

The Great Global Depression



1920s – An age of superficial prosperity

- Underlying causes of the GD in America:
 - Availability of easy credit!
 - People bought stuff without paying for it!
 - However, an uneven distribution of income left 60% of the population in poverty
 - People stopped buying goods!
 - Agricultural surplus decreased prices as well as profits
 - Caused farmers to default and banks to close
 - No banks → No business creation → No job creation → No money



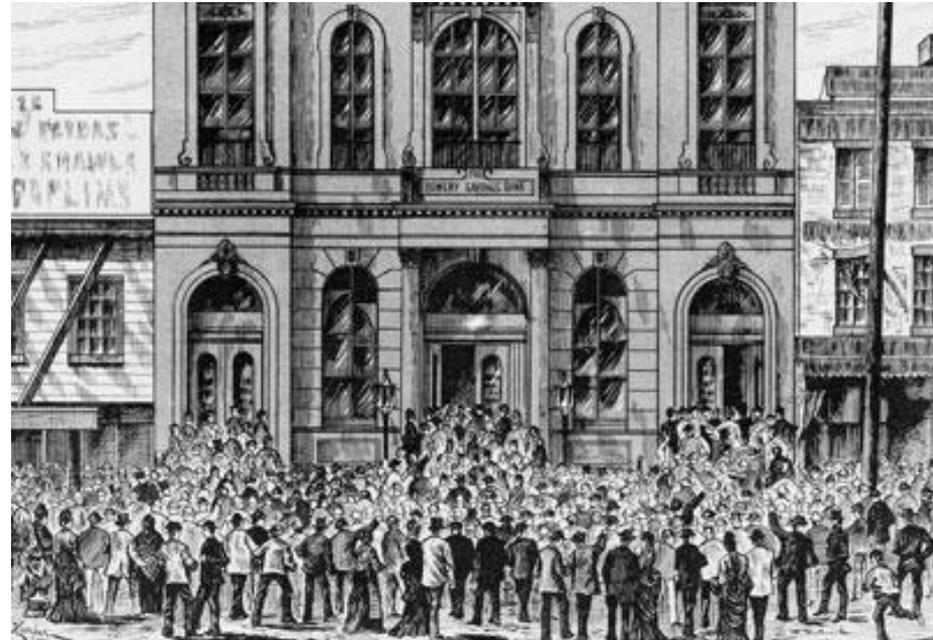
The Stock Market Crash

- LT Cause: Buying on margin
 - Similar to buying on credit
 - Borrowed most of the money to pay for the stock purchase
- Early Sept 1929, prices were unnaturally high
 - Confidence began to waver
- Black Tuesday
 - Oct. 29, 1929
 - ST Cause: People tried to sell their shares in a panic before prices fell further
 - As prices fell, people were stuck with huge debts, and many lost their entire savings
- Investors lost about \$30 million by mid-November
 - Forced people to drastically curtail consumption!!!



Moving towards the Depression

- Bank failures
 - People wanted to withdraw their money from banks
 - Problem: Banks didn't have it (They, or their customers, lost it in the stock market!)
- Many businesses went bankrupt
 - Problem: People lost their jobs!



The Snowball Effect!

- People stop buying goods
- Businesses collapse
- People lose their jobs
- People stop buying goods
- See a pattern!!!!

