countries and trade in primary products did not fail to grow faster in the 1920's because of tariff increases, since the widespread sizable increases in tariffs and other obstacles to trade occurred after 1929. Rather, " the principal reason why the trade in primary products was not higher was the decline of population growth". (Lewis, 2003 p. 148)

Evaluation of Keynes's criticism

According to Keynes (2010), the post war problems in Europe raised alarms that needed an immediate attention. As much as it was the right move to form the treaty of Versailles to bring peace, it was not important to note that peace would not come without economic stability as the super powers would continue to fight for the available limited resources. That's why it would be better to base the treaty of formulation policies that would reform Europe. As Keynes quote, " First, the impartial justice meted out must involve no discrimination between those to whom we wish to be just and those to whom we do not wish to be just". (Keynes, 2010 p. 35) This implies that Germany was to be in the good plans of the economy prosperity and not for reparation demands that would leave its economy dwindling.

Following the policy mistakes that were made by economists at the time, Keynes put forward that post World War 2 Europe was prone to inflation and economic stagnation. The way forward was to debase currency which could impoverish some and enrich others but it as a sure way of destroying

<https://assignbuster.com/evaluate-criticism-of-the-treaty-of-versailles/>

capitalism. The act of governments to print money was another source of inflation in Europe. These governments could increase their income through taxation and loans. The price controls that are imposed by governments were pointed by Keynes as to discourage production. This is the situation of barter trade that existed in Europe at the time of war. Producers exchanged their products for materials that were of no value to acquire other materials (Keynes, 2010). This saw the drop in supply of goods. Keynes criticized the treaty of Versailles based on the German government relationship to inflation and deficits. Germany government spending was enormously higher than its income from taxes. This shows that inflation was not caused by war and peace was not close to the cure needed. Keynes asserted that inflation was a problem whose solution is not yet known. All in all, the mess in Germany based on its economy saw the rise of Adolph Hitler.

Keynes central argument was based on the economic causes of war and asserted that peace could be achieved through economic means. Due to this, after the war, he emphasized on economic determinants of war in the planning and reconstruction of the economy. He posed the causes of war as penetration of foreign capital, impoverishment and competitive struggle for markets, population pressure. This covers most of the reasons for the First World War. In his proposition for peace through economic means, he brought forth free trade as well as an international agreed state action in an effort to manage and reconstruct the economy. This in turn would promote economic interdependence and there will be no point of fighting each other as it will destroy for all of them. Following this, he proposed an international monetary system that has interest rates that protected each other. The states were

also to pursue economic policies that promoted full employment to reduce poverty and minimize causes of war.