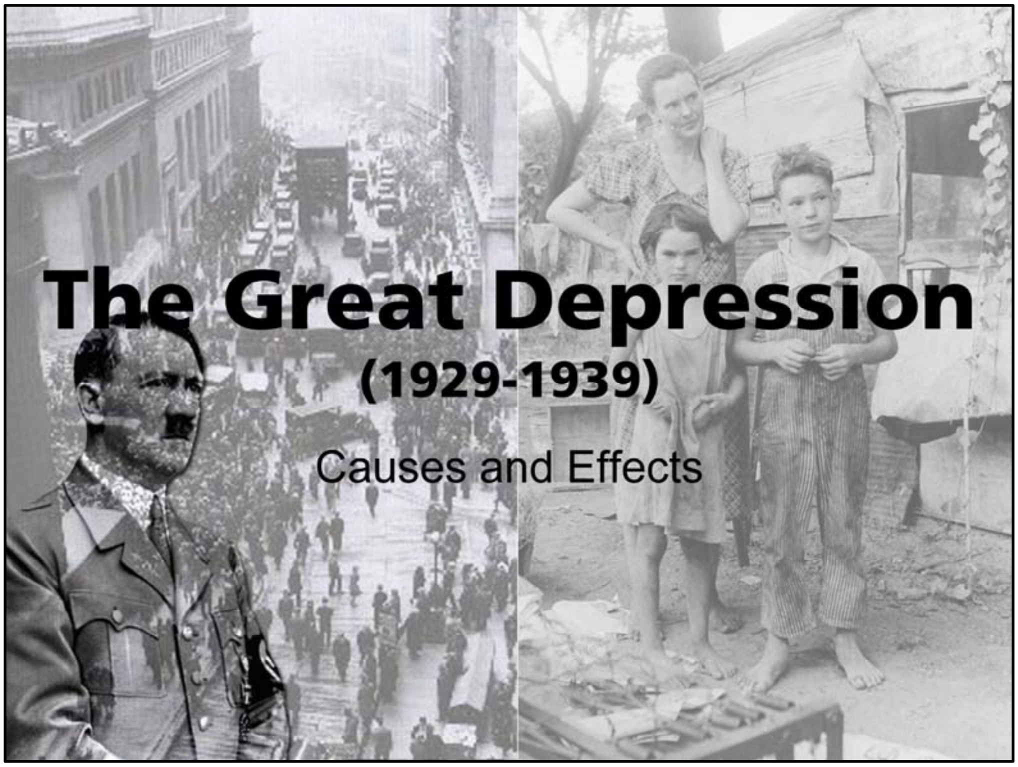


From easy credit and stock market highs after World War I, to bank collapses, unemployment, and failing businesses at the end of the decade – the Roaring Twenties came to a grinding halt with the Great Depression, the worst economic slump in American history.

