Chapter 25: The Global Crisis: 1921-1941
CHAPTER 25

- We will examine the foreign policy of Herbert Hoover in both post World War I Europe, Asia, and Latin America.
- We will examine the foreign policy of the early years of the Roosevelt presidency with both the Soviet Union and Latin America.
Mat_6:12 And forgive us our debts, as we forgive our debtors.
Diplomacy of the New Era:

- Critics of American foreign policy often used a single word to describe the cause of their disenchantment: isolationism.
- Having rejected Wilsonian vision of a new world order, they claimed the nation had turned its back on the rest of the globe and repudiated its international responsibilities.
Replacing the League:

- When the Harding administration took office in 1921, it was clear that America would not be a member of the League of Nations.
- Secretary of State Charles Hughes secured legislation from Congress in 1921 declaring the war with Germany at an end and then proceeded to negotiate separate peace treaties with the former Central Powers.
Replacing the League:

- Through these treaties, American policymakers believed the United States would receive all the advantages of the Versailles Treaty with none of the burdensome responsibilities.

- One important effort by Hughes for a lasting peace was the Washington Conference of 1921.

- An attempt to prevent what was threatening to become a costly and destabilizing naval armament race between America, Britain, and Japan.
Replacing the League:

- Hughes startled the delegates by proposing a plan for dramatic reductions in the fleets of all three nations,
- And a ten year moratorium on the construction of large warships.
- He called for the scrapping of nearly 2 million tons of existing shipping.
Replacing the League:

- Far more surprising than the proposal was the fact that the conference ultimately agreed to accept most of its terms.
- The Five-Power Pact of February 1922 established both limits of naval tonnage and a ratio of armaments of signatories.
- Britain, France, Italy and Japan signed the treaty reducing their navies.
- Thus during the Harding administration, the U.S. significantly reduced the size of its navy.
Replacing the League:

- The Washington Conference began the new era to protect the peace (and the international economic interests of the United States) without accepting active international duties.

- French Foreign Minister Aristide Briand asked the U.S. in 1927 to join an alliance against Germany.

- Secretary of State Frank Kellogg instead proposed a multinational treaty outlawing war as an instrument of national policy.
Replacing the League:

- Fourteen nations signed the agreement in Paris on August 27, 1928 amid great solemnity and wide international acclaim.
- Forty-eight other nations later joined the pact.
- The agreement was hinged on moral force.
Debts and Diplomacy:

- The first responsibility of diplomacy, Hughes, Kellogg and others agreed was to ensure that American overseas trade faced no obstacles to expansion and would remain free of interference.

- Preventing a dangerous armament race and reducing the possibility of war were steps to that end.
Debts and Diplomacy:

- Some were new financial arrangements that emerged at the same time.
- The U.S. was most concerned about Europe, on whose economic health American prosperity in large part depended.
- The major European industrial powers suffering the devastation of World War I had produced;
- They were also staggering under heavy burden of debt.
Debts and Diplomacy:

- The Allied powers were struggling to repay $11 billion in loans they had contracted with the United States during and shortly after the war.
- Loans that the Republican administrations were unwilling to reduce and forgive.
- With the United States stepped in with a solution.
Debts and Diplomacy:

- In 1924, Charles G. Dawes was an American banker and diplomat.
- Dawes negotiated an agreement under which American banks would provide enormous loans to the Germans enabling them to meet their reparation payments;
- In return, Britain and France would agree to reduce the amount of those payments.
Debts and Diplomacy:

- It did little to solve the problem.
- It led to a troubling circular pattern in international finance.
- America would lend money to Germany.
- Which would use that money to pay reparations to France and England which would in turn use these funds.
- (As well as large loans they themselves were receiving from American banks) to repay war debts to the United States.
Debts and Diplomacy:

- The flow was able to continue only by virtue of the enormous debts Germany and other European nations were accumulating to American banks and corporations.
Debts and Diplomacy:

- Meanwhile the U.S. continued to expand economically into Latin America.
- American corporations built roads and other facilities in many areas, partly, they arranged to weaken the appeal of revolutionary forces in the region.
- But at least equally to increase their own access to Latin American’s rich natural resources.
Hoover and the World Crisis:

- When Hoover became president, he was faced with the greatest world financial crisis in history.
- One that toppled some existing political leaders and replaced them with powerful, belligerent governments bent on expansion as a solution to their economic problems.
Hoover and the World Crisis:

- In Latin America, Hoover worked studiously to repair some of the damage created by earlier American policies.
- He made a ten-week goodwill tour through the region before his inauguration.
- Once in office, he tried to abstain from intervening in the internal affairs of neighboring nations and moved to withdraw American troops from Haiti.
Hoover and the World Crisis:

- When economic distress led to the collapse of one Latin American regime after another,
- Hoover announced a new policy: America would grant diplomatic recognition to any sitting government in their region without questioning the means it had used to obtain power.
Hoover and the World Crisis:

- Hoover even repudiated the Roosevelt Corollary to the Monroe Doctrine by refusing to remit American intervention when several Latin American countries defaulted on debt obligations to the United States in October 1931.
Hoover and the World Crisis:

- The ineffectiveness of diplomacy in Europe was particularly troubling in view of the new governments coming to power on the Continent.
Hoover and the World Crisis:

