Chapter 1

The setting for dictatorship

Europe experienced, between the wars, an unprecedented upheaval. Boundaries were altered in the most drastic way and numerous new states came into existence. Old-fashioned empires and the last remnants of autocracy had been swept away, to be replaced by constitutional democracies and the principle that each major ethnic group should be given the right to form its own nation. Naturally there was a heady optimism about the future and many shared the belief of H.G. Wells that the struggle between 1914 and 1918 had been the war to end wars. Yet the collapse of the old order was also a precondition for movements that were anti-democratic, and there was no guarantee that the new constitutions or boundaries would be indefinitely preserved.

The overall argument of this chapter is developed in six stages. First, Europe before the First World War was in a state of uncertainty, in many places in crisis. Trends were already in place that were released by the First World War and the peace settlement which followed it. The events of 1914–20 acted as a powerful catalyst, second, for internal change and, third, for the redrawing of boundaries. Fourth, these developments were in most cases associated with constitutional democracy and national self-determination. Such ideals were, however, soon threatened by serious underlying problems that, fifth, gave a boost to alternative systems in the form of left- or right-wing dictatorship. Finally, this process was accelerated by the worst economic crisis in recent history and by a complex international situation that saw the eventual association of dictatorship with militarism and war.

THE PERIOD BEFORE 1914

There has always been a tendency to see the period to 1914 as the climax of an order that was fundamentally stable when Europe had experienced the longest period of peace between major powers in its history. This was destroyed by the upheaval of the First World War, the radical effects of which created the environment for instability and dictatorship between 1918 and 1939. This picture is partly true, but it conceals major changes that were already taking place beneath the surface in pre-1914 Europe, and that were to provide at least some of the roots for inter-war developments. From this approach, the First World War cleared the way for changes that were already under way. These affected economies, societies and political trends.

The pre-war period saw rapid technological development which amounted to a second wave of industrialization, along with an acceleration of communications and transport and an enhancement of scientific and medical knowledge. At the same time, there was also a massive population growth within Europe which more than offset the emigration from it. In most countries the most obvious social change was the growth of the working class, the result of industrialization. This was becoming increasingly politically aware, as was the more traditional peasant class. Both exerted increasing influence, either through being enfranchised and participating in the early stages of mass politics or by the way in which the upper levels of society tried to shape policies to contain them. Either way, the politicization of the masses was proceeding before 1914.

So far, there has been little to dispel the positive image of the pre-war era. A great deal of attention, however, has been given by historians to a phenomenon associated with the so-called '*fin de siècle*'. According to Sternhell and others, there was a far-reaching 'intellectual crisis of the 1890s'.[1] This was beginning to shake the established thought of most of the nineteenth century which had been based on liberalism and materialism and which had pointed towards rational and progressive change. Examples of the new wave of anti-rationalism in philosophy and political thought are to be found in the works of Nietzsche in Germany, Bergson in France, Croce in Italy – all showing a reaction against positivism. The arts were also affected in a new wave of romanticism, epitomized by the operas of Wagner in Germany and by the departure from the accepted harmonic system in concertos and symphonies. There was a new interest in social psychology, especially in the emotional behaviour of the masses: the leading influence here was Le Bon in France. Throughout society, and especially in the universities, there was a growing emphasis placed on youth and renewal: this had enormous potential for the mass involvement of youth movements.

Politically, there were powerful critics of liberal parliamentarism, especially among Italian writers such as Mosca and Pareto. Even Marxism was affected by the transformation of ideas. Before the 1890s most Marxist organizations had aimed at a progressive change to a workers' state through the medium of social democratic parties. By the turn of the century, however, there was a growing force advocating violent revolution, which meant a pre-war split within many social democratic movements. The most obvious case was the crisis of the Russian Social Democrats in 1903 and the separation of the moderate Mensheviks from the more radical Bolsheviks under Lenin. Another major influence emerging on the far left was revolutionary syndicalism, developed by Sorel in France as an alternative to Marxism and using trade unionism as a revolutionary device to achieve political objectives. One of its early pre-war converts was Mussolini.

The far right also had its roots in this period. This adapted ideas relating to biology and evolution to generalized conceptions of humanity. The resultant Social Darwinism transformed the more traditional patterns of racism and anti-Semitism. Especially influential were writers like Haeckel in Germany, Soury in France, and H.S. Chamberlain in Britain. Many far-right movements were already developing before the outbreak of the First World War. Action Française, set up in 1899, appealed to the masses in the form of 'integral nationalism'. Social Darwinism was highly influential elsewhere: for instance, in the Portuguese Integralismo Lusitano, and also in Spain and Greece. Germany experienced a series of movements and leagues which

grew up during the 1890s, especially the Pan-German League and the Society for Germandom Abroad. There were also strong pressure for expansionism into eastern Europe and for the achievement of a continental Lebensraum as well as an overseas empire. Almost all of the far-right influences were *völkisch* and anti-Semitic: pre-1914 examples included the anti-Semitic People's Party. Similar parties developed in Austria-Hungary, a diverse empire which comprised a dozen different ethnic groups. Particularly active were pan-German groups which favoured union between German-speaking Austria and Germany itself; Hitler came under the influence of these when he scratched out a living in pre-war Vienna.

Another, and even more complex, pre-1914 development was the convergence of the far left and the far right. This occurred especially in France, where the revolutionary syndicalism of Sorel synthesized with the radical nationalism of Maurras. The result was a dynamic conception of the state which would combine a corporatist society with expansionist militarism. This synthesis was to prove important in the development of Fascism in Italy as the syndicalism of Mussolini came eventually to fuse with the activism of D'Annunzio.

Traditional influences in Europe were also changing before the First World War. There was far more general instability than is often thought, especially in those regimes which were to become dictatorships during the 1920s and 1930s. As can be seen in Chapter 3, Tsarist Russia was in crisis in the sense that it was threatened by social and political upheaval. Austria-Hungary was also confronted by the possibility of internal collapse as the German and Magyar ruling groups were coming increasingly under pressure from the Slavs. Although more secure politically than Russia and more homogeneous than Austria-Hungary, Germany too had problems in the form of an increasingly assertive and numerous working class: this was considered intolerable by the ruling industrial and agricultural aristocracy. Italy's liberal regime had become increasingly unstable during the 1890s and attempted an unsuccessful experiment with a more authoritarian political structure. Even France and Britain were vulnerable – the former to pressures from the radical left and right, the latter to an unprecedented combination of constitutional and social crises between 1910 and 1914.

