



# WWI Effects Nations' Economies and Governments

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# Buh-bye Absolute Monarchs

- Russia: Provisional Government
- Germany/Austria: new democratic governments after strong tradition of absolute rule
- France/Italy: too many political parties
  - Coalition government



# Weimar Republic

- So weak...
- Why?
  - Germany lacked strong democratic tradition
  - Germany had too many political parties
  - Weimar government blamed for WWI (sign Treaty of Versailles)



# INFLATION HITS GERMANY HARD

- European nations (France) want reparations from Germany.
- Germany cannot pay, so it decides to keep printing more money—Inflation



# Hyperinflation

- Price of a loaf of bread in Germany
  - 1918: less than 1 mark
  - 1922: more than 160 marks
  - 1923: roughly 200 billion marks



# DAWES PLAN (1924)

- Helped slow German inflation
- \$200 million loan from US banks
- Sets a realistic schedule for Germany to pay reparations



# Stresemann and Briand

- Gustav Stresemann (Germany) and Aristide Briand (France) tried to improve relations between their countries
- Sign a treaty to never make war
- Respect existing national borders
- Germany admitted to the League of Nations

# Kellogg-Briand Peace Pact

- Nations will “renounce war as an instrument of national policy”
- Why do nations sign this?
- Very weak...Why?



# A Flawed US Economy

- Most nations depended on the prosperity of the United States in the late 1920's
- In 1929, everything will collapse with the Stock Market Crash in the US



# ***US Economic Flaws***

- Uneven distribution of wealth
  - Top 5% of the pop. earned A LOT (33% of all income in 1929)
- Many Americans were buying less
  - 60% of US families earned less than \$2,000 a year
  - Could not buy goods being produced

# ***US Economic Flaws (continued)***

- Overproduction by business and agriculture
  - With technological advancements, there was a worldwide surplus of food (prices & profits decrease)
  - Farmers could not pay off bank loans
  - Factories unable to sell all their goods, store owners cut back their orders
  - Factories make cuts in production and lay off workers

# THE STOCK MARKET CRASHES

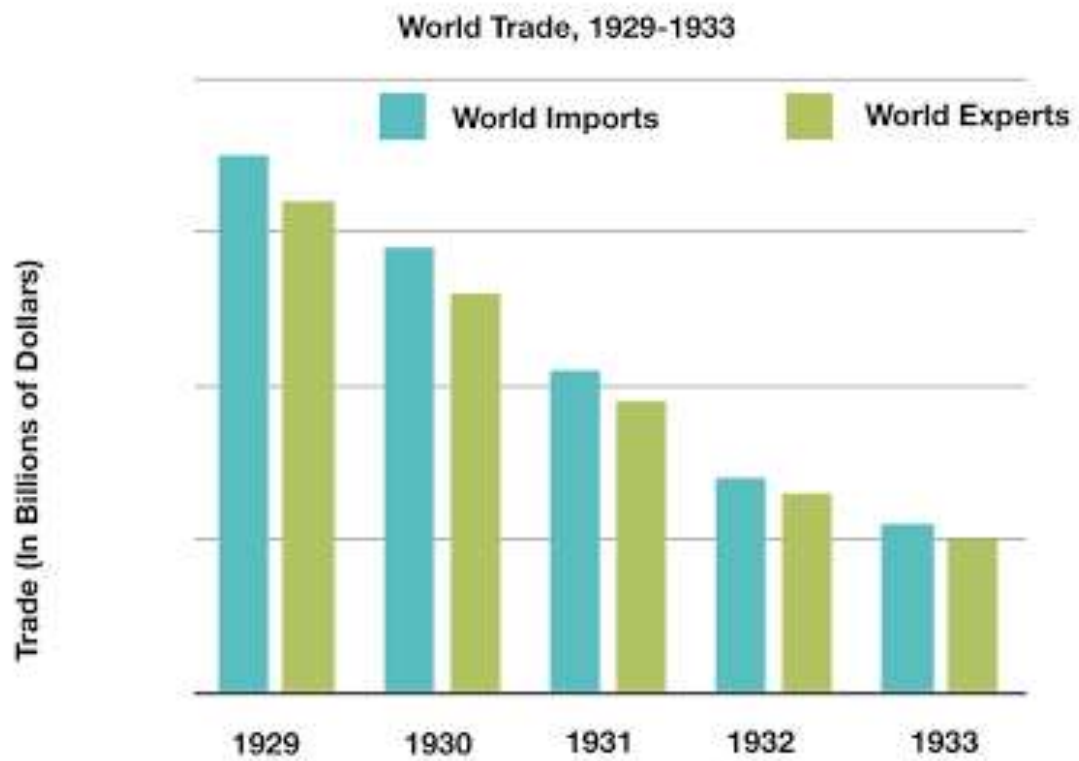
- New York City's Wall Street was the financial capital of the world in 1929.
- Stock prices soared in the booming US economy following WWI
- Many people began to buy stock with the hopes of gaining profit (buying on margin)
- Investors began to sell stocks to lower the prices
- Started a trend of everyone selling and nobody buying stocks
- Stock Market crashes on Tuesday, October 29, 1929.

# Great Depression

- By 1932, factory production had been cut in half
- Thousands of businesses fail and banks closed
- Around 9 million people lost money in their savings accounts they had with banks
- Many farmers lose land
- By 1933, 25% of all Americans had no jobs
  - Unemployment rate today (6.7%)

# Global Depression

- Depression in the US results in economic collapse worldwide. WHY???
- Congress places high tariffs on imports to keep US dollars in the United States (does not work)
- Sets off a chain reaction of other nations imposing high tariffs
- World Trade dropped by 65%
- Everyone is affected, especially Germany & Austria



Source: *Kenneth Oye, Economic Discrimination and Political Exchange*

# Images from the Great Depression

- Millions lost their jobs and depended on charity to survive



# Solutions to the Economic Crisis

- Britain: National Government (multiparty coalition)
  - Preserves democracy, avoids political extremes
  - Passed high protective tariffs, inc. taxes, regulated the currency, lowered interest rates
  - Unemployment cut in half by 1937, production rebounds
  - Slow but steady recovery



# Solutions to Economic Crisis (continued)

- France
  - France is rather self-sufficient
  - Unstable coalition governments
  - Popular Front (moderates, Socialists, Communists)
  - Reforms are passed, yet unemployment soars
  - Democracy is preserved



# Solutions to Economic Crisis (continued)

- Scandinavian Countries (Denmark, Sweden, Norway)
  - Recovery programs based on cooperative community action
  - Hmm....What does this sound like?
  - Public works projects boost employment and production
  - Social welfare is key
  - Democracy remains intact!



# US Recovery



- President Franklin Delano Roosevelt launches the *New Deal*
- Large public works projects help provide jobs
- Gov't. agencies give financial aid to businesses and farms
- Believed gov't. spending would create jobs and start a recovery
- Reform/regulate the stock market and banking system
- Reforms the American economic system—democracy preserved!