



Capitalism and World War I

By Bridgette Byrd O'Connor

Optimistically nicknamed “The War to End All Wars,” the high price tag on World War I had a far-reaching economic impact on nations and colonies around the globe.

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The Debate

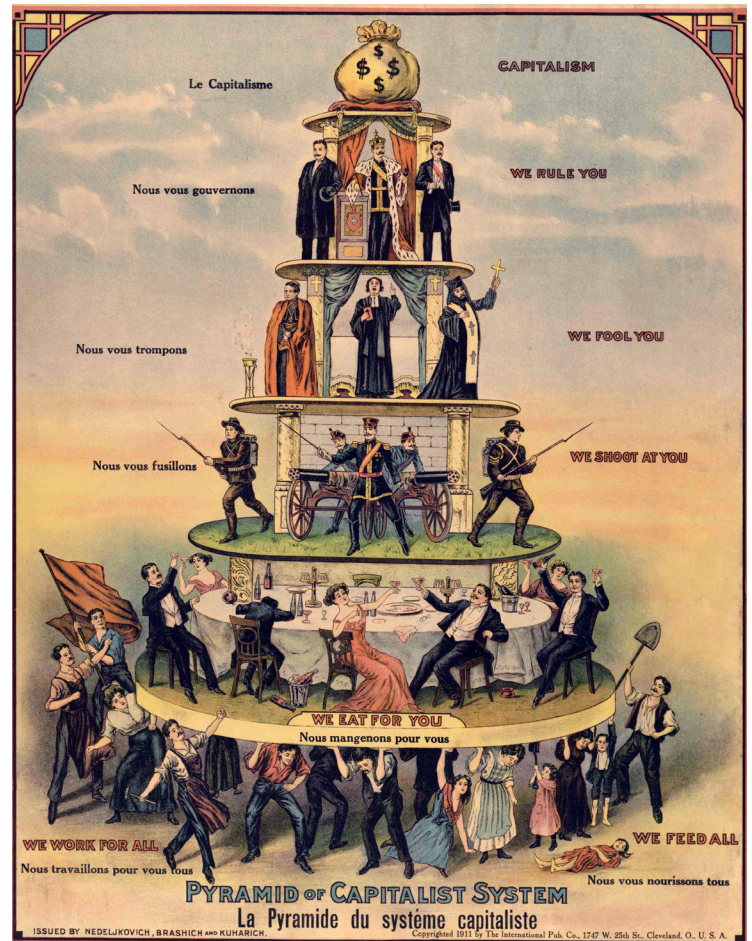
Historians have a disagreement about the world wars. It's a debate about what role industrialization and capitalism played in both world wars. You recently read an article that outlined some of the causes of World War I. These causes included militarism, alliances, imperialism, and nationalism. Industrialized nations needed raw materials and new markets to sell their mass-produced goods. To do this, these nations took over other areas of the world through imperialism. Most of the industrialized nations also followed capitalist economic principles. Capitalism is an economic system where people own private businesses for profit. Governments profited off these private businesses through taxes. Still, governments were hesitant to regulate these businesses too much.

The governments of these nations were thriving off the capitalist system. So why would they enter into a war with their European trading partners? War would only interrupt their profitable businesses.

One argument is that they didn't want to go to war at all. Many business and finance experts believed that war was a bad idea. British journalist Norman Angell wrote in his book *The Great Illusion* that European powers would be ruined financially if they entered into a war with each other. At that time, the nations of the world depended on each other economically. Today, we would call this globalization or interconnection. If Europe went to war, then the whole system would crumble. Both finance experts and common people believed that the war would cause European economies to suffer. So why on Earth did these nations declare war?

The other side of the argument is most popular with socialists and communists. This argument states that capitalists wanted a world war so they could make money selling weapons and supplies. These critics had a point. Businesses made a fortune selling items for the war.