Since 1870 new states had come into existence in south-eastern Europe, while others struggled to be born. The whole process influenced the post-war settlement between 1919 and 1920. Already independent were Greece (1830) and, since 1878, Serbia, Romania and Bulgaria. Each of these considered itself incomplete and aimed for territorial fulfilment. There were also nationalist movements for independence among the Poles in Russia and among the different Slav groups in Austria-Hungary. Whether or not these aspirations were achieved depended on which side they found themselves on during the First World War. The Balkan states had also alternated between constitutionalism and political upheaval which produced periods of autocracy, a pattern which was similar to developments in Spain and Portugal.

All of these changes placed a strain on the structure of Europe, creating fissures and fault-lines which would give way under the pressure of the First World War and its aftermath. There were, however, much darker forces at work. Although the glamorization of violence, the use of terror and the appeal of racial hatred are rightly associated with the later period, they all had their origins in pre-war Europe. Already war was considered by some a natural and desirable state. For example, Enrico Corradini and Giacomo Marinetti wrote in the *Italian Futurist Manifesto* in 1909:

'We want to glorify war – the only cure for the world', and they also extolled 'the beautiful ideas which kill'.[2] It is not difficult to see where Fascism and Mussolini derived some of their martial vigour. The targeting of minority groups was also in evidence. Anti-Semitism was rife in Tsarist Russia, with a series of violent pogroms occurring during the reigns of Alexander III (1881–94) and Nicholas II (1894–1917). It was also on the increase in Austria-Hungary, under the influence of prominent politicians and leaders such as Karl Lueger, Georg von Schönerer and the Archduke Franz-Ferdinand. The young Hitler, then an Austrian subject, was certainly influenced by their ideas. There had even been evidence of genocide, although this had not yet been associated with anti-Semitism. The Ottoman Empire, the capital of which was in Europe, was the scene of the massacre of 200,000 Armenians between 1894 and 1896 and of a further 20,000 in 1909. Admittedly, the states of western and central Europe escaped the sort of scenes witnessed in eastern Europe and Anatolia. But all was by no means well in their overseas colonies. Overall, millions of indigenous peoples were killed through exploitation or massacres in areas like the Congo Free State, South West Africa and Tripoli. Europe was already becoming brutalized for the most brutal period in its history.

Far from experiencing underlying stability before 1914, Europe was therefore seething with unresolved problems and tensions. These were subsumed in 1914 by the greater emergency of war, only to re-emerge, considerably strengthened, in the peace which followed.

THE IMPACT OF THE FIRST WORLD WAR

The First World War was fought between the Entente powers and the Central powers. The former comprised Britain, France, Russia, Belgium, Serbia, Portugal and Montenegro, joined by Italy (1915), Romania (1916) and Greece (1917). The Central powers were Germany, Austria-Hungary, the Ottoman Empire and Bulgaria. Both sides expected at the outset a swift victory after a limited, nineteenth-century-style war. What in fact occurred was a massive onslaught, with a mobile front in eastern Europe and stalemate in the trenches of the western front. The total losses amounted to 13 million dead, of whom 2 million were Germans, 1.75 million Russians, 1.5 million Frenchmen, 1 million British and half a million Italians. Economies were drained, resources depleted, armies exhausted. Europe proved incapable of ending the conflict and it took the eventual involvement of the United States to tip the balance in favour of the Entente powers.

The impact of the struggle was considerable. During the 1920s the First World War epitomized all the evils to be avoided in the future. Twenty years later, however, it seemed to be eclipsed by the Second World War, particularly since the latter involved considerably greater loss of life and destruction. Then, as J.S. Hughes has argued, the further passage of time restored the original perspective. The First World War now appears fully as important as the Second – indeed, in certain respects, still more decisive in its effects.[3] It was, for example, a catalyst for revolution. It has long been accepted that military failure destabilizes a political system, destroys economic viability, mobilizes the masses, and undermines the normal capacity of the regime to deal with disturbances. The European state system was profoundly altered by the collapse of three empires, induced by defeat and privation.

The first of these was Tsarist Russia. By 1916 the German armies had penetrated deep into Russian territory on the Baltic, in Poland and the Ukraine. The Russian military response proved inadequate, and the supply of foodstuffs and raw materials was severely disrupted by communications difficulties. The government proved unable to cope, badly affected as it was by the periodic absences of the Tsar at the front. In February 1917 food riots erupted spontaneously in Petrograd, to which the official response was entirely inadequate; the regime's stability was destroyed by desertions from a destabilized army. The result was the abdication of the Tsar and the emergence of a Provisional Government which aimed eventually to operate a Western-style constitutional democracy. But this also made the mistake of seeking to snatch victory from defeat; further military disasters severely reduced its credibility and assisted the Bolsheviks in their revolution of October 1917. Within eight months, Russia had moved from autocracy, via a limited constitutional democracy, to communism: a remarkable transformation for a state which had historically been renowned for its resistance to political changes. Lenin made peace with the victorious Germans at Brest-Litovsk. The price he had to pay was to abandon Russian control over Finland, Estonia, Latvia, Lithuania and Poland – a very considerable loss of territory.

Of similar magnitude was the collapse of the Austro-Hungarian Empire. This had been Europe's most heterogeneous state, comprising thirteen separate ethnic groups, all of whom pulled in different directions. Two of these, the Germans of Austria and the Magyars of Hungary, had benefited most from the Ausgleich of 1867 which had created a Dual Monarchy, effectively under their control. The majority of the population, however, had been excluded from this agreement; Austria-Hungary contained a large proportion of Slavs, who could be subdivided into Czechs, Slovaks, Poles, Ukrainians, Serbs, Croats and Slovenes. These were already pressing for full political recognition, even autonomy, by 1914. The First World War wrecked the Austro-Hungarian economy and tore apart the political fabric of the empire as the various Slav leaders decided in 1918 to set up independent states rather than persist with a multiracial federation. By the time that the emperor surrendered to the Allies on 3 November 1918, his empire had dissolved into three smaller states – Austria, Hungary and Czechoslovakia – while the remaining areas were given up to Italy, Romania, Poland and the newly formed Southern Slav nation, eventually to be known as Yugoslavia.

The third empire to be destroyed as a direct result of the First World War was the Kaiser's Germany, or the Second Reich. The German war offensive, so successful against Russia, had been contained on the western front. The Western Allies, greatly assisted by American intervention, came close to breaking through the German lines in September 1918. Meanwhile, the German economy was being strangled by a British naval blockade. Under the threat of military defeat, the Second Reich was transformed into a constitutional republic, the Kaiser having no option but to abdicate on 9 November, two days before the German surrender.

