

# Ch. 15 sec 2 A World Wide Depression

## I. Post War Europe

### A. Unstable new Democracies

1. WWI was an expensive war that left every major European countries bankrupt
2. From 1914-1918 Europe's last absolute rulers had been overthrown



# A. Unstable New Democracies

3. European countries had difficulty with political parties effectively running their specific country so **Coalition Govt.s**- or temporary alliances of several parties were formed to create a parliamentary majority that usually dissolved as a result of opposite ideals

## **II. Weimar Republic**

### **A. Germany's new Democratic Govt.**

1. Weimar Republic was set up in 1919 to run Germany
2. Unfortunately it was a failure because the German people blamed the Weimar Govt. for the loss of the war and the humiliating Versailles Treaty



## B. Inflation Causes Crisis in Germany

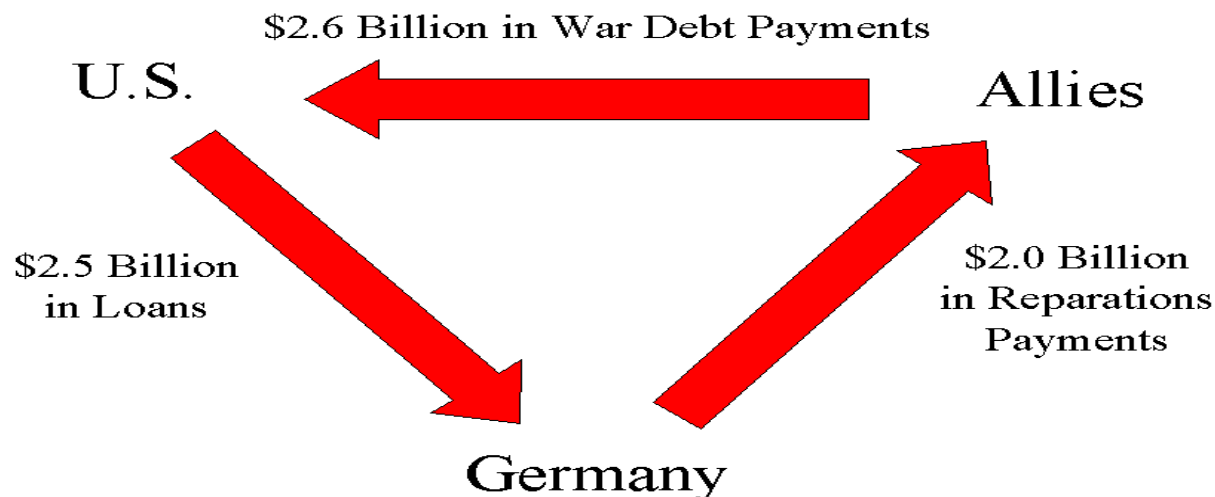
1. After the war, Germany printed more money to pay off the reparations that they were forced to pay for losing the war
2. This created inflation because the Mark had lost its value and a loaf of bread went from costing 160 marks in 1922 to 200 billion in late 1923



## C. Attempts at Economic Stability

1. Germany recovered as a result of the Dawes Plan of 1923 (created by American Charles Dawes)
2. Germany received a 200 million dollar loan from the U.S. and it created a more feasible loan repayment for losing the war

The International Financial System  
Under the Dawes Plan and Young Plan  
1924-30



## D. Efforts at a Lasting Peace

1. Foreign ministers Gustav Stresemann (Ger) and Aristide Briand (Fra) signed a treaty vowing never to make war against each other
2. In 1928 the Kellogg-Briand act was agreed upon by almost every country in the world pledging “to renounce war as an instrument of national policy”



# III. Financial Collapse

## A. A Flawed U.S. Economy

1. The distribution of wealth was unevenly distributed;
2. The richest 5% of the population received 33% of all personal income in 1929



# A. A Flawed U.S. Economy

3. 60 % of American families earned less than 2,000 a year meaning families were too poor to buy goods being produced
4. This created a domino effect: unable to buy leads to less bought items which leads to factories producing less causing them to lay off workers; cycle repeats





