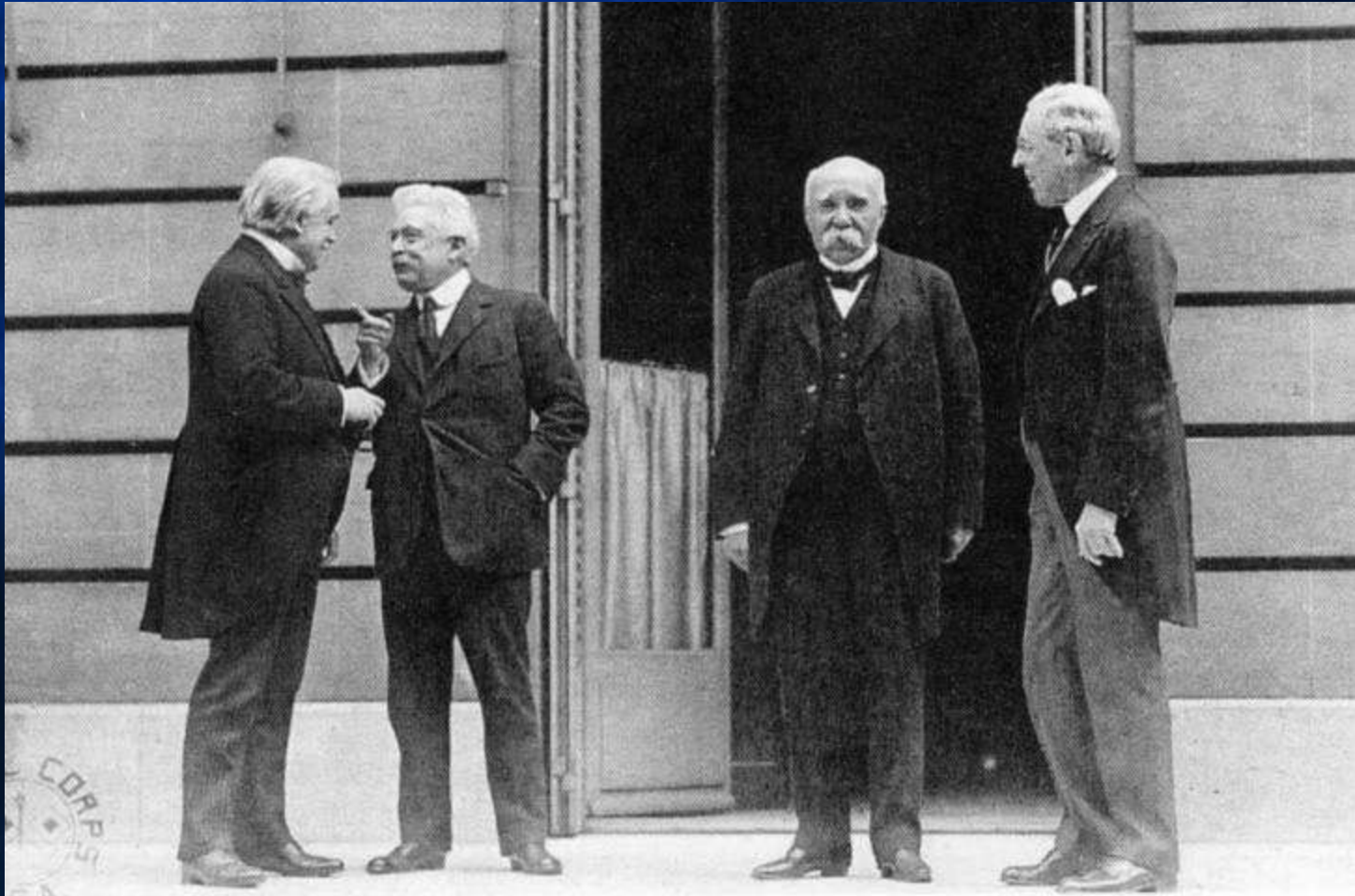


# Worldwide Depression



# Video: The Versailles Peace Conference



# Europe After World War I

- WWI had a devastating effect on much of Europe.
  - ~~Almost every European country was bankrupt.~~
- ~~Most nations were rebuilding their economies and populations.~~
- Only the United States & Japan prospered after World War I.
- ~~The United States became the new world super power~~ and began providing loans to struggling European countries.