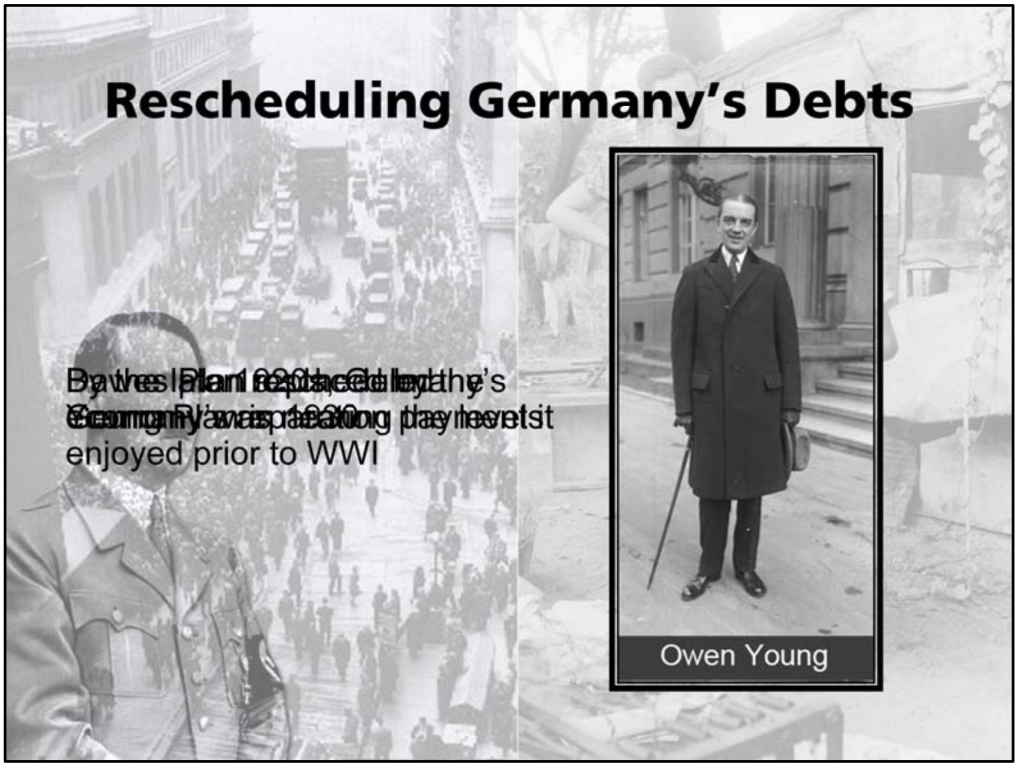
America was not alone; this economic travesty spread to virtually every country in the industrialized world. Beginning in late 1929 with the crash of the stock market, the economic depression lasted nearly a decade. Millions of people's lives were turned upside down as their life savings were wiped out and unemployment soared as companies went out of business. The depression affected agriculture, as falling prices and drought forced thousands of families to leave their homes in search of work.

Many factors led to the Great Depression and, as time went on, desperation caused many people to look extremist leaders and impulsive measures to solve the economic problem.

[Image of Adolph Hitler courtesy of German Federal Archive.]

The Treaty of Versailles was one of the earliest causes of the Great Depression. During World War I, Germany invested large amounts of money in resources to fight the war. When the victors wrote the Treaty of Versailles, they forced Germany to pay huge war reparations, or repayments of debt, to England and France. Germany's new government, the Weimar Republic, had no choice but to agree to it. As a result, many Germans viewed their own government as traitors for signing the treaty.

In order to pay its war debts, the German government began printing huge amounts of Marks, the country's currency. The value of the Mark dropped rapidly as companies began charging higher prices for their goods, an issue known as inflation. Prices went up so fast that the Marks became almost worthless and had little purchasing power. At the beginning of World War I, one U.S. dollar was equal to four point two Marks. By 1923, that same dollar was equal to four point two trillion Marks. With their money of little value, life became very difficult for the German people.



Right after World War I, Germany had a difficult time paying its war reparations. An American banker, Charles Dawes, came up with a program to reschedule Germany's debts. Germany would still have to pay its debt, it would just have more time to do so. This would help the country pay the debts while growing its economy.

The Dawes Plan, as it came to be known, set a more realistic schedule for Germany to pay France and Britain using loans from American investors. In essence, the U.S. lent money to Germany, which then paid war reparations to Britain and France. Britain and France then paid the U.S. back for the money they borrowed during World War I. The investors would make their money back, plus interest. By the late 1920s, Germany's economy had almost returned to a pre-World War I status. The Dawes Plan was replaced by the Young Plan, which further reduced Germany's reparations and extended the loans into the future.

[Image of Own Young courtesy of German Federal Archive.]