By the end of 1918, eleven states covered the area once occupied by the three great empires (see Map 2). All but Russia were trying to adapt to Western-style parliamentary systems and this seemed to justify the belief of many that the war had become a struggle for democracy. Victory carried with it an element of idealism. The different peoples of Europe would be guaranteed separate statehood and given democratic constitutions. These, in turn, would ensure lasting peace by removing the

Map 2 The collapse of three empires and the emergence of the successor states

irritants which had caused so many of Europe's most recent conflicts: harsh autocracy and unfulfilled nationalism. There is, therefore, a strong case for arguing that the First World War had a liberating effect. Further evidence for this can be seen in the profound social changes that occurred in all the states which took part. Particularly important was the increased influence of the middle class at the expense of the traditional aristocracy, the possibility of agrarian reforms and improved conditions for the peasantry, allowance for a greater political role for the working class and trade unionism and, finally, the emancipation and enfranchisement of women.

There is, however, another side to the picture. The First World War may well have created the conditions for the establishment of democratic regimes. But, at the same time it produced a series of obstacles which these new democracies proved unable to surmount. One of these was an underlying resentment of the terms of the peace settlements, which particularly affected Germany, Austria, Hungary and Russia; there was, from the outset, a powerful drive to revise them. Another obstacle was the prolonged economic instability which was aggravated by war debts and reparations payments. Even the destruction of the three empires had unintended side-effects. Some of the new dictatorships which emerged between the wars were built upon the mobilized masses and upon the ideologies which these autocracies had helped restrain – especially communism and fascism. It is arguable, therefore, that the war cleared the way for twentieth-century dictatorships by smashing nineteenth-century autocracies without providing a viable alternative.

Was the First World War more important for inter-war changes than the developments which were already under way before 1914? The consensus is very much that it was. Bracher, for example, argues that 'In spite of their ideological prehistory, there can be no doubt that the new dictatorships of our century were principally a result of the 1914–18 war'.[4] Payne maintains that the war introduced 'a new brutalization of public life, a routinization of violence and authoritarianism, and a heightening of nationalist conflict and ambition, without which fascism could not have triumphed in key countries during the generation that followed'.[5] Kershaw goes even further. 'Without the First World War and its legacy', he argues, 'a Hitler would have been unimaginable as a leader of Germany.' He adds: 'Before 1914, Germany was a relatively non-violent society. After 1918 violence was one of its main features.'[6] A similar argument could be made for Lenin. It took the First World War to destroy both the Tsarist regime and the provisional Government which followed it; it is possible that, without it, Russian autocracy might have evolved into a constitutionalist system instead.

But, in the cases of Germany and Russia, it is perhaps more appropriate to see the war as an accelerator (or even distorter) of pre-1914 developments rather than as an initiator of change in its own right. Recent research has shown Imperial Germany to have been a highly volatile society which may have been orderly on the surface but, nevertheless, seethed with conflicting pressures beneath. The traditional aristocracy, the landowning Junkers, along with the new industrialist aristocracy and upper middle class, were being increasingly threatened by the rapidly expanding urban working class (created by Germany's rapid industrialization after 1871). The outbreak of war was seen by the Imperial regime as a rallying of patriotic forces against social divisiveness – and therefore as a means of preserving the status quo. In actual fact, it released pre-1914 pressures: for example, the earlier division of socialism into

evolutionary and revolutionary tendencies was confirmed during the war by the formation of the German Communist party, a bitter enemy of the Social Democrats and of the constitutionalist system set up in Germany in 1919. The forces of the right were reshaped partly in response to this, the traditional conservatives eventually forming an understanding with the emergent far right against the left. By 1930 the majority of Germans did support anti-democratic parties but the underlying tensions were due to the period before 1914 as well as to the First World War

Some historians have also pointed to the extreme vulnerability of Tsarist Russia even by 1914, arguing for the inevitability of its collapse with or without the war. Military defeat certainly accelerated the change of regime but the real crucible for the communist state which was eventually to emerge was the Russian Civil War. For one thing, it brought up to 5 million deaths, compared with the two million attributed to the First World War. For another, it destroyed any possibility of continuing the moderate political development initially made possible by the First World War; instead, the Civil War re-established a link between the methods of the old autocracy and the new dictatorship. The First World War may have cleared the way for Communism, but the Civil War gave it the authoritarian structure which many considered to be a throwback to the pre-war years. The ultimate embodiment of this was Stalin – the ‘Red Tsar’.

THE PEACE SETTLEMENT AND ITS SIGNIFICANCE

Ten months before the end of the First World War, President Wilson announced in his Fourteen Points the expectations which he had for any future settlement:

> What we demand in this war . . . is that the world be made fit and safe to live in; and particularly that it be made safe for every peace-loving nation which, like our own, wishes to live its own life, determine its own institutions, be assured of justice and fair dealing by the other peoples of the world as against force and selfish aggression.[7]

What was needed, he continued, was a ban on secret diplomacy, guarantees of freedom of navigation on the high seas, the removal of economic barriers, the lowering of armaments levels, the evacuation of all occupied territory, the granting of self-determination to Europe’s different peoples and the formation of a ‘general association of nations’. This programme provided the set of ideals upon which the peace settlement was to be based.

Idealism, however, mingled with other motives. One was the satisfaction of wartime expansionist ambitions; the Secret Treaty of London (1915) had, for example, promised Italy extensive territorial gains at the expense of the Ottoman Empire and Austria-Hungary – a reward for joining the Entente powers rather than fulfilling an earlier commitment to Germany. Could such promises be squared with the principle of national self-determination? Another factor was public opinion. All the representatives gathering in Paris were under constant pressure from the media at home and from exhortations from politicians like Geddes to ‘squeeze the German lemon until the pips squeak’. Finally, some delegates were obsessed with the need for providing

security in the future, and regarded their priority as a settlement which would destroy Germany's military strength.

The actual negotiations were carried out in Paris by the Council of Ten. This consisted of two representatives from each of five powers: Britain and the dominions, France, the United States, Italy and Japan. But most of the work was done by President Wilson of the United States, British Prime Minister Lloyd George and French Premier Clemenceau. The usual picture of this trio is that Wilson was the idealist, having the advantage of American detachment from European problems. Clemenceau was concerned primarily with French security and revenge against Germany, while Lloyd George adopted a pragmatic approach, endeavouring to steer between Wilson and Clemenceau and to achieve by compromise a moderate and lasting solution. The Paris Settlement, therefore, reflected these three broad strategies, which can be seen at work in the individual treaties, named after the ring of towns around the outskirts of Paris or parts of the complex of Versailles.