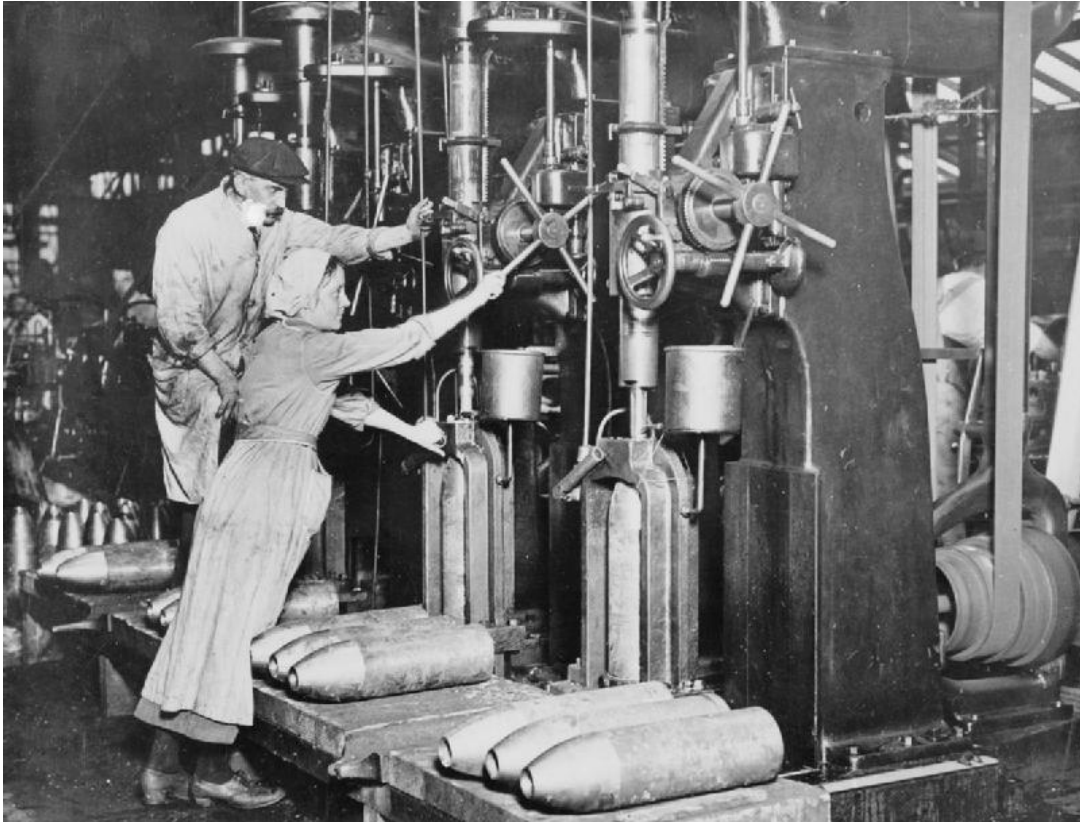
Another argument for capitalists wanting a war has to do with imperialism. Western nations had just been through a violent conflict to take control of other areas of the world, specifically in Africa and Asia. These nations were competing to become the biggest and most important empire. They also had factories that allowed them to make whatever they wanted in a short amount of time. All of this played out in the start of World War I.



"Pyramid of the Capitalist System". Anti-capitalist poster, 1911. Public domain.

Economic impact of World War I

The causes for the war are debatable. Still, everyone agrees that the financial burden and economic effects were tremendous. Government spending on war between 1914 and 1918 was much greater than spending in all the years before it. Even now, it is one of the costliest wars in world history. Nations had to find money to pay for the war. They often did this by borrowing money from the public and other nations, increasing taxes, and asking private businesses for money.



[Women working for the war effort in a munitions factory](#), 1917. By Imperial War Museums. Public domain.

The economic effects of the war varied depending on whether your nation was winning or losing. Germany was hit hardest by far. The Treaty of Versailles, which helped end the war, made Germany responsible for the costs of the war. As a result, Germany experienced some of the harshest economic effects of World War I, many of which would lead directly to World War II. Britain's reputation also suffered. The country lost much of its global influence and its economy declined.

The United States was the immediate economic "winner" of the war. Nations purchased goods and supplies from the U.S. during and after the war. Even though the government was spending much more money on the war, the American economy was strong for much of the 1920s.

For Russia, massive changes were ahead. Russia also increased its war spending and began a push to industrialize. This led to the Russian Revolution and the creation of the new Soviet Union. The Soviet Union increased efforts to modernize their military, improvements that would prove beneficial about twenty years later during World War II.

Africa and parts of Asia experienced some pretty terrible consequences both during and after the war. European powers used their colonial territories in these areas for manufacturing products and for drafting soldiers. After the war ended, the Central Powers of Germany, Austria-Hungary, and Italy lost their colonial territories. The territories were given to the Allies, in particular to the British and French. Suddenly there were a lot more agricultural and mining projects in these areas. The European powers really needed some profits after all that war spending.

Almost all industries were hurt by the war, including international trade and shipping routes. The U.S. benefitted from being close to Europe, which allowed them to sell products more easily. However, most areas, in particular those that had been under imperial control, saw a decrease in trade. As a result, areas such as Australia and New Zealand took longer to recover than others. South America was also negatively impacted by disruptions in trade.

Conclusion

After World War I, the United States became a military and economic force. Industrial production was up. Life seemed to be pretty good everywhere in the West besides Germany. At the end of the 1920s, however, the global economy took a turn for the worst when the Great Depression struck. Capitalist nations were hit hardest. This caused many people to begin questioning capitalism. These changes would lead to new conflicts for the rest of the twentieth century.

Sources

Angell, Norman. *The Great Illusion*. London: G.P. Putnam's Sons.

Buttonwood's notebook, "A war that finance didn't want." *The Economist*, August 5, 2014. <https://www.economist.com/buttonwoods-notebook/2014/08/05/a-war-that-finance-didnt-want>

Bridgette Byrd O'Connor

Bridgette Byrd O'Connor holds a DPhil in history from the University of Oxford and has taught Big History, World History, and AP U.S. Government and Politics for the past ten years at the high school level. In addition, she has been a freelance writer and editor for the Big History Project and the Crash Course World History and U.S. History curriculums.

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