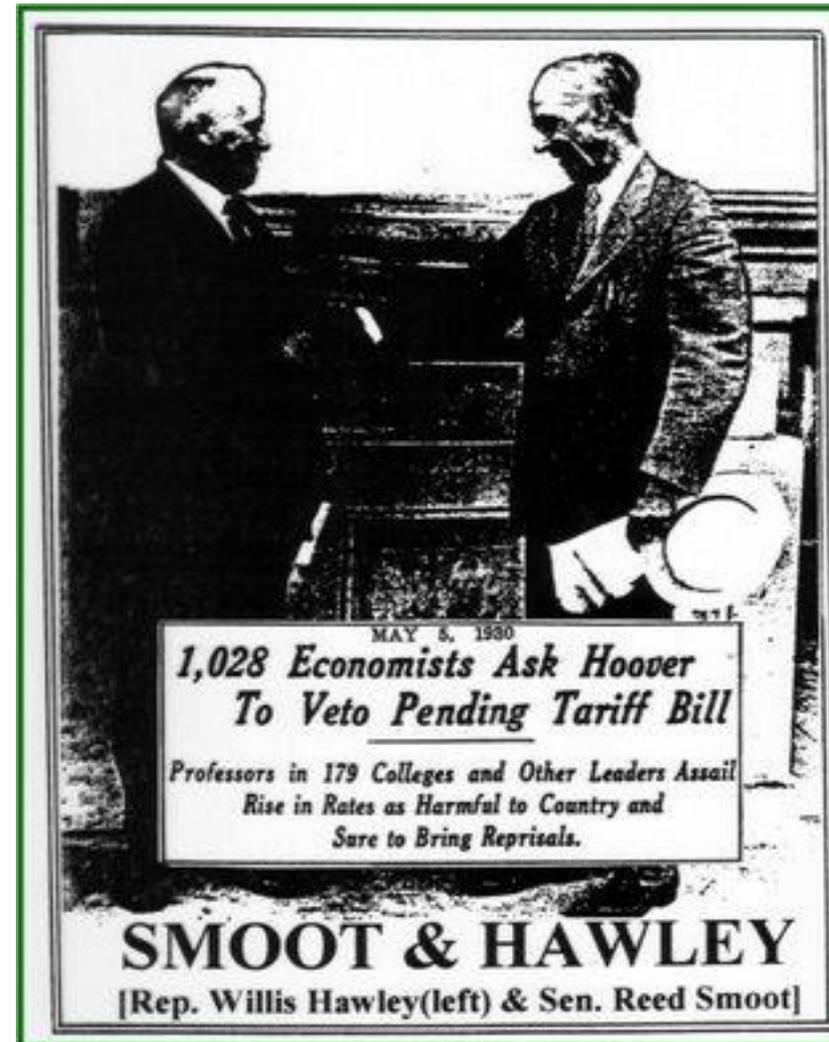
Financial Collapse

- Stock Market Crash signaled the beginning of the Great Depression
 - Period from 1929-1940
 - Economy plummeted and unemployment skyrocketed



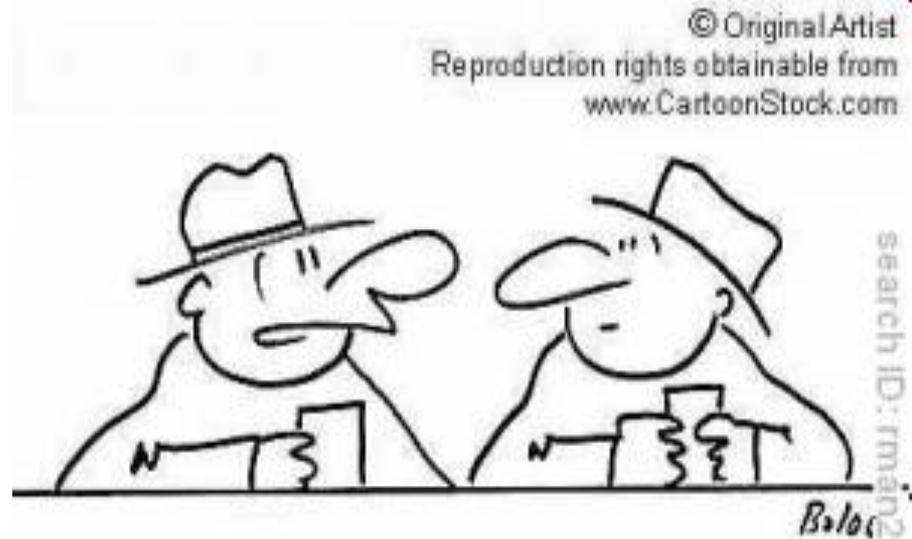
Worldwide Effects

- Two reasons that Europe caught cold:
 - American investment was withdrawn from European banks
 - European banks began to default
 - In order to protect American businesses, Congress passed the Hawley-Smoot Tariff
 - Highest protective tariff in US history
- 2 Problems with Economic Nationalism:
 - Foreign countries could no longer afford our goods
 - Foreign countries placed tariffs on our goods
- Therefore, foreign trade fell by 65%
 - Attempts to solve the problem actually made it worse!!!!!!!!!!!!