Germany was dealt with by the Treaty of Versailles, signed on 28 June 1919. It affirmed, by Article 231, the prime responsibility of Germany and her allies for the outbreak of the First World War and, accordingly, made provision for territorial adjustments, demilitarization and economic compensation to the victorious Allies for the losses they had incurred. Germany was deprived of Alsace-Lorraine, Eupen and Malamedy, Northern Schleswig, Posen, West Prussia, parts of Southern Silesia, and all her overseas colonies. Limits were placed on her naval capacity, her army was restricted to 100,000 volunteers, and the Rhineland was demilitarized. A considerable quantity of rolling-stock and merchant shipping was also removed, while France was given exclusive rights to the coal-mines of the Saar region. Finally, provision was made for the payment of reparations by the German government, the total amount eventually being fixed in 1921 at 136,000 million gold marks. Altogether, Germany lost 13 per cent of her area, 12 per cent of her population, 16 per cent of her coal, 48 per cent of her iron, 15 per cent of her agricultural land and 10 per cent of her manufactures.

Opinion is divided as to whether this was a fair settlement. Historians of the 1920s, like W.H. Dawson, emphasized the harshness of a treaty which cut into German territory in a way which discriminated blatantly in favour of non-German populations. The result was that Germany's frontiers 'are literally bleeding. From them oozes out the life-blood, physical, spiritual and material of large populations.' More recent historiography has tended to redress the balance. Writers like J. Néré, M. Trachtenberg and W.A. McDougall put the case that France suffered far more heavily than Germany from the impact of war and that she therefore had a powerful claim to compensation and security. Indeed, considering that a German victory would have meant German control over much of Europe, the settlement drawn up by the Allies was remarkably moderate.

Time has therefore enabled a perspective to emerge. But perhaps the most important point is that contemporary statesmen strongly attacked the treaty, thereby giving ammunition to the German case that the treaty should be revised, even evaded. J.M. Keynes, the economist, was particularly critical; he argued that the settlement lacked wisdom, that the coal and iron provisions were 'inexpedient and disastrous' and that the indemnity being considered was far beyond Germany's means to pay.

He considered, indeed, that the treaty, 'by overstepping the limits of the possible, has in practice settled nothing'. This accorded very much with the German view that the treaty was a diktat, forced upon a defeated power, rather than a genuine negotiated settlement. By 1930 it was evident that a wide cross-section of the German political spectrum was extremely hostile to the Treaty of Versailles and that British politicians were increasingly aware of its shortcomings. The ultimate beneficiaries of both these trends were the parties of the right – the conservative National Party and the more radical Nazis. Hitler, especially, was to exploit the underlying resentment in Germany, while British politicians, affected by a belated attack of conscience, made excuses for his activities against the settlement. As will be shown in Chapter 5, the failure to uphold Versailles in the 1930s contributed greatly to the growing confidence and aggression of Nazi foreign policy.

Another part of the peace settlement concerned central and eastern Europe. Austria-Hungary was dealt with by the Treaties of St Germain (10 July 1919) and Trianon (4 June 1920), which were largely a recognition of a fait accompli, the collapse of the Habsburg monarchy. Czechoslovakia was formed out of the provinces of Bohemia, Moravia, Slovakia and Ruthenia; Transylvania and Bukovina were given to an enlarged Romania; Serbia received the Dalmatian coastline, Bosnia-Herzegovina, Croatia and Slovenia; while Trentino and South Tyrol were transferred to Italy. Bulgaria, meanwhile, was covered by the Treaty of Neuilly (27 November 1919) by which she lost the Aegean coastline, or Western Thrace, to Greece, parts of Macedonia to Yugoslavia, and Dobrudja to Romania. Elsewhere in eastern Europe, 1918 saw the emergence of Poland, Finland, Estonia, Latvia and Lithuania as independent states. Although the victorious Allies cancelled the Treaty of Brest-Litovsk between Germany and Russia, no attempt was made to return to Russia the territory which had been given up. Taken as a whole, all these settlements amounted to the greatest territorial transformation in European history.

The accompanying problems were also considerable. The new nations (or successor states) that replaced Austria-Hungary faced a series of crises, examined at length in Chapter 6. They all contained large disaffected ethnic minorities and struggled to achieve economic viability in cut-throat competition against each other. Austria and Hungary sought to revise the whole settlement, Austria by seeking union with Germany (prohibited by the Treaty of St Germain) and Hungary by trying to extend her frontiers at the expense of her neighbours. The overall result was that eastern Europe was fundamentally unstable and therefore vulnerable to political extremes. Italy, meanwhile, was thoroughly dissatisfied with her meagre gains at St Germain – certainly far fewer than had been guaranteed by the Secret Treaty of London (1915). Indeed, Mussolini found that resentment against the settlement had, by 1922, become a significant factor in boosting support for Fascism. Another resentful, and hence revisionist, power was Russia; Stalin had no intention of conceding permanently the territory lost at Brest-Litovsk or that lost to Poland by the Treaty of Riga (1920). He, too, had no underlying commitment to the post-war settlement and was not averse to helping upset it.

The final part of the peace settlement concerned the Ottoman Empire. This differed from the other changes drawn up by the victors in Paris in that it resulted in immediate chaos but longer-term stability, rather than the other way round. By the Treaty of Sèvres (20 August 1920), the Allies ended Turkey's rule over the Arab provinces in

the Middle East. Of these, five were mandated: Iraq, Transjordan and Palestine to Britain, Syria and Lebanon to France; these were designated for self-rule in the longer term. The sixth area, the Hejaz, was joined to the rest of Arabia as an independent kingdom. Arrangements elsewhere were more controversial. Smyrna, an enclave in western Anatolia, was given to Greece for five years, after which its future would be subject to a plebiscite. Greece also received Eastern Thrace and the Aegean Islands, while Italy was allocated Rhodes and the Dodecanese. The Straits, comprising the Dardanelles and the Bosporus, were internationalized and the adjacent territory demilitarized. Although Sultan Mohammed VI was forced to sign the Treaty, there was fierce resistance from Turkish Nationalists under Mustafa Kemal. The Greeks were driven out, the Sultanate was overthrown and a new Turkish republic established. In September 1923 the Allies agreed, by the Treaty of Lausanne, to modify the territorial provisions of Sèvres. Eastern Thrace was restored to Turkey, providing a more substantial presence in Europe, and the Greeks were deprived of their entitlement to Smyrna. Stipulations in the Treaty of Sèvres for payment of an indemnity were also withdrawn. Alone among the areas dealt with by the peace settlement, Turkey's long-term future had been established by 1923 and the Second World War made no further adjustments to the changes already wrought by the First. Uniquely, also, an eastern European dictatorship was to avoid further conflict and, in the longer term, to evolve into a democracy.

