

## Interwar period economy

### **1 The roaring twenties**

The Roaring Twenties is a term for Western society and culture in the 1920s. It was a period of sustained economic prosperity

The Roaring Twenties was a decade of great economic growth and widespread prosperity, driven by recovery from wartime devastation and postponed spending, a boom in construction, and the rapid growth of consumer goods such as automobiles and electricity. The economy of the United States, which had successfully transitioned from a wartime economy to a peacetime economy, boomed and provided loans for a European boom as well. However, some sectors were stagnant, especially farming and mining. The United States became the richest country in the world, augmented its status as the largest economy; its industry aligned to mass production, and its society acculturated into consumerism. European economies had a more difficult readjustment and began to flourish about 1924.



[Kristie Bateman](#). *Flapper Girl* (CC BY)

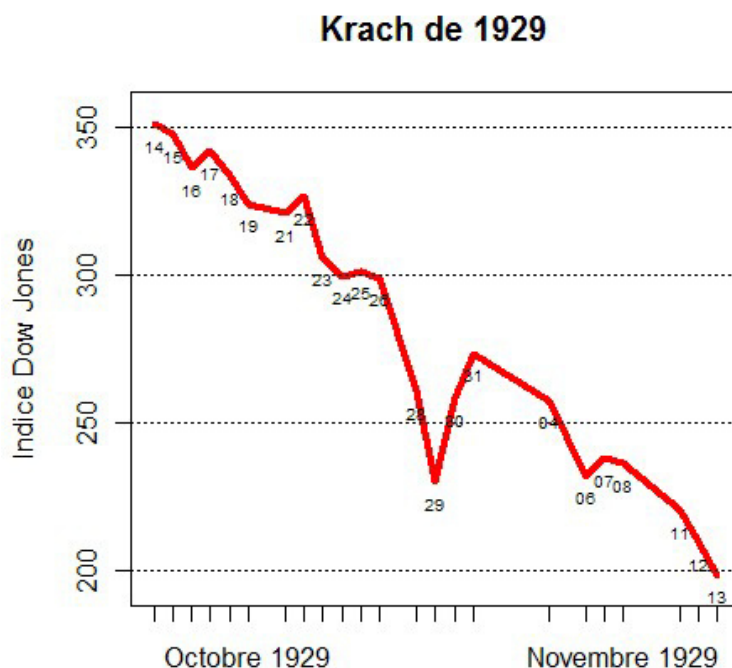
## 2 The crash

There are several causes that explain the **Crash of 1929**:

- **Overproduction.** The production increased a lot since Europe imported American goods in WWI.
- **Speculation.** Profits had been really high between 1921 and 1926.
  - Many people bought shares as they could not be invested in industry due to overproduction.
  - The price of shares did not match their actual worth.
  - Loans were easy to get. Hence, more shares were bought.

Wall Street is the trade center for the USA. By 24<sup>th</sup> October 1929 prices dropped because everybody wanted to sell their shares but nobody wanted to buy.

They hoped the banks would keep the value of shares up artificially, but they couldn't because they were short of money (it had been loaned and not repaid)



[Gribeco. The crack \(CC BY-SA\)](#)

As a result, most people couldn't pay their loans, banks collapsed, factories closed and thousands of people were unemployed.

The Republican government didn't believe the State should interfere in the free market economy to help private businesses, the poor, the unemployed ...

### 3 The effects

The USA stopped lending money abroad and wanted its loans back. By 1930 nearly 2,000 banks had collapsed as people wanted to get their savings. •Three years later there were over 12 million people unemployed in the USA.

The consequences of the Depression affected all the countries in Europe. The least affected country was the USSR, which had a communist system. In Germany people turned to groups like Hitler's Nazis who promised a strong government and a better life. In Italy Mussolini wanted to increase the power of Italy abroad. In England, France, etc. people also suffered the crisis.

Japan's economy was very affected so they decided to take over other countries.



[Anais Fernandes](#). [American way of life](#) (CC BY-SA)

## 4 The solutions

In 1932 the democrat Franklin Delano Roosevelt became president. His economic thinking was based on Keynes' ideas. He had a New Deal with three main aims:

- To spend money to help people get back to work.
- To rebuild American trade and industry.
- To improve the lives of ordinary people.

To achieve this he introduced many new ideas:

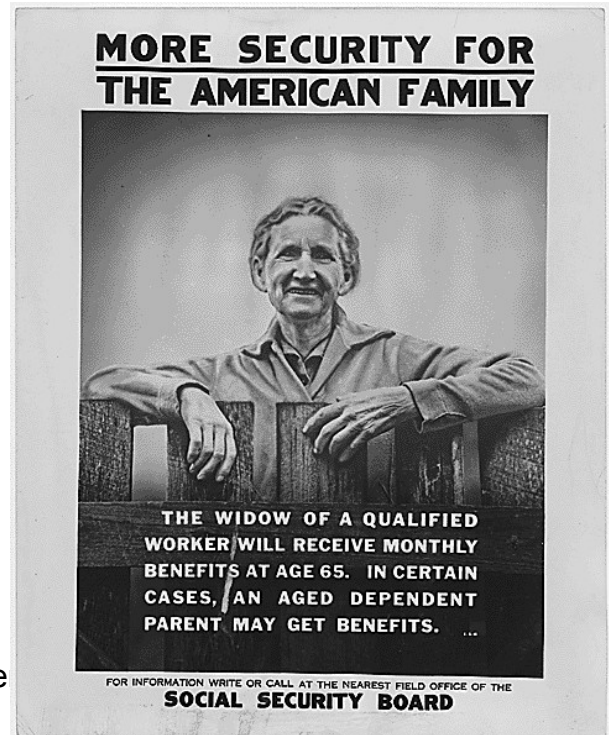
- He closed all the weak banks and loaned money to the stronger ones.
- He tried to control the Stock Market.
- He started schemes to feed the poor and help them back to work. A civil works administration was set up to build roads, bridges, hospitals ...
- To give jobs to young people he started a civilian Conservation Corps, where people were paid to carry out projects to help other

- To help farmers he introduced the Agricultural Adjustment Acts: farmers were paid to produce less food and modernise their businesses.

- He developed the Tennessee Valley: an area of 40.000 square miles and 7 states.

- The Wagner Act: Trade unions were legal to help workers campaign for better pay and conditions.

- The Social Security Act: workers could pay into a fund and receive benefits when they were unemployed and pensions when they retired.



[Andeggs. Social Security poster](#) (Dominio público)

European countries such as Germany implemented different policies. We will study it in a further lesson

## Webgrafía

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