# Europe After World War I



# Weak Governments of Europe

- ~~Weak democratic~~ governments were set up in many of the new European nations.
- Absolute rulers of Russia, Germany, Austria-Hungary, Italy, etc. fell... leading to chaos.



Kaiser  
Wilhelm &  
Csar Nicholas



# Germany



- The ~~Weimar Republic~~ (~~democracy~~) was set up in Germany after World War I.
- Many Germans blamed the Weimar government for agreeing to the harsh conditions of the Treaty of Versailles.
  - There were ~~protests and uprisings~~ throughout Germany.
- Friedrich Ebert: First president of the Weimar Republic.



# Disgruntled WWI Veterans



# Inflation in Germany 1923

- ~~Germany printed too much money~~ to pay for World War I.
- After the war, they faced war debt (reparations) they were required to pay back to the Allies.
- Germany printed even more money to pay for the debt... as a result, the ~~value of the German mark~~ (dollar) ~~decreased dramatically~~.
- Example: Loaf of bread in 1918 – less than 1 German mark... by 1923 – it cost 200 billion German marks!





# Inflation in Germany 1923

## Value of German Currency, 1914-1923

Date	Number of German Marks to the U.S. Dollar
1914	4.2
1919	14.0
1921	76.7
August 1923	4,620,455.0
November 1923	4,200,000,000,000.0



## Turn and Talk

Why is inflation bad for a nation's economy?

# Video: Europe in the 1920s



# Great Britain



⑩ The British, as well as the U.S., ~~overproduced in farming...~~  
~~causing prices to fall.~~

⑩ European and American farmers  
borrowed money from banks to  
pay for their newly developed  
farming machinery.



⑩ They were confident that prices would rise... that was not the case.

# Russia

- Russia suffers greatly after World War I.
- ~~The United States loaned Russia \$20 million for relief.~~
- Vladimir Lenin leads ~~revolution and creates the Communist Party~~ in the new Soviet Union. . .civil war ensues.
- Fears of Communism across the world increases tensions between United States.



# Video: Postwar Russia



RIA Novosti Archive, #2253  
Photo: Boris Kuznetsov | 121621942

# European Debts to the U.S.



## Turn and Talk

Why is borrowing money  
from other country's to  
fix economic depression  
bad?

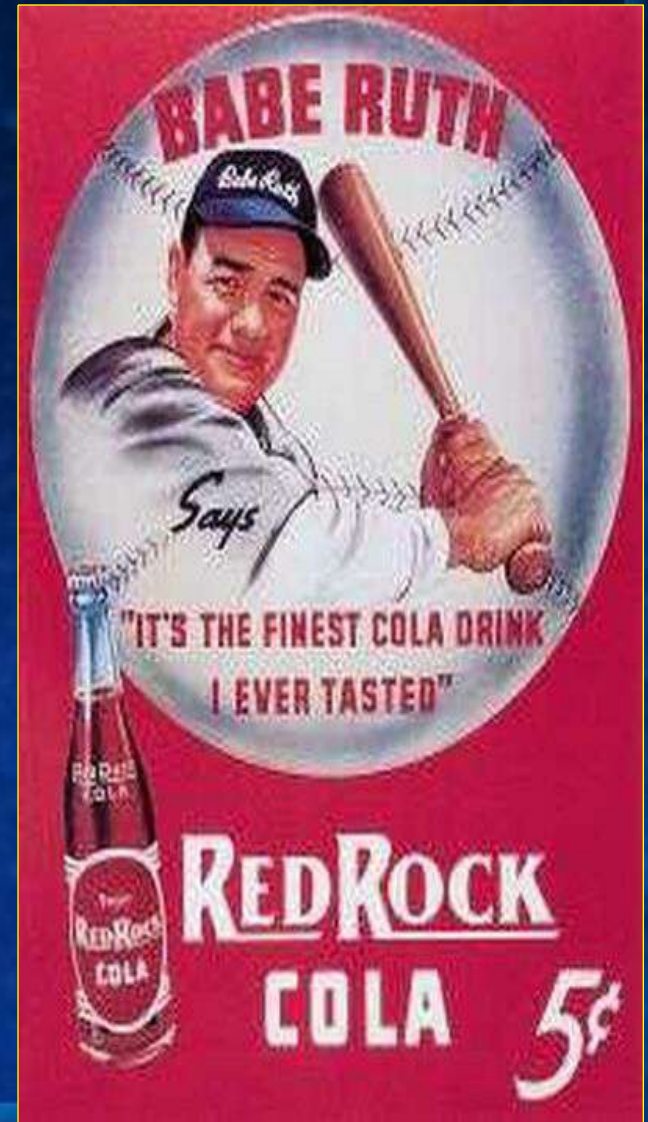
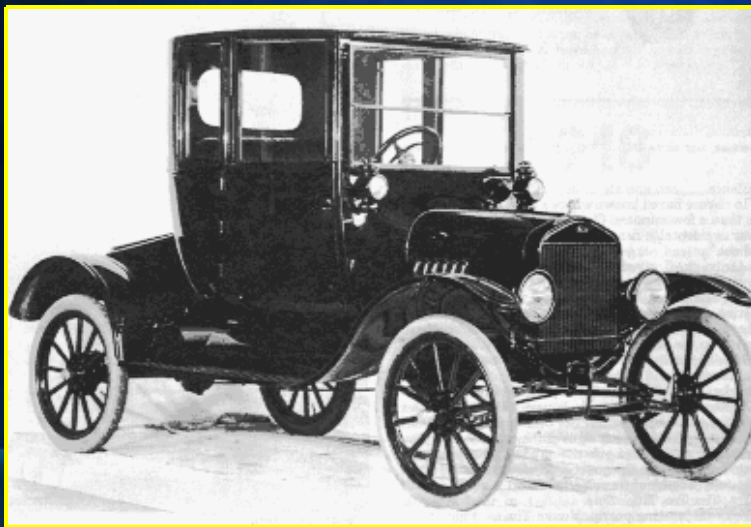