THE CRISIS OF DEMOCRACY

The nineteenth century had seen the growth of parliamentary institutions in almost every European state. In many cases, however, there had been severe constraints on democracy, such as a limited franchise, strong executives, weak legislatures and, in central and eastern Europe, the persistence of royal autocracy. As we have seen, the First World War swept away these constraints, while President Wilson based his views of future stability on entrusting the different peoples of Europe not only with new states but with the power to run them. Cobban argues that 'The key to the understanding of Wilson's conception of self-determination is the fact that for him it was entirely a corollary of democratic theory.'[8] The basic assumption of many was that democracy could work and that it was the best guarantee of lasting peace.

What was meant by the democratic state? H. Kohn has listed some of the main characteristics of the democratic way of life. These include 'open minded critical enquiry' and 'mutual regard and compromise'; an opposition which functions as 'a legitimate partner in the democratic process'; a 'pluralistic view of values and associations'; a refusal to identify totally with 'one party or with one dogma'; recognition of the fundamental values of 'individual liberty'; and 'freedom of the enquiring mind'.[9] These features are common to all open democracies, whether republics or monarchies, and several devices were introduced after the First World War to try to give them effect.

These included the extension of the suffrage and the strengthening of the powers of parliaments. In much of central and eastern Europe a deliberate decision was made to use proportional representation, in the belief that this was the best means of conveying the popular will. The most influential type was the Belgian system, as adapted in 1918 by the Dutch. This related the number of votes cast to the size of party

representation in parliament while, at the same time, allowing a national pool in which smaller groups could be included alongside the main parties. The general principle here was that the harmony and stability of the new democracies would be best served by a complete range of parties and interests. This device was therefore used in Germany, Poland, Austria, Czechoslovakia, Finland, Lithuania, Latvia and Estonia. Italy, Spain, Portugal and the Balkan states tried other variations on the democratic theme. The size of the electorate was also considerably enlarged by the extension of the franchise to women. Before 1914 women had had the vote only in Norway, Finland and Denmark. Britain followed in 1918 and 1928; Germany, Austria, Netherlands, Belgium, Poland, Estonia, Latvia and Russia between 1918 and 1919; Sweden in 1921; and Spain and Portugal after 1931.

Unfortunately, democracy everywhere soon came under serious strain. Economic crises included inflation in the early 1920s in Germany, and a universal depression from 1929 onwards, aggravated by the raising of tariff barriers and the disruption of trade. Some states suffered racial instability as a result of conflicting ethnic groups. Others experienced social disruption caused by the growing hostility towards the regime of the different social classes – the business groups and capitalists, the professional middle class and small traders, peasants, farmers and workers. Economic, racial and social crises had a serious effect on political parties. Liberal parties were drained of supporters, especially in Germany; populist and Catholic parties managed to keep theirs, but consciously moved their policies to the right; conservatives became increasingly anti-democratic and authoritarian; and the parties of the left were torn between socialism and communism. In this state of flux what was needed everywhere was a secure political framework to restore stability and stiffen the resolve to preserve democracy.

This is precisely what was missing. The creators of the constitutions had been unduly optimistic in assuming that the expression of different viewpoints through party politics would automatically guarantee harmony. The unhappy experience of proportional representation demonstrated quite the reverse. K.J. Newman considers that proportional representation led to the disintegration of Italian democracy and seriously destabilized Germany. In multi-ethnic states like Poland and Yugoslavia it ensured that 'national, religious, ideological and regional groups' were irreconcilable.[10] It could certainly be argued that the majority voting system (or winner takes all) was more likely than proportional representation to maintain harmony. The reason was that it tended to produce a two-party system, in which each party was an alliance of interest groups prepared to compromise in order to present an acceptable image to the electorate; failure to do this would mean severe defeat, as seats in parliament were not designated in proportion to votes received. Proportional representation, by contrast, removed the necessity for groups to compromise within parties; the emphasis, rather, was on parties presenting as specific an image as possible and making a bid for a place in a subsequent coalition government. In other words, the majority voting system forced co-operation within parties before elections, while proportional representation relied on co-operation between parties *after* elections.

It is, of course, possible to criticize the majority voting system for being inadequately representative and for distorting electorates' decisions. It is also significant that most European democracies have, since 1945, reintroduced proportional representation. The important point, however, remains that the type of proportional

representation adopted between the wars had no means of preventing splinter parties (a shortcoming now largely corrected) and coincided with an unusual number of crises. As a result, democracy became less a matter of how to deal with problems than of how to put together a government. A considerable amount of time and effort was spent trying to find a majority, necessitating exhaustive negotiation and horse-trading. In the process, the role of the prime minister or chancellor changed significantly; instead of acting as the head of a government putting across a package of proposals, he became a mediator between conflicting groups, desperately trying to retain power. This situation would be difficult enough in normal circumstances. At a time of national crisis it proved intolerable. The result was that, in some cases, the head of the government had many of his powers taken out of his hands by the head of state – the king in a monarchy, the president in a republic. The problem was that democracy had declining support during the 1920s and 1930s. Heinrich Müller, German Chancellor, said in 1930 that ‘a democracy without democrats is an internal and external danger’. Here and elsewhere political parties failed to respond to the challenge. Liberal parties were generally weak and, in Germany, were divided into two. More secure were social democrats: where they could provide an alliance with the rural population, as in the Scandinavian countries, or with conservatives, as in Belgium, democracy survived. But in Austria and Germany they were to be superseded by a combination of the conservative and radical right – both profoundly antidemocratic. Spain and France tried a broad alliance of the left against the right, but this collapsed in military turmoil or political chaos. Meanwhile, support for European democracy from abroad gradually disintegrated. The United States, the original sponsor for Wilsonian democracy, withdrew into isolationism, while Baldwin’s Britain regarded making a choice between the European right and left as equivalent to deciding between ‘mumps and measles’. It is not surprising that democracy experienced growing disillusionment. Descriptions like ‘the crisis of European democracy’ were common currency in the 1920s and even earlier optimists like H.G. Wells now anticipated what would happen ‘After Democracy’. There was widespread acceptance that the constitutions of 1919 and 1920 had been based too finely on juridical principles – at the expense of political realities. Hence they were not suited to deal with the exceptionally difficult practical economic and social problems which developed in the late 1920s and 1930s.

