

Topic 7.4: Economy in the Interwar Period

Standards Table

Theme	Learning Objective	Key Concept(s)	Historical Thinking Skill(s)	Standards Alignment
Economic Systems (ECN)	Explain how governments responded to economic crisis	KC-6.3.1.A.i, KC-6.3.1.B	Causation, Comparison, Sourcing, Contextualization	AP World History: Modern Unit 7

Learning Objectives

By the end of the lesson, students will be able to:

- Identify major economic challenges during the interwar period
- Explain how different governments responded to economic crises
- Analyze historical documents using sourcing and evidence
- Evaluate the effectiveness of various economic policies

Lesson Overview

The interwar period was marked by severe economic instability, especially following World War I and the Great Depression. Governments faced widespread unemployment, declining production, and social unrest. In response, they adopted a range of economic policies, from state-controlled planning in the Soviet Union to interventionist policies in capitalist economies such as the United States. These responses reflected differing ideologies and priorities.

In this lesson, you will analyze a set of documents that illustrate how governments attempted to manage economic crises. You will evaluate their strategies, consider their effectiveness, and develop arguments using historical evidence. This process will help you build the skills necessary to write a high-scoring DBQ.

Essential Vocabulary

- **Five-Year Plans:** Soviet economic programs focused on rapid industrialization and collectivization
- **Collectivization:** The consolidation of individual farms into state-controlled agricultural units
- **Keynesian Economics:** Economic theory advocating government intervention to stabilize economies
- **Deflation:** A decrease in prices often associated with economic downturns
- **Command Economy:** An economic system where the government directs production and distribution

Background Reading

After World War I, many European economies struggled to recover due to war debts, reparations, and disrupted trade networks. Germany, in particular, faced hyperinflation in the early 1920s, which wiped out savings and destabilized society. Although temporary recovery occurred during the mid-1920s, global economic instability persisted. These conditions set the stage for the Great Depression, which began with the U.S. stock market crash in 1929 and quickly spread worldwide.

The Great Depression caused massive unemployment and economic contraction. In industrialized nations, factories closed, banks failed, and international trade declined sharply. Governments were forced to reconsider their roles in economic management. In the United States, President Franklin D. Roosevelt implemented the New Deal, which included public works programs, financial reforms, and social welfare measures. These policies marked a shift toward greater government involvement in the economy.

In contrast, the Soviet Union pursued a command economy under Joseph Stalin. The Five-Year Plans aimed to rapidly industrialize the country and increase production. While these policies succeeded in expanding industrial output, they came at a high human cost. Collectivization of agriculture led to widespread famine, particularly in Ukraine. The Soviet approach demonstrates how government intervention could produce both economic growth and significant social consequences.

Other countries adopted different strategies. In Germany, the Nazi regime implemented state-directed economic policies focused on rearmament and reducing unemployment. Public works projects, such as the construction of highways, helped stimulate the economy. However, these policies were closely tied to militarization and expansionist goals. Comparing these approaches reveals how governments used economic policy to achieve broader political objectives.

The interwar period highlights both continuity and change in economic systems. While governments had previously intervened in economic affairs, the scale and scope of intervention increased significantly during this period. This shift reflects the growing belief that governments should play an active role in managing economic crises.

DBQ DOCUMENTS

Document 1

- Type: Government Speech
- Author: Joseph Stalin
- Date: 1931

“We are fifty to one hundred years behind the advanced countries. We must make good this distance in ten years. Either we do it, or we shall be crushed. The tasks before us are immense, and they require discipline, sacrifice, and unwavering commitment. The Five-Year Plans are not merely economic programs but the foundation of our survival. Through collective effort, we will transform our industry, strengthen our state, and secure our future against those who would seek to dominate us.”

Historical Situation: Soviet industrialization under Five-Year Plans.

Perspective/Limitation: Justifies rapid industrialization; ignores human cost.

Use in Argument: Shows state control and urgency.

Questions:

1. How does Stalin’s position shape his argument?
2. What evidence shows urgency in industrialization?
3. How does this reflect government response to economic challenges?

Document 2

- Type: Government Report
- Author: Soviet agricultural official
- Date: 1933

“The collectivization of agriculture has brought about increased efficiency and centralized control over production. However, resistance among the peasantry has complicated implementation, leading to disruptions in output. In certain regions, shortages have become severe, requiring additional measures to ensure compliance with state directives. Despite these challenges, the long-term benefits of collectivization remain clear, as it enables the state to direct resources toward industrial development.”

Historical Situation: Collectivization during famine conditions.

Perspective/Limitation: Downplays suffering; bureaucratic tone.

Use in Argument: Shows consequences of command economy.