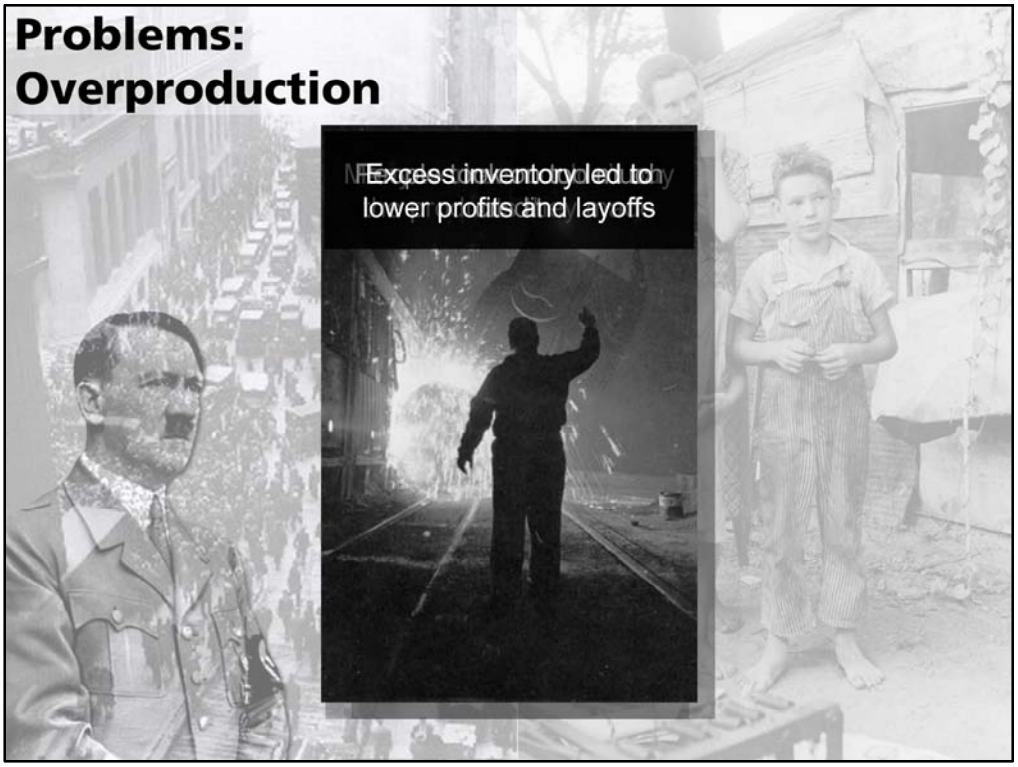
America, unlike most of Europe, was in a stronger position after the war. France and Britain borrowed money from the U.S. to fight the war. This made America the largest lending nation in the world. As France and England paid back the loans, America made money on the interest associated with them.

In addition, America's factories, helped by the development of the assembly line, became the most productive in the world. Since none of World War I's battles took place in the United States, none of these factories were destroyed. As most of the fighting occurred in Europe, many factories and areas of industry were damaged in that region.

Many Americans wanted to remain isolated from world politics, but America's economy was becoming global, and the country became a major player in the international economy. Whether Americans liked it or not, they were linked to the rest of the world. Meanwhile, as American businesses tried to sell more goods in the U.S., they gave consumers credit, or let them borrow money, to buy large items, such as cars. People borrowed more and more money to buy things on credit that they could not afford right away.