# The United States

- The ~~United States~~ prospered after World War I, in a time period called the “Roaring 20s”.
- The ~~United States~~ supported most of the world’s economy, lending money to much of Europe.
- The rise of the middle class allowed people to spend more money on consumer goods such as cars, washing machines, vacuums, etc. They were spending with credit cards...
- This ~~over-spending~~ by the ~~United States~~ and ~~excessive loan distribution~~ would lead to the largest financial crash in world history!



# U.S. Roaring 1920s



# End of Day I



# Causes of the U.S. Depression

## #I. Agriculture & Industry

- U.S. farmers increased food production during World War I.
- After the war, demand for crops fell 40%... causing prices to go down.
- Farmers began to go into debt and foreclosure.
- Railroads lost business due to the invention of the automobile.



# Causes of the U.S. Depression

## #2. Consumer Spending

- Americans spent ~~large amounts of money~~ throughout the 1920s using the installment plan (credit).
- 70% of Americans earned less than \$2,500 per year... this was very little money for this time.
- There was an increasing divide between the richest and the poorest.

## Turn and Talk

Which cause do you think is a bigger problem?

The collapse of  
farming/industry or  
consumer spending?

# Causes of the U.S. Depression

## #3. Weak Banking System

- In the 1920s, banks loaned enormous amounts of money to people and businesses.
- Banks also invested in the stock market. . . with money from people's savings accounts.
- This all fell apart when the stock market crashed in 1929.



It's a Wonderful Life – Bank Run

# Causes of the U.S. Depression

## #4. The Stock Market Crash

- Many Americans dreamed of being rich...and didn't have the money to back it up.
- They bought stocks hoping they would go up... this is called speculation.
- Some Americans even borrowed money to buy stocks... this is called buying on margin.



# Causes of the U.S. Depression

## The Stock Market Crash

- The Dow Jones Industrial Average is the “barometer” of how well the stock market is doing.
- The Dow reached a high of 380 points in 1929... today, the Dow is over 18,000 points.
- On ~~October~~ 29<sup>th</sup> 1929, the Dow Jones dropped dramatically (Black Tuesday).
- This signaled the start of the Great Depression.

# Bank & Business Failures

- Many people rushed to the banks to take their money out.
- Banks didn't have the money because they also had invested in the stock market...
  - As a result, many banks closed.
- The Gross National Product – the measure of output of goods and services went from \$104 billion to \$59 billion.
- Industries like automobiles and railroads went bankrupt.
- The unemployment rate went from 3% in 1929 to 25% in 1933. 1 out of 4 workers were out of a job!!

# Governmental Response

- The collapse of the American economy sent shock waves around the world.



- American bankers, who were still in business, demanded repayment of foreign loans.
- Trade with foreign countries stopped and Asia and Latin American countries such as Chile and Bolivia suffered greatly.
- President Franklin Delano Roosevelt began his New Deal program to get people back to work → greatly increased the role of government.

- New regulations were imposed on the stock