War and Crisis
Wars

• **War of an old type**
  - local
  - Limited by time
  - hired merceneries
  - Victims are mostly among soldiers
  - „fight between two monarchs“
  - Little damage in hinterland

• **Modern war**
  - unlimited
  - More civilian than military victims
  - A phenomenon in the whole society
  - Economic efficency is crucial (war economy)
Great War
(WWI, 1914 – 1918)

- conflict of a modern type (was it the first one?)
- war economy in all participant states
- explosion of government expenses and taxation
- growing of regulation

Importance of the US economy
Results of war

- economic destruction
- key lock effect
- social effects
- establishing totalitarian regimes
- Versailles system
- diminishing Europe in World’s politics
- US domination
- changes of power in global trade
- return of protectionism
War Economy
- mobilization of the whole national economy, all production and consumption, all economic reserves for the needs of war
- extreme losses of people and technique, a continuous supplying was necessary

Therefore, the central planning was applied, higher concentration and monopolization of business, changes in production, division of industry, investment, raw materials and foreign trade structures. The state regulated the economic life with the help of a state capital and directives, reglemented income, rents and prices. Economic divisions devoted for civil consumption were hampered, the lack of workforce (men in the battles) followed by a high female employment. The war expenses were covered by inner and outer credits, taxes and inflation money printing.
• Thomas Woodrow Wilson

• 28th president of the USA (1913–21),

• In 1918, he created a peace programme with 14 points as a base of a fair and lasting peace;
David Lloyd George, earl Lloyd-George of Dwyfor

British statesman

Prime minister (1916–22) and maker of the British war economy
Georges Benjamin Clemenceau

French statesman

1906-9 and 1917–20
prime minister

In 1917, he prevailed to get France into the greatest exertion
WWI: from 59 existing states, 36 were at war, as all together with 1 bil. People – 67 % of global population.

70 mil. Soldiers and war territory of 4 mil. km².

10 mil. victims

Export of the USA to Europe 1914x1917 1,49 bil. USD x 4,33 bil. USD v r. 1917

the US active saldo until 1917 about 8 bil. USD. The government bought all the American stocks in European hands and European foreign investment as well.

the USA gave a credit to their allies: 11 bil. USD: from a former borrower became a new creditor

In 1913 Europe made 53 % of global industry, in 1919/20 41 %, but the USA instead of 36 a 47 %.
Economic Crisis

- cyclic development is a regular part of the market economy
- there are similarities and differences in comparison to the current crisis
- creation of the global economy is responsible for the synchronization of the cycles
- 1. global crisis 1873
- gradual linking of the political and economic cycles, high impact on the economic policy
Great Depression

- the name comes from the UK in 1873…
- different interpretation of the crisis origins (Keynes, Friedman, liberals, marxists)
- the US monetary expansion in the 1920s
- 24. btw. 29. 10. 1929 bancrupcy at the NY stock exchange
- Smoot – Hawley tarrif Act 1930 caused the spreading of crisis to Europe
- Duration 1929 – 1933/1939/1947?
- makroekonomic and social effects
- economically-political models for the solution of crisis (stronger interventionism)
- Parallels with the financial crisis 2008
Heinrich Brüning
German politician, * 26. 11. 1885 Münster, † 30. 3. 1970 Norwich (USA);
Franklin Delano Roosevelt

*1882 † 1945
32. prez. USA (1933–45), democrat
1941 War of Germany against the Soviet Union
Podzemní továrna
Stagflation in the 1970s

Reasons:

- afterwar Keynesian policy
- growth of debts
- growth of regulation
- big social expenses
- limits of the growth potential
- non-funcional Bretton-Wood monetary system and devaluation of the USD
- higher prices of commodities (oil shocks)
Effects:

- the biggest economic fall since the end of war, btw. Great Depression

- of the very first time a simultaneous recession and inflation – stagflation

- all the 1970s some negative effects present: unemployment, inflation

- no new possibilities for the Keynesian demand regulation

- neoconservative change in the economic policy (monetarism, supply-side economics)