

CHAPTER 31 Section 2 (pages 904–909)

A Worldwide Depression

BEFORE YOU READ

In the last section, you read about new ideas in the postwar world.

In this section, you will learn about economic crisis and worldwide depression.

AS YOU READ

Use the web below to record causes and effects of the Great Depression.

TERMS AND NAMES

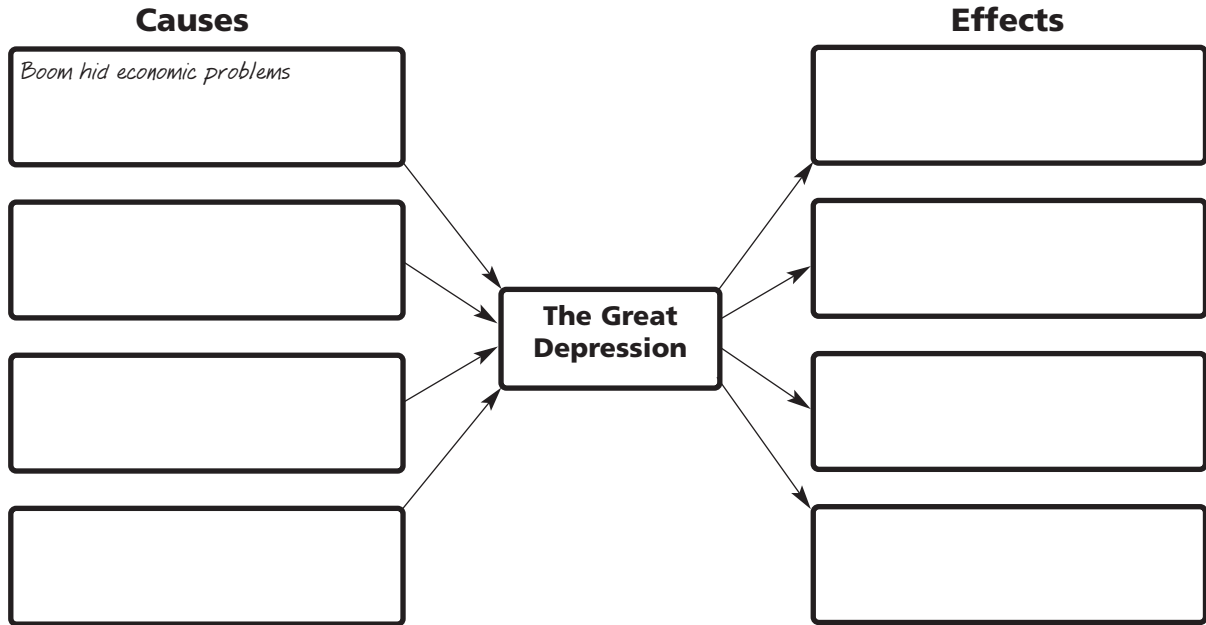
coalition government Temporary alliance of several political parties

Weimar Republic Government of Germany after World War I

Great Depression Severe economic downturn that followed the collapse of the U.S. stock market in 1929

Franklin D. Roosevelt President of the United States during the Depression

New Deal Roosevelt’s program for creating jobs and improving the American economy



Postwar Europe; The Weimar Republic (pages 904–906)

What problems did Europe face after the war?

After the war, European countries were in bad political and economic shape. Even nations that had democratic governments for many years experienced problems. They had so many political parties that no one party could rule alone. Sometimes a **coalition government** had to be formed. This was an alliance of several political parties. In addition,

governments lasted for such a short time that it was hard to develop policies.

The situation was the worst in Germany. The people felt little loyalty to the government. Germany’s government, the **Weimar Republic**, was very weak. Prices rose sharply, and money lost its value. Later, American bank loans helped the German economy recover.

World nations also took steps to try to make sure there would be lasting peace. France and Germany promised never to attack one another. Most countries of the world signed a treaty in

which they *pledged* not to go to war. There was no way to enforce the treaty, however.

1. Why was the postwar situation in Germany especially bad?

Financial Collapse; The Great Depression

(pages 906–908)

Where and how did the Great Depression begin?

The economy of the United States enjoyed a *boom* in the 1920s. But this growth hid problems. Consumers were unable to buy all the goods produced. When their purchases slowed, factories slowed production. Farmers faced falling food prices and slow sales. They were unable to repay loans and lost their farms. In 1929, stock prices in the United States plunged. The **Great Depression** had begun.

The depression affected other countries. Nations raised *tariffs*—taxes on goods imported from other countries—to keep import prices high. They hoped to increase sales by local companies. Unfortunately, trade between nations dropped, and unemployment shot up in many countries. The world suffered.

2. What caused the Great Depression?

The World Confronts the Crisis

(pages 908–909)

How did various countries meet this crisis?

Each country met the economic crisis in its own way. In Britain, a new multiparty government took over. It took steps that slowly improved the economy and cut unemployment.

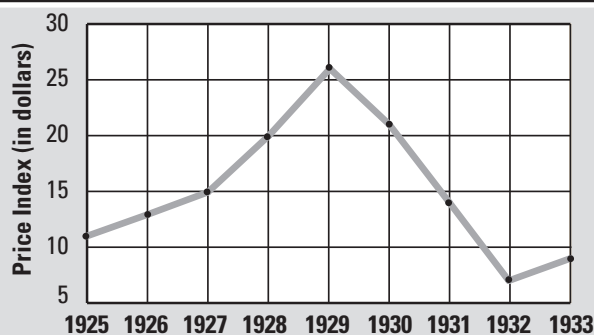
In France, the political situation was worse. After several governments lost support, *moderates* and *socialists* combined to form a government. It passed laws to help workers, but companies raised prices to cover their labor costs. Unemployment remained high.

In Sweden, Norway, and Denmark, the governments played active roles in the economy. They taxed people with jobs to have money to pay benefits to people without jobs. The governments also created jobs by hiring out-of-work people to build roads and buildings.

In the United States, **Franklin D. Roosevelt** began a program called the **New Deal**. The government spent large amounts of money on constructing roads, dams, bridges, airports, and buildings. This effort created jobs for millions. Businesses and farmers also got help from the government. The American economy got better, but the *recovery* was slow.

3. How did the United States meet the crisis?

Stock Prices, 1925–1933



Skillbuilder

Use the graph to answer the questions.

1. How did the average price per stock share change between 1925 and 1929?

2. How did the average price per share change between 1929 and 1932?