Questions:

1. What is the author's purpose in this report?
2. What evidence suggests problems with collectivization?
3. How does this illustrate consequences of government policy?

Document 3

- Type: Fireside Chat
- Author: Franklin D. Roosevelt
- Date: 1933

“The only thing we have to fear is fear itself—nameless, unreasoning terror which paralyzes needed efforts to convert retreat into advance. Our greatest task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. Through government action, we shall restore confidence, reform our financial institutions, and provide relief to those who suffer. The nation calls for action, and action we shall take.”

Historical Situation: Early New Deal response to Great Depression.

Perspective/Limitation: Optimistic; emphasizes government solutions.

Use in Argument: Shows interventionist policies.

Questions:

1. What is Roosevelt's purpose in addressing the public?
2. What evidence shows government intervention?
3. How does this reflect a different approach from the Soviet Union?

Document 4

- Type: Economist Writing
- Author: John Maynard Keynes
- Date: 1936

“The persistent failure of markets to achieve full employment requires deliberate intervention by the state. It is not enough to rely upon the natural forces of supply and demand, for these may remain in imbalance for extended periods. Public investment, even at the cost of temporary deficits, is necessary to stimulate demand and restore economic stability. In times of crisis, the government must act where private enterprise cannot.”

Historical Situation: Development of Keynesian economics.

Perspective/Limitation: Theoretical; not tied to one country.

Use in Argument: Supports intervention.

Questions:

1. What is Keynes arguing about government's role?
2. What evidence supports intervention?
3. How does this differ from laissez-faire economics?

Document 5

- Type: Government Speech
- Author: Adolf Hitler
- Date: 1936

“The German people have endured hardship, but through unity and determination, we have restored our strength. Unemployment has been reduced, and our industries once again produce for the benefit of the nation. This recovery has not come through chance but through deliberate planning and the mobilization of our resources. The state has guided the economy toward renewal, ensuring that Germany will never again be weakened by economic collapse.”

Historical Situation: Nazi economic recovery and rearmament.

Perspective/Limitation: Propaganda; ignores coercion.

Use in Argument: Shows state-directed recovery.

Questions:

1. What is Hitler's purpose in this speech?
2. What evidence suggests economic recovery?
3. How does this reflect government intervention?

Document 6

- Type: Personal Letter
- Author: American worker
- Date: 1935

“I have been without steady work for nearly three years, and each day brings new uncertainty. The government programs have offered some relief, though it is not always enough. Still, there is hope where before there was none. The jobs provided through public works have allowed many of us to support our families again. It is not perfect, but it is something.”

Historical Situation: Great Depression in the U.S.

Perspective/Limitation: Individual experience; limited scope.

Use in Argument: Shows impact of New Deal.

Questions:

1. What perspective does this source provide?
2. What evidence shows effects of government programs?
3. How does this reflect broader economic recovery efforts?

Document 7

- Type: League of Nations Report
- Author: Economic Committee
- Date: 1932

“The contraction of global trade and the collapse of financial systems have produced widespread economic distress. Nations have responded with protective tariffs and reduced imports, further limiting recovery. Without coordinated international action, the crisis is likely to deepen. The increasing role of governments in managing economic activity reflects both necessity and the limitations of previous economic systems.”

Historical Situation: Global Great Depression.

Perspective/Limitation: International viewpoint; lacks enforcement power.

Use in Argument: Shows global economic crisis.

Questions:

1. What is the report’s main concern?
2. What evidence shows global economic issues?
3. How does this document reflect changes in government roles?

Economic Responses

Country	Policy	Outcome
USSR	Five-Year Plans	Industrial growth, human cost
USA	New Deal	Relief and recovery
Germany	State control	Reduced unemployment, militarization

Historical Reasoning

Change Over Time

Governments became more involved in economic life after WWI. Earlier reliance on markets shifted toward intervention. This change was driven by crisis conditions.

Policies became more centralized. This marked a major transformation.

Continuity Over Time

Economic inequality and instability persisted. Governments still struggled with balancing growth and stability. Crises continued to affect societies. However, responses evolved. Continuity existed alongside change.

Comparison

Different countries responded differently. The USSR used a command economy. The U.S. used reform-based capitalism. Germany used state control tied to militarism. These differences show ideological variation.

Key Takeaways

- Governments increased economic control during crises
- The Soviet Union used centralized planning
- The U.S. used reform and intervention
- Germany used economic policy for political goals
- Economic crisis reshaped global systems

DBQ Practice

Prompt:

Evaluate the extent to which government intervention was the most effective response to economic crises in the interwar period.

Task Instructions:

- Develop a thesis
- Use at least 4 documents
- Include outside evidence
- Explain sourcing for at least 2 documents