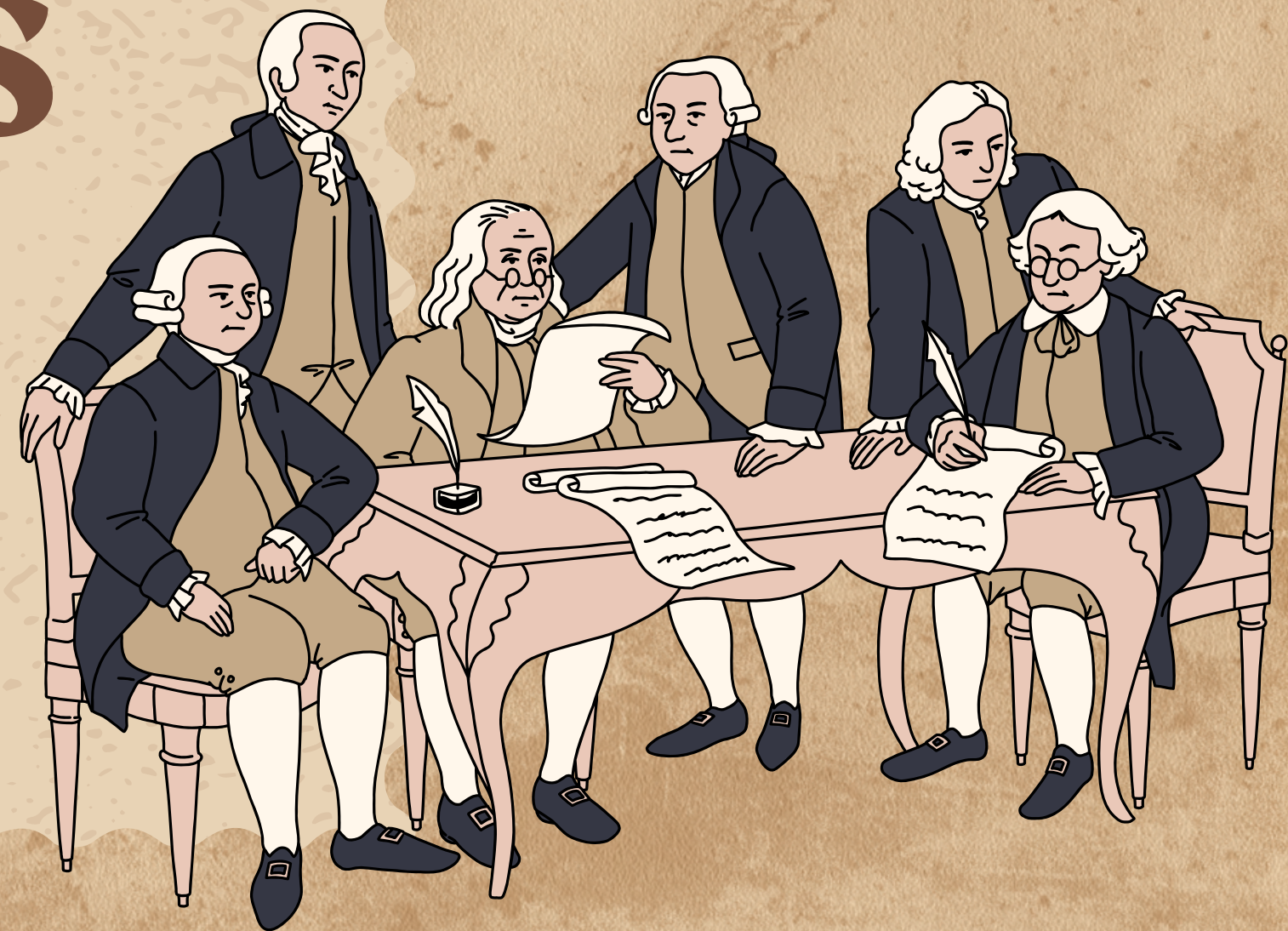


# Keynes and The Versailles Treaty



# Context WW1

Assassination of Archduke Franz Ferdinand: event associated with the start of WWI.

- **Germany's Role:**

- Involved in an European alliances.
- Rivalry with major powers like France and the United Kingdom.
- Support Austria-Hungary's declaration of war on Serbia in 1914

- **Implementation of the Schlieffen Plan:**

- Aggressive military strategy aimed at defeating France quickly.
- Intensified tensions and contributed to the outbreak of war.