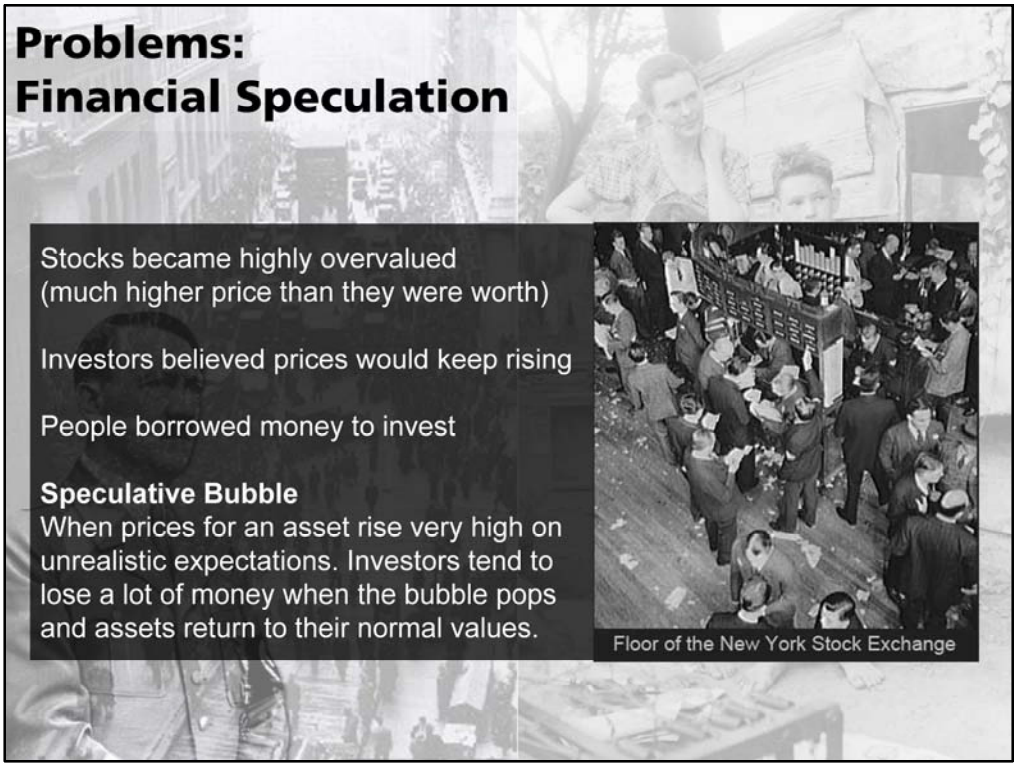
As American businesses prospered, the U.S. economy became one of the world's largest. The U.S. was the world's largest creditor and it wanted to become the world's largest supplier of goods. In an attempt to protect American businesses from foreign competitors, the U.S. placed tariffs on some goods being imported into the United States. Tariffs are taxes that a country puts on goods imported from other countries in order to make the goods more expensive than locally produced items.

These tariffs hurt the world economy. Europe sold fewer goods to America, which made it difficult to pay back their loans. In retaliation, many European countries started imposing tariffs on American goods. As a result, American companies were selling fewer goods in Europe by the end of the 1920s.



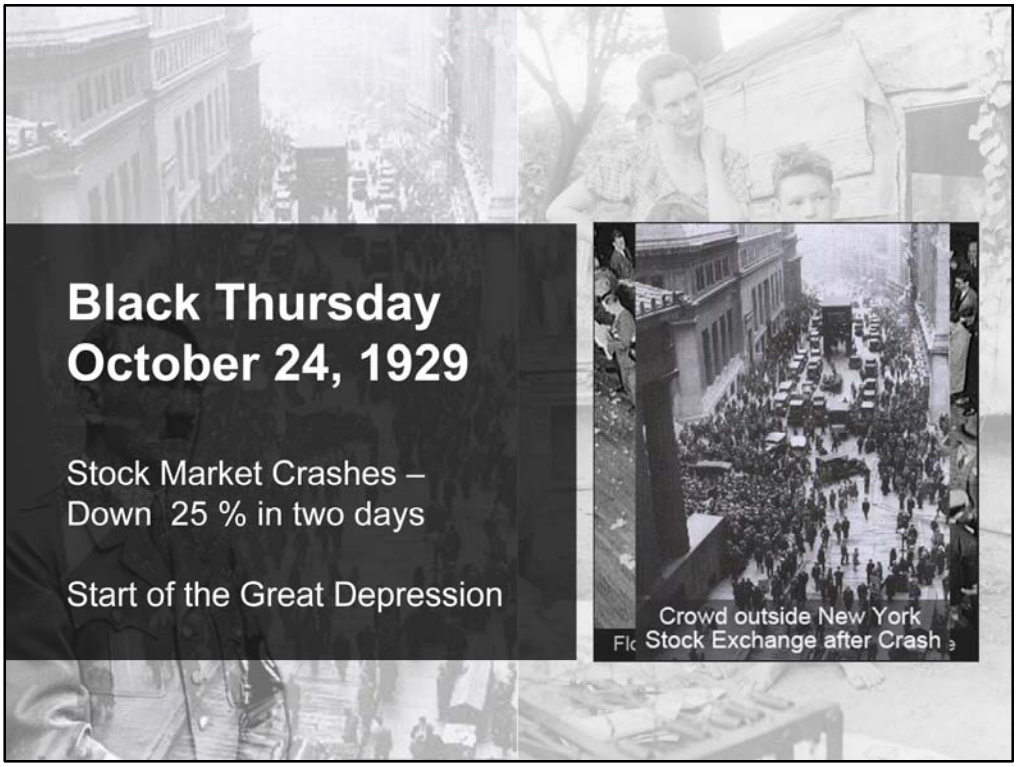
At the same time, American industry started to produce too many items, a predicament known as overproduction. Through developments like the assembly line, production became more efficient. This reduced production costs for businesses and provided them with more goods and profits. Unfortunately, workers' wages did not increase as quickly. Many workers could not afford to buy the goods that they were producing unless they bought them on credit.