- Benito Mussolini’s Fascist party had been in control of Italy since the early 1920s;
- By the 1930s the regime was growing increasingly nationalistic and militaristic, and Fascist leaders were loudly threatening an active campaign of imperial expansion.
- Italy in 1929 was entrenched in fascism.
Hoover and the World Crisis:

- More ominous was the growing power of the National Socialist (or Nazi) party in Germany.
- By the late 1920s the Weimar Republic, the nation’s government since the end of World War I, had lost virtually all popular support, discredited by among other things a ruinous inflation.
- Adolf Hitler, the stridently nationalistic leader of the Nazis was rapidly growing in popular favor.
Hoover and the World Crisis:

- Although Hitler lost a 1932 election for chancellor, Hitler would sweep into power less than a year later.
- His belief in the racial superiority of the Aryan German people and commitment to providing Lebensraum (Living Space) for his master race.
- Hitler’s pathological anti-Semitism and his passionate militarism all posed a great threat to European, and world peace.
Hoover and the World Crisis:

- More alarming to the Hoover administration was a major crisis in Asia.
- This was another early step toward World War II.
Hoover and the World Crisis:

- The Japanese government was taken over by the military in 1931 seizing control of foreign policy from the weakened liberals.
- Weeks later, they launched a major invasion of northern Manchuria.
- A territory although belonging to China.
Hoover and the World Crisis:

- The Japanese asserted economic control since 1905.
- They sought to check the strength of the Soviet Union and Chiang Kai-Shek’s nationalist China because of Chiang’s insistence on expanding his government’s power in Manchuria.
Hoover and the World Crisis:

- The American government had few options.
- Hoover’s Secretary of State, Henry Stimson issued stern but essentially toothless warnings to Japan and tried to use moral suasion to end the crisis.
- But Hoover forbade him to cooperate with the League of Nations in imposing economic sanctions against the Japanese.
Hoover and the World Crisis:

- Stimson’s only real tool in dealing with the Manchurian invasion was a refusal to grant diplomatic recognition to the new Japanese territories.
- Japan was unconcerned and early in 1932, expanded its aggression farther into China, attacking the city of Shanghai and killing thousands of Civilians.
Hoover and the World Crisis:

- Hoover left office early in 1933, FDR entered to face a dual challenge.
- It had to deal with the worst economic crisis in the nation’s history and with the effects of a decaying international structure.
- The two problems were related.
- It was a worldwide Depression that was producing much of the political chaos throughout the globe.
Roosevelt Takes Over:

- Perhaps Roosevelt's sharpest break with the polices of his predecessor was on the question of American economic relations with Europe.
- Hoover had argued that only by resolving the question of war debts and reinforcing the gold standard could the American economy hope to recover.
Roosevelt Takes Over:

- When FDR became president, he had already decided to allow the gold value of the dollar to fall to enable American goods to compete in world markets.
- Roosevelt made a “bomb shell” message at the World Economic Conference held in London, rejecting any agreement on currency stabilization.
Roosevelt Takes Over:

- Roosevelt also abandoned the commitments of the Hoover administration to settle the issue of war debts through international agreement.
- In effect, he simply let the issue die.
- In April 1934, he signed a bill to forbid American banks to make loans to any nation in default on its debts.
- The result was to stop the old, circular system within months war debt payments from every nation except Finland stopped for good.
America and the Soviet Union:

- America’s hope of expanding its foreign trade helped produce efforts by the Roosevelt administration to improve relations with the Soviet Union.

- The U.S. and Russia had viewed each other with mistrust and hostility since the 1917 Bolshevik Revolution.
America and the Soviet Union:

- The American government did recognize the Bolshevik regime by 1933.
- But powerful voices within the U.S. were surging for a change in policy because the Soviet Union appeared to be a possible source of trade.
America and the Soviet Union:

- The Russians were eager for a new relationship.
- They were hoping for American cooperation in containing the power of Japan whom the Russians saw as a threat.
America and the Soviet Union:

- In November 1933, Soviet foreign minister Maxim Litvinov reached an agreement with President Roosevelt in Washington.
- The Soviets would cease their propaganda efforts in the United States and protect American citizens in Russia.
- In return the United States would recognize the Soviet regime.
America and the Soviet Union:

- But relations soured.
- American trade failed to establish much of a foothold in Russia and the Soviets received no reassurance from the United States that it was interested in stopping Japanese expansion in Asia.
- Both again viewed themselves with suspicion.
The Good Neighbor Policy:

- Somewhat more successful was American efforts to enhance both diplomatic and economic relations with Latin America through what became known as the “Good Neighbor Policy.”
The Good Neighbor Policy:

- Closely tied with these new economic relationships was a American attitude toward intervention in Latin America.
- The Hoover administration had unofficially abandoned the earlier American practice of using military force to compel Latin American governments to repay debts, respect foreign investments, or otherwise behave responsibly.
The Good Neighbor Policy:

- The Roosevelt administration went further.
- At the Inter-American Conference in Montevideo in December 1933, Secretary of State Hull signed a formal convention declaring that no state had the right to intervene in the internal or external affairs of another.
The Good Neighbor Policy:

- Roosevelt respected the pledge in his years in office.
- Instead of military force, Americans now tried to use economic influence.
- The new reliance on economic pressures eased tensions between the United States and its neighbors considerably.