The trend away from democracy towards authoritarian rule was assisted by another defect which existed in some of the new constitutions. The constitution of the Weimar Republic in Germany was typical in that it provided a safeguard if things went wrong; Article 48 gave the president exceptional emergency powers when he needed them. Thus Germany became authoritarian during the Great Depression from 1931, providing a more amenable political atmosphere for the rise of Hitler. Over most of Europe it proved possible to graft dictatorship on to earlier democratic foundations. Only one regime, Bolshevik Russia, made a clean sweep of previous institutions. Others, including even Nazi Germany, retained much of the original constitutional framework until the very end. They did, however, amend the constitutions so as to make a mockery of the original principles and intentions. The main amendments were a ban on party politics and the strengthening of the executive at the expense of the legislature.

Finally, democracy was severely weakened by the absence of any really popular statesmen during the inter-war years. The talent of men like Briand and Stresemann was unostentatious diplomacy which, although effective, rarely caught the public imagination. Churchill, who eventually did fill this gap, did not come into his own until 1940; indeed, R. Rhodes James has called his earlier career 'The Years of Failure'. Almost all the great personalities of the period were critics of democracy – Mussolini, Hitler, Piłsudski, Dollfuss, Primo de Rivera and many others. The masses were tempted by their charisma, sweeping promises and simple solutions. The nations' policies were increasingly taken out of the hands of larger political groups and the key decisions were personalized. This was to be one of the main characteristics of dictatorship and applies everywhere, including Stalin's Russia.

THE ROLE OF MODERNITY?

The decline of democracy and the rise of dictatorship in two of the states we shall cover has sometimes been associated with 'modernity' or 'modernization'. This has involved two major approaches, both of which have been applied to Italy and Germany. Some have stretched the point – and included Russia.

One approach emphasizes that these states all became dictatorships because this was their peculiar path to modernization. Germany, for example, missed out on the connection between industrialization and a strong middle-class liberal system as occurred in Britain, France or the United States. Instead, there was a tension between a growing capitalist economy on the one hand and pre-modern social influences on the other. The long-term result was an explosion producing the distortion known as Nazism. A similar case has been made for the rise of fascism in Italy. In the case of Russia, the relatively slow modernization under the Tsars resulted in a compensatory burst of social and economic change, especially under Stalin. These arguments are, however, too deterministic and, are examined in Chapter 2.

A second approach is worth greater consideration at this point. Specific states did experience some disorientation as a result of modernization and were especially vulnerable to new communications technologies. This cannot be seen as a primary reason for the rise of dictatorship – but it does provide some explanation for the appeal which certain parties and regimes exerted.

Modernization was a key theme of the inter-war period, having already accelerated in the decades before 1914 and through the First World War. Its impact was paradoxical. In some ways it brought recovery and consolidation. New production and management techniques, influenced respectively by Fordism and Taylorism in the United States, provided Weimar Germany with the basis for economic growth between 1924 and 1928. The development of new industries, especially motor cars, electricity and aircraft, helped compensate for the decline of the more traditional staple industries. Areas which particularly benefited were the Midlands and the South East in England, around the industrial areas of Paris, the north of Italy, especially Milan, and the Rhineland and Bavaria in Germany. Europe also experienced widespread cultural innovation in the work of Picasso, Schoenberg, Brecht and Gropius. At the same time, modernity also involved more government involvement which in some areas sought greater uniformity; this aspect is described by Hoffmann as 'social interventionism and mass politics'.[11] Where there was social hardship the cinema

provided a means of relieving economic and social pressures, especially in Britain, where it became the main form of popular recreation.

Yet, despite these advantages, modernization could also be destabilizing. There was, for example, much resentment of Taylorism, as adapted to the European context by Bedaux in a process designed simply to speed up work. Extensive trade union opposition developed, resulting in an increase in strikes during the 1920s. In these circumstances many industrialists, especially in Italy and Germany, looked to more authoritarian systems which would be able to take action against unions – or perhaps abolish them altogether. Modernization could also create new divisions within society: this applied especially to Italy and Germany. The new sectors were not part of the traditional working class and were usually not unionized: this, in turn, meant that they developed an antipathy to the traditional parties of the left. In Germany and Italy they established close relations with new movements on the far right, of which advantage was also taken I.G. Farben and the managers of Magneti Marelli.[12] One especially destabilizing facet of modernity was the impact of the First World War, which many saw as a modern crisis of civilization. The trauma was particularly profound in Italy and Germany, both of which experienced a yearning for something to compensate for the failure of the recent past. In Russia the effect had been multiplied by the Civil War, where parts of the country reverted to barbarism.

It is hardly surprising, therefore, that modernization should be seen as 'Janus-faced'. This description applies to three countries in particular, where modern technologies were used to achieve and implement state control while, at the same time, the systems from which modernization had arisen were roundly condemned. The ideologies of the far left and far right both brought alternative perceptions. They attacked modernity in one sense – for the dislocation and exploitation that it brought. They offered, as an antidote, alternative values, which, however, were combined with another vision of modernity.

The Soviet system, already installed by 1918, was based on the premise that modernization in a capitalist sense was destructive since it increased the exploitation of the masses by the few. The solution was therefore to modernize through collective measures in the interests of the proletariat. The Fascist parties and regimes had a more disingenuous view. Much of Europe's 'modernity', especially its cultural 'modernism', was despised as degenerate. The people of Italy and Germany were, they maintained, trapped between conflicting interest groups – capitalists and Communists, both of which were distorting modernization to their own purpose. Fascism therefore resorted to 'antimodern themes such as the folk and the purity of rural life, but did so for modern mobilizational purposes'.[13] Mussolini offered an ideology which would, in the words of Ben Ghiat, allow 'economic development without harm to social boundaries and national traditions'.[14] Fascists were, at the same time, committed to technological and scientific advance, although this was to be combined with the protection of traditional values.