The rapid growth of credit was a sign of problems in the American economy. As people borrowed more and more money, they eventually had to stop buying products and focus on paying off their debts. Sales of products slowed and businesses had a hard time slowing down their factories. Many businesses ended up with warehouses full of inventory, or surplus goods. As a result, owners were forced to cut wages and even lay off workers because of lower profits.



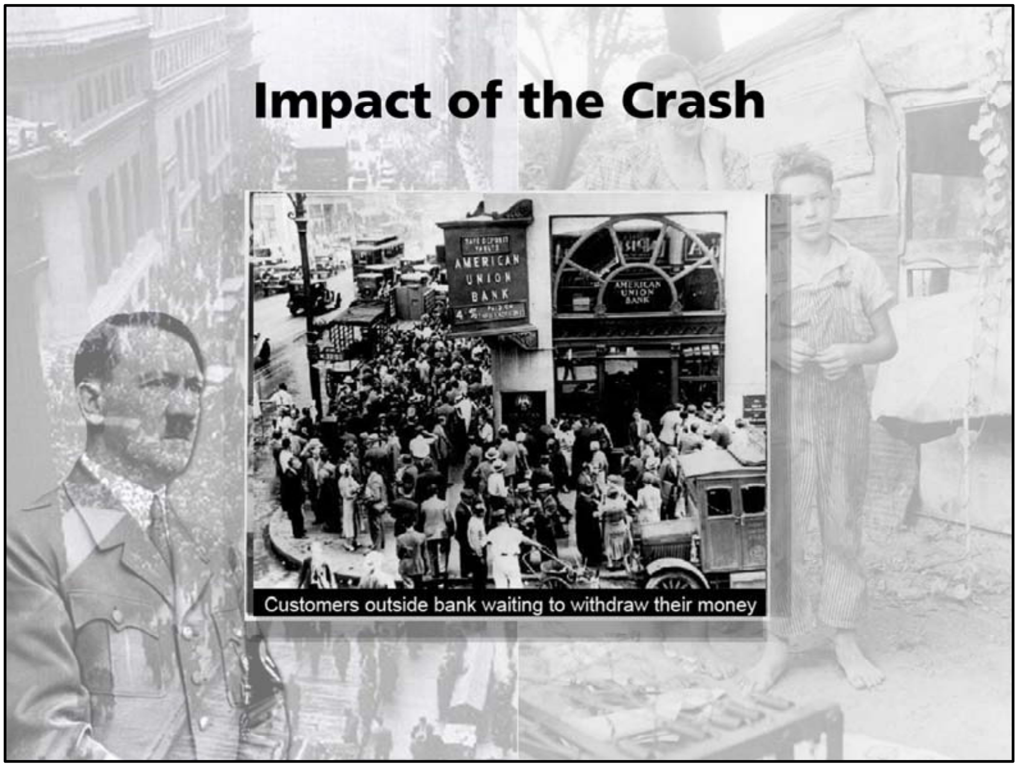
During the 1920s, the New York Stock Exchange on Wall Street was the center of the investment world. Stock prices kept going up, and investors believed they would keep rising. Many stock prices were artificially high, especially as companies were not making big profits.

Lots of Americans believed they could get rich by buying and selling stocks. Some even borrowed money and invested it, thinking they could get rich quick. Banks invested money in the stock market, funding these investments with money from people's savings accounts. As stock prices rose higher and higher, a speculative bubble formed. As bubbles tend to do, the speculative bubble eventually burst.



