The Great Depression

Chapter 15
The Great Depression

- A brief period of prosperity in Europe in 1924 ended in an economic collapse that came to be known as the Great Depression

- Depression Definition: A period of low economic activity and rising unemployment
Two Factors

• ONE:
  • Series of downturns in the economies of individual nations in the second half of the 1920s

• EXAMPLES:
  • Prices for farm products, like wheat, fell to overproduction
  • An Increase in the use of oil and hydroelectricity led to a slump in the coal industry
Two Factors

• International financial crisis involving the U.S. stock market
  • Much of European prosperity was built on U.S. bank loans to Germany

• During the 1920s, the U.S. stock market boomed

• 1928---American investors pulled money out of Germany to invest it in stocks
  • October 1929 --- U.S. stock market collapse
Two Factors

• In a panic, U.S. investors withdrew more funds from Germany and other European markets

• 1931 --- Trade was slowing, industrial production was declining, and overproduction was rising
Why did it Crash?

- Most common factors
  - Tariffs and war debt policies that cut down foreign market for American goods
  - A crisis in the farm sector
  - The availability of easy credit
  - An unequal distribution of income
Why did it Crash?

- Led to falling demand for consumer goods
- Federal government kept interest rates low, allowing companies to borrow easily and build up large debt
  - Some of the money borrowed was used to buy the stocks that later led to the crash
Response to the Depression

- Economic depression was nothing new to Europeans
  - The extent of the 1929’s depression made this the Great Depression

- 1932 being the worst year of the Depression:
  - 1 of 4 British workers were unemployed
  - 5.5 million Germans (30%) had no jobs
  - Unemployed and homeless filled the streets
Response to the Depression

- Governments didn’t know what to do with the crisis..

- So they: raised tariffs to exclude foreign goods from home markets

  - This worsened the crisis and had serious political effects
Response to the Depression

- One effect of the economic crisis was an increase in government activity in the economy

- It led people to follow political leaders who offered simple solutions in return for dictatorial power
  - Democracy seemed to be on the defensive side
Response to the Depression

- In 1919, most European states had democratic governments
  - Women could vote
    - Male political leaders rewarded women for their contributions to the war effort by granting them the right to vote

- Maintaining the democracies was not an easy task
World Depression

- U.S. profits plummet.
- Europeans cannot afford American goods.
- European production plummets.
- U.S. investors have little or no money to invest abroad.
- European nations cannot pay off war debts.
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