In all cases the message was put across through one particular form of modernity – the technology of communications. In this the parties and regimes of the far left and far right excelled. They brought to bear all the persuasiveness of public speaking, magnified by loudspeakers and enhanced by a knowledge of crowd psychology. Mussolini and Hitler were particularly effective here, although Lenin and Trotsky had made an earlier breakthrough in the two years immediately after the Russian

Revolution. The fascists and Nazis made full use of banners designed to modernize traditional images. This applied, for example, to the swastika, which was redesigned as a black geometric block placed at an angle on a white and red background; in it Hitler combined a revolutionary statement with what he (wrongly) regarded as an ancient Aryan symbol and the colours of the Kaiserreich. Extensive use was made of parades, uniforms and marching songs; in the latter phase of the Weimar Republic the Nazi Storm troopers and the Communist Red Front claimed the streets as their own. Much has also been made of their modern approach to winning public support, as Hitler and Goebbels planned election campaigns and targeted different sectors of the electorate with specific promises. Once in power, they retained this support through mass rallies, concentrated use of the radio and simplified messages conveyed through posters and the cinema.

Once in power, the far left and right claimed modernization as their own and presented it in a form which, they claimed, harmonized with tradition (in Russia this tradition was revolutionary, in Italy and Germany pre-industrial). In Russia modernization was to be accomplished along Marxist lines. Although Lenin admired the efficiency of western production techniques, he deplored the economic structure which produced them. Hence the need for state controls, which were accelerated under Stalin. Modernity was also evident in the concept of 'gigantomania', in the development of new cities like Magnitogorsk, in the projection of the 'New Soviet Person', and in the Lamarckist 'scientific' stress on environment rather than heredity. In Fascist Italy modernization was to be presented in the form of advanced technology, produced by New Fascist man within the Fascist Century. At the same time, Mussolini devised in the Corporate State a blend of medieval guilds and modern controls, which he claimed to remove the social tensions produced by capitalist modernization. In Germany Hitler created an Aryan mythology which he transplanted on to pre-industrial social values while creating a modern war machine and, in the ultimate twist, applying new technological principles to the destruction of a traditional racial 'enemy'.

Ultimately, the alternative approaches to modernization were to prove far more disruptive than those which they had replaced, as can be seen in Chapters 3, 4 and 5. Stalin's Five Year Plans produced a severely distorted economy, Mussolini presided over a slowing Italian growth and Hitler created a system which eventually destroyed itself. Indeed, it could be argued that when modernization continued after the Second World War, it largely bypassed fascist and communist experiments with it.

But, of course, this was not apparent in the 1920s or the 1930s. The modern mobilizing techniques of incipient dictatorships carefully concealed their defective ideas about mobilizing modernity.

THE ECONOMIC CATALYST

J.M. Keynes observed in 1931: 'We are today in the middle of the greatest economic catastrophe – the greatest catastrophe due almost entirely to economic causes – of the modern world.'[15] He was referring to events generally known as the Great Depression. This was the nadir of the inter-war economy but, at the same time was part of a broader economic picture which needs to be examined. It is generally accepted that economic crises had profound political effects; although they were rarely the sole or specific cause of dictatorship, they certainly accelerated the process.

The first major crisis followed the First World War and the peace settlement. Before 1913, Europe had dominated world trade and industrial production. Concentration of four years of total war, however, meant the loss of ground to the United States. Some European countries also experienced major upheavals as a result of revolution or the peace settlement. Russia, for example, went through a period of War Communism, followed by the New Economic Policy. The Bolsheviks also decided to repudiate all of Russia's pre-war debts, which particularly affected France. The emergence of eleven new states in eastern and central Europe destroyed the previous customs union in the area, impeded industrial development and promoted intense rivalry. In western Europe there was a considerable variation in post-war economic conditions. Italy underwent economic collapse which contributed to the rapid decline of effective parliamentary democracy and the rise of Mussolini. Britain and France both experienced post-war booms, but these were followed, after 1922, by a temporary general recession. Germany, meanwhile, was saddled by the Treaty of Versailles with reparations payments. The German government resented these deeply, and defaulted in 1923, at the same time printing paper money and effectively bringing about the collapse of the mark. In fact, the situation in the Weimar Republic epitomized everything which seemed most dangerous to Europe's economies: hyperinflation with threats to jobs and savings and a potential social upheaval.

In many cases, however, this first phase of economic malaise was dealt with effectively. The slump and inflation were both reversed and western Europe experienced a rapid increase in prosperity between 1924 and 1929. Several factors contributed to this. One was a more stable international situation; another was the resolution of the German reparations crisis by the Dawes Plan of 1924. But the most important reason was the beneficent influence of the United States – which contributed between 1925 and 1929 approximately $2,900 million in the form of investment in Europe. This helped settle the complex problem of post-war debts. American loans enabled Germany to make reparations payments to her former enemies in Europe, which, in turn, could make repayments on war loans to the United States. The more stable and rational system meant that industrial and agricultural output increased, while shipping and transport expanded rapidly. This was also a period of industrial rationalization or scientific management, which included the use of assembly-line techniques and the more economic employment of labour. In the international sphere attempts were made to restore a fully functioning and stable exchange. Britain returned to the gold standard in 1925, followed by most other European countries by 1928. Meanwhile, in 1927, a conference met at Geneva to try to remove any remaining impediments to international trade. Overall, it seemed that Europe was experiencing unprecedented – and permanent – prosperity.

Our retrospective knowledge shows just how misplaced this confidence was. The recovery proved extremely fragile and a potential crisis lurked behind every apparent gain.

In the first place, much of eastern Europe was less affected by the upswing in prosperity. The Soviet Union was almost completely isolated, while the less industrialized economies of the successor states and the Balkans suffered severely from lower agricultural prices which benefited the consumer at the expense of the producer. Indeed, Poland, Albania and Lithuania were all lost to dictatorship during this period, the result of an interaction between economic stagnation and political crisis.

Second, western European industrial growth was not accompanied by a proportionate increase in the volume of trade. By 1925 Europe's industrial production was the same as that of 1913, but European share of world trade was down from 63 per cent to 52 per cent. It was clear, therefore, that Europe had not succeeded in fully replacing the markets lost during the First World War. The United States, in fact, hoped to prevent Europe from doing so. Experiencing a massive increase in industrial production and fearing competition from Europe, the United States imposed higher tariffs on imports. European countries, with the exception of Britain, followed suit. The result was a series of major obstacles to international trade which did much to reduce its overall volume.