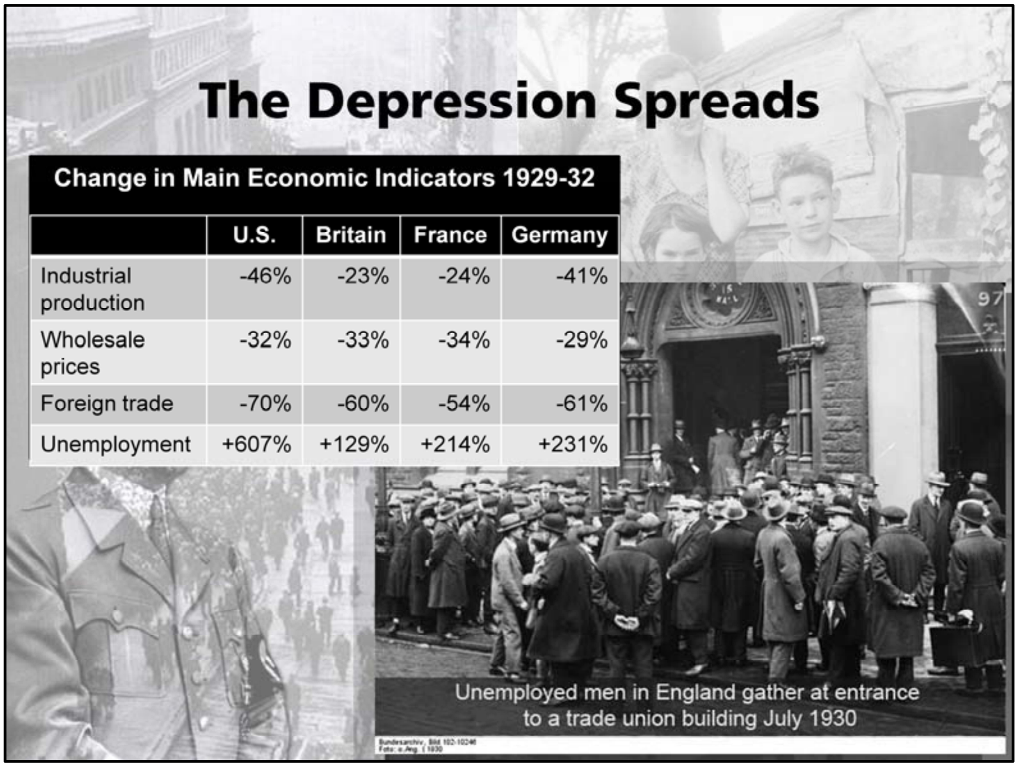
On Thursday, October 24, 1929, stock prices fell drastically. Over the next few days and weeks, investors tried to cut their losses by selling their stocks before the prices dropped any lower. Since many investors had borrowed money to pay for their stocks, some people lost money that did not belong to them. As stock prices dropped further, they could not pay back the money they borrowed.

By the following Tuesday, many stocks were worthless and could not be sold at any price. The speculative bubble popped, taking with it billions of dollars of people's money. The market crash had far reaching impacts for the world and marked the beginning of the Great Depression.



The stock market crash hurt even those who had not invested any money in the stock market. As stock prices plummeted, people started buying fewer goods. Businesses began building up inventory, and lower profits led them to lay off workers. As more and more people lost their jobs, people bought even fewer goods and companies had to lay off more workers or go out of business.

People who had borrowed money to buy goods, stocks, and land had difficulty paying their loans back. Many banks ended up failing as a result of these bad loans. Many also failed because they had invested in the stock market. At that time, if you had an account and the bank failed, you lost your money and could not get it back. Even people who had money and a job had difficulty borrowing money.