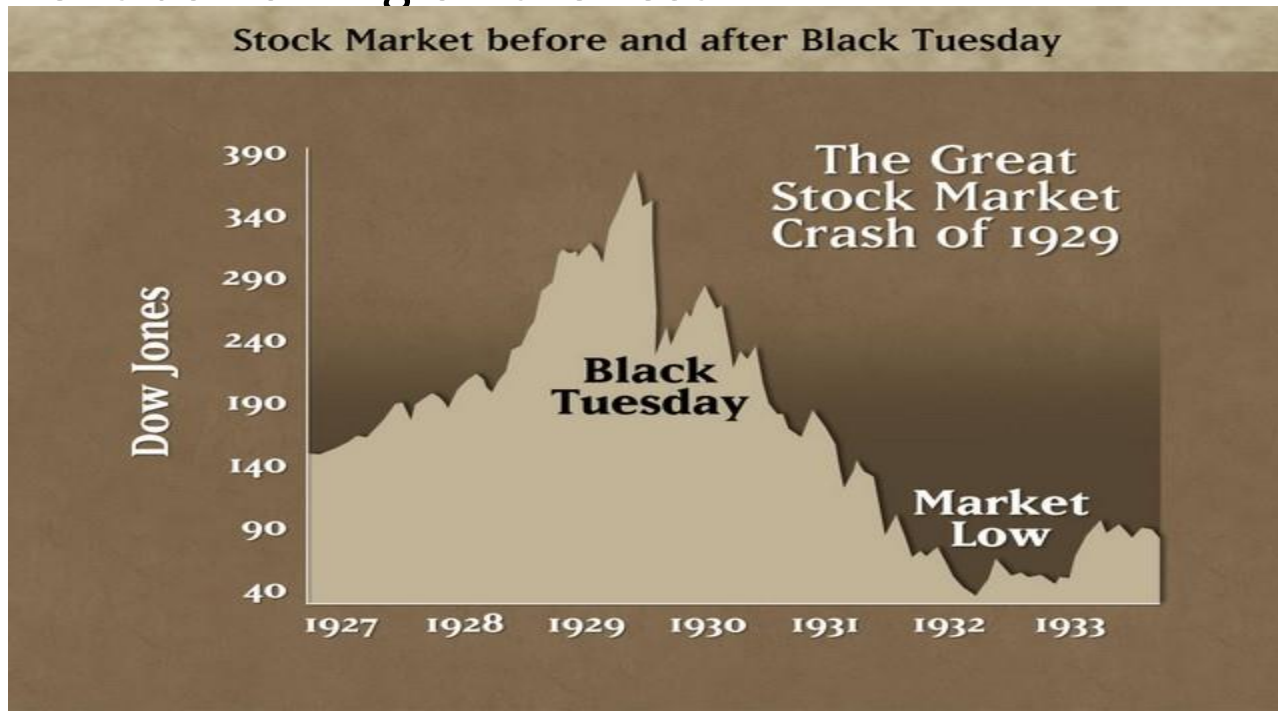
# A. A Flawed U.S. Economy

5. Agriculture dealt with similar problems; overproduction of crops world wide created a surplus of goods lower prices and profits
6. Farmers could not pay off bank loans; banks closed because they could not recoup money forcing them to close taking everyone's money



## B. Stock Market Crashes

1. In early 1929 the stock market was soaring and everyone wanted in on it
2. Middle income people began buy stocks on margin; meaning they paid a small percentage of the stock price as a down payment borrowing on the rest



# B. Stock Market Crashes

3. This only works if stocks rise but if they fall and the investors have no money to pay off the loan then you have financial suicide
4. This came to a head on Tuesday, October 24<sup>th</sup> when a record 16 million stocks were sold causing the market to crash-Black Tuesday



# IV. The Great Depression

## A. Black Tuesday

1. People were unable to pay the money owed on margin purchases and the stocks they had bought at high prices were now worthless
2. By 1932 factory production was cut in half, businesses failed, banks closed, and people lost their jobs creating the **Great Depression**



People milling about outside of a bank that closed, ca. 1933.  
National Archives photo.

# A. Black Tuesday

3. By 1933 25% of all American workers had no jobs



## B. A Global Depression

1. In a panic the U.S. banks demanded repayment on overseas loans, investors withdrew money from Europe and Congress placed tariffs on imported goods
2. These policies backfired causing other countries to do the same which dropped world trade by 65%





# C. Effects Throughout the World

1. Germany and Austria hit hard because of war debts and dependence on American loans
2. Asia suffered as their exports fell by half between 1929-31, and Latin America felt the hit with sugar, beef, and copper prices collapsing

