

Chapter 35: Global Depression

Tangled financial relationships

Germany and Austria borrow money from the US in order to pay reparations to the Allies, who use the money to pay off their debt to the US.

In 1928, US lenders withdrew their capital from Europe. The financial system becomes strained because of this.

Postwar agriculture depressed in Europe, US, Canada, Argentina, and Australia.

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The Crash of 1929

The US economic boom after WWI prompted many to invest their money beyond their means.

Black Thursday (October 24, 1929)-The stock market plummeted and many investors lost their life savings.

Lenders called in loans, forcing investors to keep selling their shares.



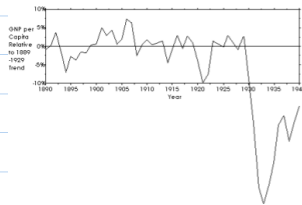
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The Fall of the US and World Economy

Overproduction and reduced consumer demand.

Widespread business failure and unemployment.

By 1932, US Industrial production and national income dropped by half.



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Economic nationalism favored over international cooperation

Germany and Japan unable to sell manufactured goods to purchase fuel and food.

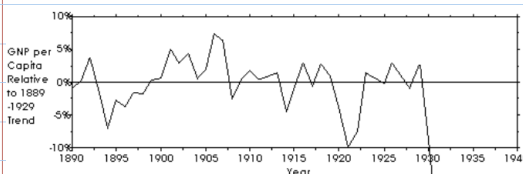
Germany by 1932: 35% unemployment 50% decrease in industrial production.

European industrial states and Japan unable to sell to the US because of tariff restrictions.

US trade restrictions provoked retaliation by other nations. International trade dropped 66% between 1929 and 1932.

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Germany's GNP (Gross National Product)



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Despair and Government Action

To give men more jobs, governments enacted policies to reduce female employment, especially of married women.

Great Depression caused enormous personal suffering

*Millions struggled for food, clothing and shelter.

*Marriage and birthrates declined, suicide increased.

*Intensified social divisions and class hatreds.

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Economic Experimentation

John M. Keynes challenged classical economic theory that capitalism was self-correcting and it would operate best if it was left alone or unregulated.

Keynes argued the depression was a problem of inadequate demand, not supply.

He also thought that governments should be active in stimulating the economy and consumer demand.



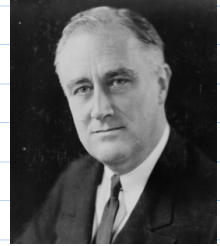
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The New Deal of FDR paralleled Keynes's ideas

After 1932, the New Deal protected the banking system, created massive public works projects, and allowed for farm subsidies.

Legislation established minimum wage, social security, and worker's unions.

Ultimately, military spending for WWII ended the Depression in the United States.



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