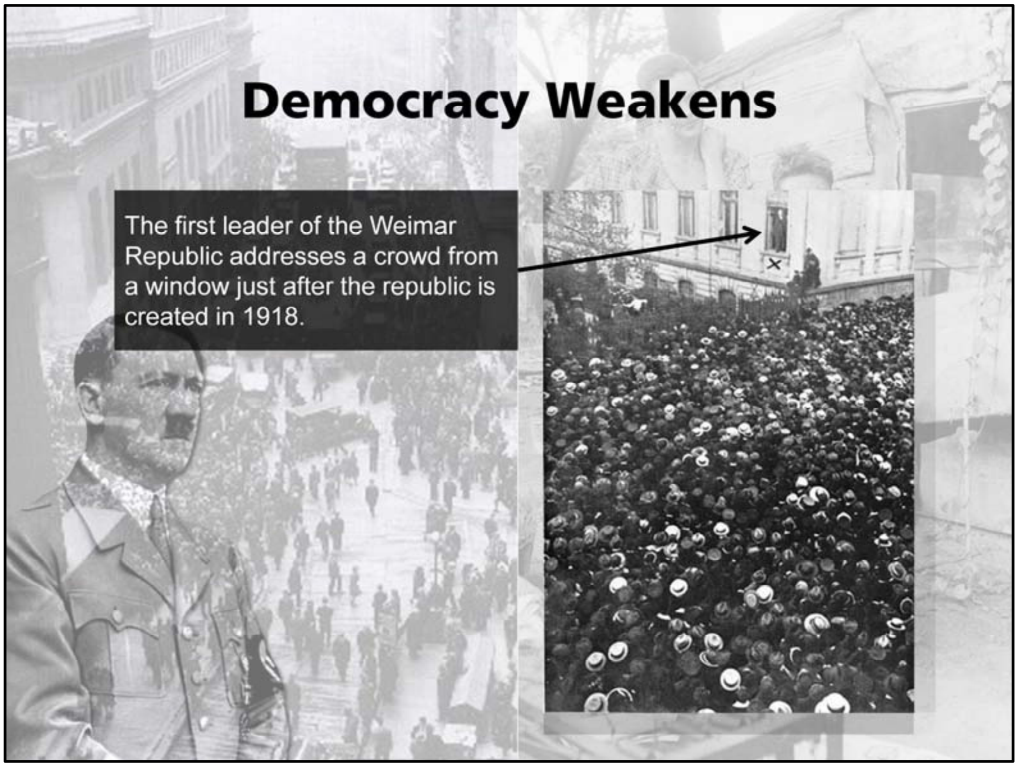


Change in Main Economic Indicators 1929-32

	U.S.	Britain	France	Germany
Industrial production	-46%	-23%	-24%	-41%
Wholesale prices	-32%	-33%	-34%	-29%
Foreign trade	-70%	-60%	-54%	-61%
Unemployment	+607%	+129%	+214%	+231%

The impact of the American market crash and business failures spread throughout the industrialized world. American investors who made loans to Europe wanted to call in their loans and receive payment. Many banks in Europe also failed, causing a financial panic. People stopped buying any unnecessary goods and this hurt business profits. As more companies failed, unemployment became a huge problem globally. The chart shown here compares a variety of economic indicators across four countries during the Great Depression.

[Image courtesy German Federal Archive.]



Shortly after World War I, many European countries had democratic governments, some for the first time. The Weimar Republic ruled Germany during a difficult time of rapidly rising prices and slow economic growth. As the depression spread to Europe, widespread poverty disrupted people's lives. In several countries, weak economies and political instability made people question whether democracy was the solution to their problems. In some countries, bad economic times led people to support leaders who ended up establishing totalitarian governments.

Germany was one of the first places that fascism took root on the continent. The country had experienced serious inflation and economic collapse, as well as the humiliation of defeat during World War I. The Nazi Party in Germany started its rise to power in the 1920s. Led by Adolf Hitler, the Nazis convinced a large number of Germans that the Great Depression and most of Germany's problems were the fault of European Jews. Years of economic troubles had left many people desperate and angry. Some were looking for scapegoats to blame. The anti-Jewish message of the Nazis appealed to them. Also, the Nazis won supporters by promoting the idea that strong leadership could end the depression and lead to the re-emergence of a powerful Germany. During this period, radical leaders took over other countries through promises of improved economies and national dominance.


Review
Question 1 of 4
Point Value: 10
What plan rescheduled Germany's reparation payments to the Allies?
Treaty of Versailles
Marshall Plan
Entente Plan
Dawes Plan
PROPERTIES
On passing, 'Finish' button: Goes to Next Slide
On failing, 'Finish' button: Goes to Next Slide
Allow user to leave quiz: After user has completed quiz
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
Properties...
Edit in Quizmaker