A third problem was that the agricultural sector in western Europe and the United States went through a period of overproduction, largely because of more efficient farming methods. The result was a fall in agricultural prices of up to 30 per cent between the end of 1925 and autumn 1929. As in eastern Europe, the producer suffered and the erosion of his spending power eventually reduced the market for industrial goods. There were also political implications. In Germany, for example, small farmers had become destabilized and a prey to Nazism long before the onset of the Great Depression.

Fourth, industrial growth – the great economic achievement of the 1920s – was itself unsteady. It depended too heavily on American loans, mostly short term, and Germany borrowed at 2 per cent above normal interest rates. Any large-scale withdrawal of this investment would have devastating results. Even industrial rationalization or scientific management had its perils. By making it possible to reduce the size of the workforce, it added, even in prosperous times, to the unemployment figures. Before the onset of the depression, Britain already had 1 million out of work and Germany 2 million.

Finally, even the improvements made in international economic relations proved short-lived. The gold standard, for example, did not provide the anticipated stability, as its operation was distorted by the accumulation of most of the world's gold reserves in the United States. In general, Europe's recovery was so closely linked to the prosperity of the United States that the relationship could transmit disadvantages as well as benefits. To repeat the old metaphor, 'when America sneezes, the rest of the world catches cold'.

The more negative impact of the United States began to be felt from mid-1928. The quantity of American loans to Europe began to decrease, largely because of a boom in the domestic stock market. Investors were convinced that this would last indefinitely and that the prospects for returns on investment were far better at home than they were abroad. European economic growth was therefore already affected when, in October 1929, another savage blow was dealt by the Wall Street Crash. The sudden collapse of the US stock market was followed by further restrictions on American lending to Europe, thus depriving the latter of what had been a vital factor in its economic recovery. The real impact, however, was experienced in 1931 when the central European banking system was undermined. The crisis began with the collapse of the Austrian bank, Kredit Anstalt, and spread to Hungary, Czechoslovakia, Romania, Poland and Germany.

The economic impact was devastating. All the underlying deficiencies already referred to now came to the surface. By the end of 1932, for example, total world

industrial production had declined by 30 per cent from 1929 levels and trade in manufactured goods by 42 per cent. During the same period world food output fell by 11 per cent and the extraction of raw materials by 19 per cent. Of the individual countries, Germany was the most seriously affected: her 39 per cent decline in industrial production forced unemployment levels up to over 6 million. Other central European countries were also badly hit, including Austria and Czechoslovakia; the crisis was especially serious in Czechoslovakia's most highly industrialized region, the Sudetenland. Eastern Europe had suffered before the onset of the depression from a drop in agricultural prices, but the depression intensified the misery by destroying the trade in agricultural goods. The Soviet Union was, supposedly, insulated from the mainstream of the world economy because of her self-sufficiency and rigid economic planning. But even here the depression had an impact. The Soviet Union depended for its own industrialization on imports of foreign machinery. These were paid for by exports of Soviet grain, the value of which declined steadily as a result of the fall in agricultural prices. Relatively, therefore, imports became more expensive.

The Great Depression presented a double aspect. In the words of Hughes, the crisis of capitalism also appeared as a crisis of liberalism and democracy. All the remaining parliamentary regimes came under severe strain. Some successfully preserved their political systems. The Scandinavian countries, especially Sweden and Denmark, made effective use of consensus politics to contain the emergency. Britain went through a political upheaval, but confined this to the parliamentary context by substituting a National Government for the usual bipartisan approach. France managed to hang on to democracy through the expedient of broad-based coalitions or Léon Blum's Popular Front of 1936. In most other European countries, however, democracy fell apart. Germany was the classic case. The broad-based coalition government of Müller collapsed in 1929, unable to agree a strategy to deal with the economic crisis. The subsequent shift to the right benefited the Nazis, and made possible the rise to power of Hitler by 1933. In eastern Europe, and in the Balkans and Portugal, there was an almost universal resort to emergency powers to replace already discredited parliamentary governments. The only real exception to this process was Spain, which actually progressed during the depression from dictatorship to the democracy of the Second Republic. This could, however, be seen as a coincidence and, in any case, the depression helped destabilize the republic and laid it open to the eventual counter-attack of the right in 1936.

How did the various governments come to terms with the problems caused by the depression? Several policies were attempted. France refused to devalue its currency and, like Britain and Germany in 1931, relied on cutting government expenditure and carefully balancing the budget. Italy, Portugal and Austria tried variants of corporativism, and Nazi Germany introduced a drive for self-sufficiency, or autarky. The degree of success varied; by 1932 some countries were beginning to pull out of the depression, and most were emerging by 1934. It seemed, therefore, that capitalism had survived the turmoil. The same, however, could not be said of democracy. For the capitalism which existed in most of Europe was no longer 'liberal capitalism' and no longer required the policies of 'liberal democratic' governments. Instead, a new type of 'economic nationalism' had emerged,[16] based on state control and the mobilization of labour and resources.

In one area economic recovery was delayed. The complex web of international trade was irreparably torn. The main reason for this was the collapse of any real international co-operation and the adoption of essentially national programmes of survival. There was only one compromise: the 1932 Lausanne Conference agreed to cut reparations by 90 per cent. However, the significance of this was overstated at the time, for Hitler proceeded after 1933 to ignore reparations totally. There were to be no other agreements. The World Economic Conference, convened in London in 1933, achieved nothing. All states were imposing high tariffs and drawing up bilateral or regional agreements which effectively destroyed free trade. Examples included the Oslo Group, comprising the Scandinavian countries, and the Ottawa Agreement of 1932 which covered the British Empire. France made similar arrangements with its colonies, while Germany drew up a series of trade pacts with the Balkan states which had profound political consequences (see Chapter 6).

The failure to provide a common approach to dealing with the world economic crisis also contributed to the rapid deterioration of international relations. The three major powers particularly responsible for this were Japan, Italy and Germany, all of which sought economic solutions in rearmament and aggression. The Italian invasion of Abyssinia, for example, was hastened by the withdrawal of American investments after 1929, which had the dual effect of removing all restraints on Italian foreign policy and encouraging Mussolini to reformulate his entire economic strategy. By far the greatest blow to the international system, however, was dealt by Germany. Hitler's Four Year Plan was intended to prepare Germany for war by 1940, and the increase in military expenditure contributed greatly to the growing confidence and aggression of Hitler's foreign policy during the late 1930s. Dictatorship had finally forged its association with expansionism and militarism, whereas democracy, enervated by the depression, clung desperately to the hope for peace.