# Context Versailles Treaty

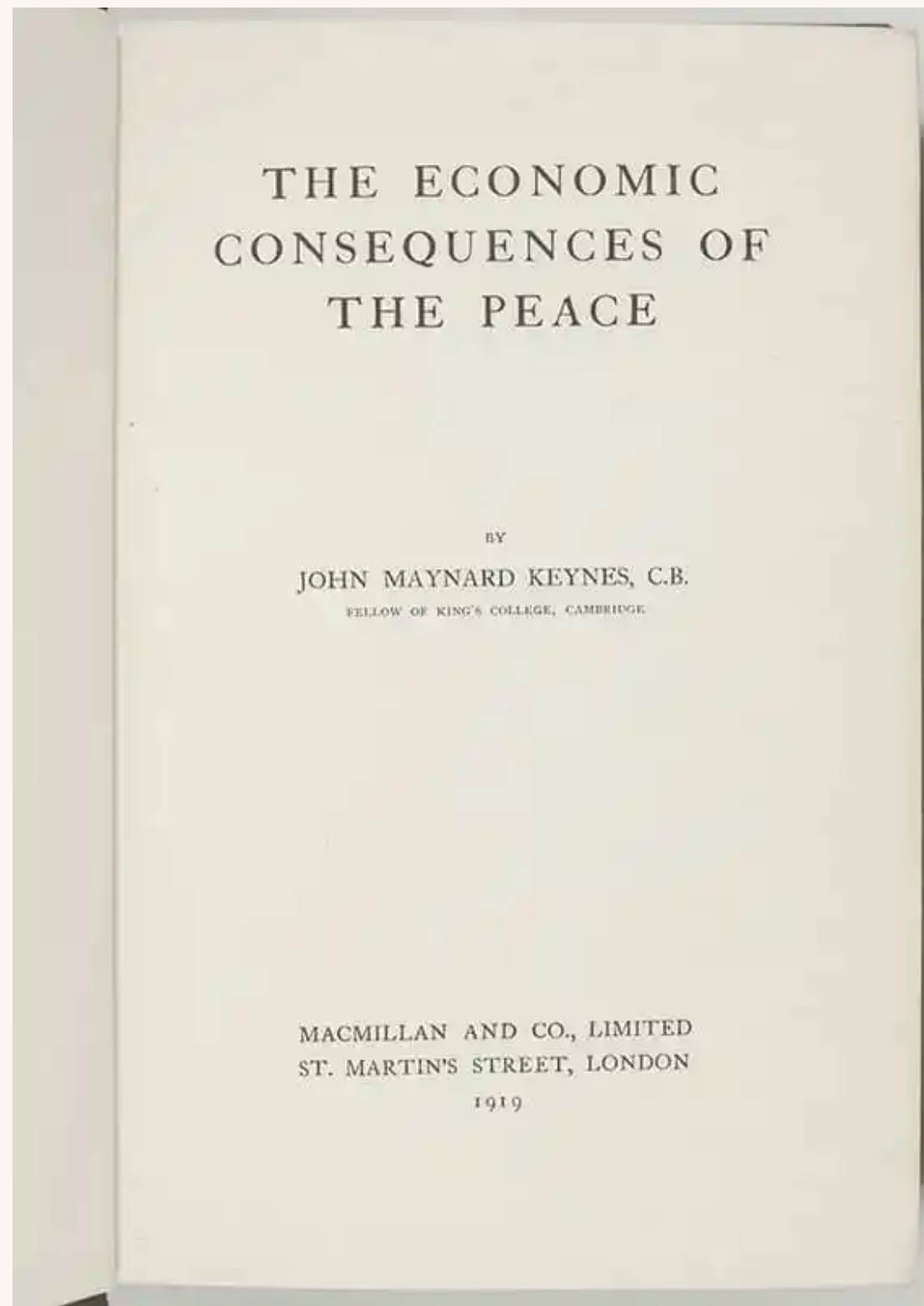
Signed : June 28, 1919

At the Palace of Versailles in France

Main Idea : to prevent Germany from becoming powerful again

Punishment for Germany for starting the WW1

# Keynes' Critique: Economic Consequences of the Peace



Translated into 12 languages and sold 100,000 copies worldwide.

Published in **1919**, this book offered a **critique of the treaty's provisions and their potential impact on Germany and the European economy.**

# Keynes' Arguments:

## Excessive Reparations

Keynes disagreed with the punitive reparations that the Versailles Treaty

Treaty --> Germany had to pay compensation for war damages.

Keynes --> disproportionate to Germany's actual capacity to pay.

## Economic Unsustainability

Keynes --> imposing exorbitant reparations : Germany into economic problems.

Reparations will consume --> Germany's financial resources, ability to invest in domestic reconstruction and damage its industrial and agricultural sectors.

Severe economic tensions : unemployment, poverty and social unrest

## Impact on European Stability

Germany's economic destabilization --> consequences for Europe.

Germany --> a major economic power, important European trade and stability.

The collapse of the German economy --> could slow or prevent recovery efforts in Europe.

## Political Ramifications

Political dangers in the punitive approach of the Treaty of Versailles.

The hard conditions imposed on Germany --> increasing a nationalist sentiment among the German population, (rise for radical political movements, Nazi Party)

# Legacy and Impact:

## Recognized Foresight

Keynes's analysis highlighted the importance of taking economic realities into account when drawing up post-war agreements

## Foundations for International Economic Policy

International Monetary Fund (IMF)

World Bank

Created after the Second World War

--> monetary stability, facilitate international trade and provide financial assistance to countries in need.

## Bretton Woods Conference

1944 : Bretton Woods Conference

New international monetary system based on stable exchange rates and cooperation between nations

## Keynesian Economics

Importance of government intervention in managing economic fluctuations and promoting full employment

# Conclusion

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- John Maynard Keynes's critique of the Versailles Treaty --> punitive reparations imposed on Germany, was remarkably prophetic.
- In his book "The Economic Consequences of the Peace," Keynes accurately predicted the economic, political, and moral fallout of the treaty's hard terms.
- The rise of Nazism.
- Keynes's analysis highlights the enduring significance of his contributions to economics and international relations.
- It underscores the necessity for thoughtful and compassionate policymaking in the after the global conflicts.