Notes: Great Depression (1929)

***What was it?**

--Capitalist economies around the world suffered from high unemployment, low production levels, financial instability, and shrinking trade.
--It was the most severe downturn ever experienced by the capitalist economies.
--It was also long lasting.
--Many Marxists saw the depression as the end of capitalism.

***Why did it happen?**

1) Inflation of the 1920's
    a. caused political and social turmoil
    b. made it less likely that governments would run budget deficits because they believed that such deficits contributed to inflation
    c. government spending and public works were needed during the 1930's to bring the economy out of recession (provide jobs, etc.)
2) Reparations and War Debts
    a. made normal business, capital investment, and international trade difficult for European nations
3) Isolationism and High Tariffs
    a. made it more difficult to trade and discouraged production
    b. hurt employment
4) Wall Street Crash of 1929
    a. as early as 1928, American money was withdrawn from European investments and placed into the booming New York Stock Market
    b. in addition, U.S. banks had made large loans to consumers, who then invested in the stock market
    c. after the crash, banks failed and those that were still in operation stopped loaning money to Europe
5) Hoover Moratorium (1931): a one year moratorium on all payments of international debts
    a. hurt economies dependant on reparations (particularly France)
    b. the Lausanne Conference in the summer of 1932 ended the era of reparations
6) Falling World Wheat Prices (primarily because of better farming methods)
    a. this meant lower income for farmers which made it harder for them to pay their debts
    b. it also decreased their demand for industrial goods used in farming
    c. underdeveloped nations (who depended primarily on agricultural products) could not make enough money to buy finished goods from industrial Europe
    d. this, in turn, led to unemployment and stagnation in European coal, iron, and textile industries that largely depended on international markets

***Commodity production had simply outstripped world demand. By the early 1930's, the Great Depression was growing on itself.**

***What were the results of the Great Depression?**

1) Keynesian Economics
    a. in 1936, John Maynard Keyens's book *General Theory of Employment, Interest, and Money* was published
    b. maintained that government spending and programs could bring an economy out of depression
    c. before Keynes, classical economics believed that the economy self-adjusted and that cuts in government spending were necessary to prevent inflation
2) The mixed economy
    a. Government involvement in economic decisions alongside business and labor
        1) includes government regulation of trade, labor, and currency
        2) maintaining full employment and low inflation through fiscal policy
    b. Today, most economies in the world are mixed economies (that is, not completely capitalistic nor completely socialistic)