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Review of Derek H. Aldcroft, Studies in the Interwar European Economy, (Brookfield VT: Ashgate Publishing Company, 1997).

World War I is back in fashion. The coincidence that John Keegan's long-awaited history was published within a few weeks in 1999 of Niall Ferguson's aggressive reinterpretation has reawakened attention to the pivotal role of the first war in the history of the century. Without allied victory in the first war, it can be argued that there would have been no Hitler, no second war, no holocaust, and no loss of fifty million people and their unborn descendants.

Aldcroft's book is almost Fergusonian in laying all the blame, directly for interwar economic misery in Europe and indirectly for World War II, on one set of decisions. Unlike Ferguson, who blames the British cabinet that declared war in 1914, Aldcroft blames the Versailles treaty as the single cause of the economic depression and political evil which followed. The preface and contents leave no doubt that the author intends to produce monocausal history. We are told on the first page of the first chapter (titled "The Legacy of the Versailles Settlement") that the book's argument is contained in the first two chapters and summarized at the end of the second.

That conclusion includes among the effects of Versailles the slippage in Europe's share in world industrial production, income, and trade. Versailles' destructive effects included not only "the treatment of Germany and the reparations issue" but also "the failure to follow through with an adequate program of reconstruction" and the "absence of a coordinated plan for currency stabilisation" (p. 47). Just as Ferguson's ultimate villain is Britain, so Aldcroft's is the United States. "She did little to provide the leadership that Europe required in this period and for much of the time American policies posed a constant threat to Europe's economic stability" (p. 48).

The author concludes his two core chapters by quoting with approval a 1949 United Nations evaluation that in the context of failed American leadership, "the stage was thus set for the disturbances which culminated in the international financial crisis of 1931 and the subsequent disintegration of the international economy."

Aldcroft's book contains much useful data and interpretation of the interwar European economic performance at both the aggregate and national level. A particular strength of the book is a unique profile of the newly hatched Eastern European economies that emerged from the collapsed of the Central Powers and of Czarist Russia. However useful the details of its economic record, the book must ultimately be judged on the monocausal Versailles explanation intended as its unique contribution. Several other explanations cry out for inclusion, including World War I itself, the role of Eichengreen's "Golden Fetters," the Friedman-Schwartz interpretation of the American Great Depression, and the set of coincidences that led to the 1933 takeover in Germany of Hitler.

Implicit in Ferguson's basic argument cited above, and to a lesser extent in Keegan, is that the root cause of World War II was Germany's defeat in World War I itself, independent of the terms of the 1919 treaty. Aldcroft explicitly rejects this view ("the war itself can only account for part of the setback", p. 47). Yet the humiliation and thirst for revenge in Germany was a reaction to losing the war, not just to the reparations and territorial adjustments imposed by the treaty. As one example of this distinction, we read often in the book about the impact of Europe's war debts owed to the U. S., without any recognition that it was the war rather than the treaty that created those debts.

A basic weakness in Aldcroft's book is not just its monocausal emphasis on Versailles, but its refusal to engage in a deeper level of counterfactual history that would give due credit to some set of alternative and complementary explanations. Much of the book is about the new nations created by Versailles, with a quote from my mother's first book that "political frontiers were lengthened by 12,500 miles" (p. 2).[1] Yet what is the counterfactual? With the defeat of the Central Powers, how could most or all of the weak and poor nations of Eastern Europe and the Balkans have been prevented from emerging as independent entities, whether by treaty or bloody revolution in the absence of a treaty?

Much of Aldcroft's book is devoted to the chaotic infrastructure inherited by Poland, Yugoslavia, and other new nations, including multiple railway gauges and incompatible banking and credit institutions. Yet, one wonders, how did either internal or external trade function in the Hapsburg Empire before 1914 when many of these impediments to transport and credit originated? Similarly, there is a long catalogue of the raw materials that the newly stripped Hungary lacked, but how can a nation in a system of global trade "lack" anything? In the free-trade world before 1914, tiny nations like Denmark grew at the same or a faster rate as the larger imperial nations because the "missing" raw materials could be purchased in trade for exports. Any absence of raw materials after 1919 was a function of barriers to world trade that arose in the 1920s and 1930s but were not explicitly imposed by the Versailles Treaty. Similarly, we read much about low per-capita incomes in the new nations, but the treaty did not create their poverty. They were just as poor prior to 1914 as provinces of Germany, Austria-Hungary,

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1. Margaret S. Gordon, *Barriers to World Trade* (1941), p. 19.

Russia, or Turkey as they were as independent nations after 1918.

The book contains virtually no independent analysis of the Great Depression in general, or the roles of the gold standard and the Federal Reserve in particular. It surely stretches the impact of Versailles to imply that the treaty directly caused the depression without a number of intervening steps, and it can be plausibly be argued that without the depression neither Hitler nor World War II would have occurred. Whether those intervening steps would have occurred in some alternative world without a treaty, or with a different treaty, is not discussed.

Similarly lacking is an explicit comparative analysis of the American role after the two wars. The ultimate villains in Aldcroft's story are the Americans who allowed the Versailles treaty to emerge in its final form and then refused to provide the support or institutions required to implement it. Again, the counterfactual is missing. Would Europe have failed to recover after World War II without the Marshall Plan? Would German monetary reform in 1949 have been impossible if American support had been withdrawn as in the 1920s? Did policy decisions in Europe have no independent role in the 1920s road to the Great Depression or in the road to vibrant recovery after 1945?

Aldcroft exaggerates by describing Europe as "virtually destitute by the latter half of 1918" (p. 1). Missing from the book is any recognition of the minor nature of the physical (as contrasted to human) damage from World War I when contrasted to World War II. With no significant air attacks, areas away from the limited frontal geography suffered little or no damage. This sharpens the question as to why the recovery from the much more physically destructive World War II was so much more rapid.

While the latter chapters of the book contain many relevant economic statistics, they are not analyzed in a way that would help to support the main themes laid out at the beginning. Are small nations such as those created by the treaty in Eastern Europe inherently handicapped? Apparently not, since the data show that the fastest growth over the entire period between 1870 and 1938 was achieved by the Nordic nations and the Netherlands (p. 141). The same data table shows that the weakest per-capita output growth over the 1913-29 period was not in a nation that was victimized by the treaty, but rather in victorious imperial Britain. It was the war itself that created many of these consequences, not the treaty that followed the war.