How to successfully fix the economy!

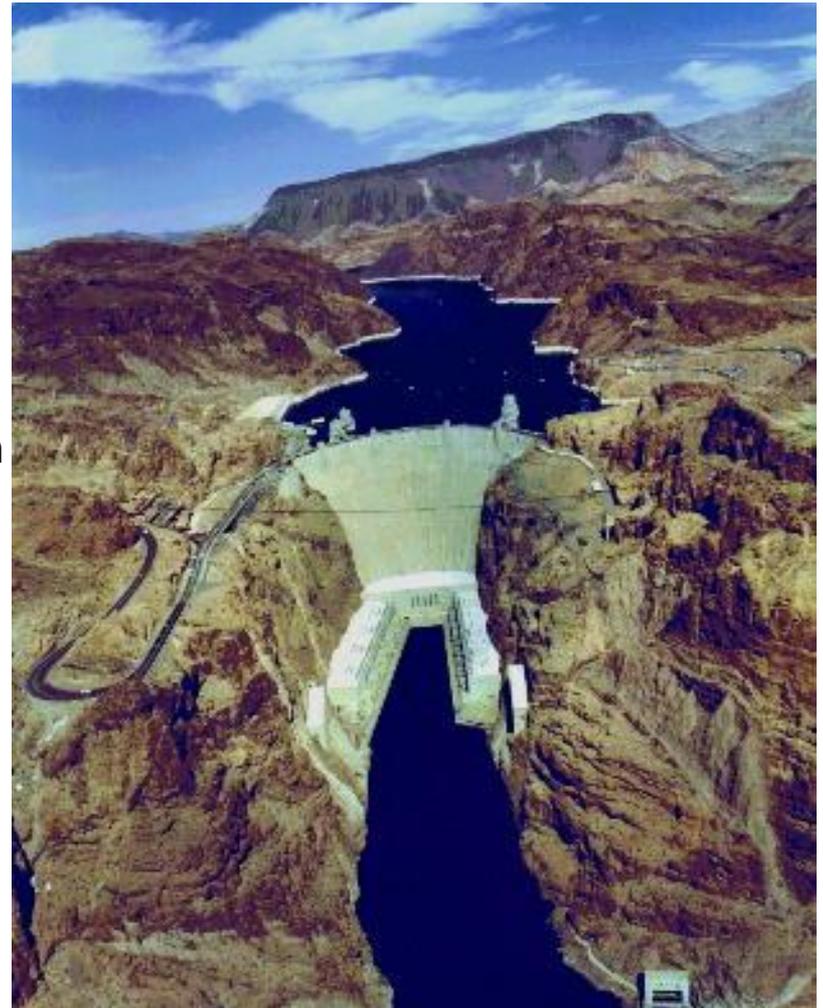
- Keynesian Economics
 - Spend, spend, spend!
- Gov'ts should inject money into the economy to increase demand
 - Essentially, give people jobs!!!
- Gov'ts should not curtail spending or raise taxes!



"My wife's a Keynesian — she's always spending herself out of depressions."

Socialist Attack on Depression!

- Scandinavia
 - Used cooperative community action through public works projects
 - Raised spending as well as taxes
 - “Welfare socialism” provided an appealing compromise adopted by many countries in the latter 20th century
- United States
 - FDR’s NEW DEAL
 - Huge, but not quite enough, government spending designed to help America recover
 - Example: WPA
 - Beginning of widespread gov’t intervention in US economy



Other attempts at solving the crisis!

- Britain

- Multiparty coalition, aka the National Government, encouraged economic nationalism
- Why did it work: The economy became less dependent on exports and more dependent on “home demand”

- France

- Political instability plagued France’s ability to act!!!
- Popular Front, coalition of the left, forms in response to pressure from right-wing Fascists
 - Set reforms to help unemployed workers
 - Only increased polarization within France – which ultimately led to the disunity that allowed Nazis to so easily visit the Eiffel Tower

