

THE WORLD ECONOMIC DEPRESSION OR THE GREAT DEPRESSION OF 1929-35

It was the global economic crisis (slump in economic activities) that was characterized by mass unemployment, financial crisis, deflation, low purchasing power and the closure of banking institutions. It started from the Canadian Agricultural sector and spread to other sectors and covered the whole world up to the collapse and the closure of the Wall Street exchange market in USA on 29/10/1929. It was a period of great misery/agonies that followed a great boom. This global economic disaster was caused by economic, social and political factors.

CAUSES OF ECONOMIC DEPRESSION OF 1929-35.

Increased production and capitalism after WW1 led to the depression. It should be remembered that after the great war, nations embarked on recovery programs which led to a period of economic boom between 1925-29. Unfortunately, the increased production didn't match with demand, i.e. there was a period of technological advancement leading to more output. Therefore, unsold stock began to pile up and manufacturers began to produce less and even laid off workers. The situation was worsened by protectionism leading to a slump in world economies.

The effect of WW1 left many economies in a sorry state and further contributed to the depression. The war devastated infrastructure, destroyed industries, farms, gardens and commercial ships. i.e. Britain lost 40% of her commercial ships to German submarines making it difficult to export. This had negative impacts on the level of production, purchasing power and trade. Eventually, a depression became inevitable by 1929.

The Versailles settlement of 1919 also caused the depression. The payment of the reparations in form of money, cattle, ships, agricultural and industrial products. On top of this, Germany and her allies were neither free to export nor import goods to and from European powers. This affected economic activities and international trade in the affected countries, thus leading to the depression.

The American loan scheme to European countries caused the depression. During and after the war, European countries borrowed huge sums of money to finance the war and recovery of their economies. The repayment, however, created an economic situation where huge amounts flowed from Europe to the US without exchange of goods. This unfortunate development affected economic activities, thus leading to the depression.

The gold standard system also led to depression. The system created economic rigidities leading to a crisis. Under this system, each economy was supposed to have money in circulation equivalent to the gold reserves. This therefore limited money in circulation and reduced effective demand in countries that had limited gold. The situation became worse when America

started demanding payment in form of gold. As more gold went to the US and money supply reduced, demand for goods reduced, production levels reduced and unemployment became the order of the day. This eventually drifted the world into a great depression by 1929.

The policy of economic nationalism (isolation) and protectionism that was practiced by nations also caused economic stagnation. The policy was pursued by countries especially America in the interwar period. The US pursued a discriminative economic policy against the imports yet she wanted to export more. This forced other countries to react in the same way. Eventually international trade was shuttered and most economies got crippled due to stagnant output. These developments led to low economic activities, depressed prices, poverty levels increased especially among farmers and industrialists; This is how the world sunk into a great slump.

Weakness and failure of the League of Nations to implement economic policies necessary for free trade.

It failed to promote economic cooperation in Europe. The League looked on helplessly as nations resorted to dangerous protectionism which denied them the badly needed market and profits. Above all it failed to come out with the clear way of handling currency circulation which was determined by the gold reserves that created economic rigidities; Apparently the world was slowly sinking into a slump.

The worsening fall in income due to unemployment also caused the depression. Although most European countries eg Britain, France and Germany had reached economic boom in the 1920s, they had done little to improve social welfare of the people. Unemployment remained very high in most economies ie in Germany it stood at 10m, Britain 1m, several millions in the US. In addition machines had replaced labor due to technological advancement in agriculture and industry; in short therefore, this lack of income left accumulated output unbought carrying events towards a disastrous slump in world economies by 1929.

Relatedly increased income inequality and poverty also worsened the situation. There was great inequality among people with few successful factory owners and rich farmers remaining very rich while the majority increasingly became miserably poor. During the years of economic boom and recovery, factory owners were earning abnormal profits but shockingly they were not willing to pay good wages their workers. This meant that there was low purchasing power, production levels reduced, industries got shuttered and eventually the world sunk into a great recession.

The banking crisis also drove events towards a great slump. In the late 1920s, many banks in Germany, Austria and the US went bankrupt (4400 banks) and savers lost their savings. As banks ran out of liquidity, they took desperate measures including demanding people to pay loans before due time. Because of the banking crisis, many savers withdrew their money from banks, this reduced lending and grossly affected investment. As people lost savings consumer spending also reduced hence causing a great recession.

Speculation and rumors by prominent politicians, economists, stock blockers and the press about the depression in different countries caused the depression. Such rumors affected investment plans as investors were uncertain of the future. These speculations began in 1928 when agricultural prices in Canada and the US began fluctuating downwards which meant that share prices would sooner than later also reduce. There was speculation in buying shares and later

sell at high prices but in a dramatic turn of events, prices of shares began to fall as there were more shares than buyers eg in October 1929 there were 13 million shares on wall street stock exchange market ; the depression had become real !!

The (crash) collapse of the wall Street stock exchange market on 29/10/1929 sparked off the depression. This unprecedented development left European countries that were heavily dependant on American loans and investors hard-hit and paralyzed. The European exports to the US drastically reduced, unemployment increased , purchasing power went down, companies collapsed ; it's now crystal clear that the world had sunk into a great recession.

CONSEQUENCES OF ECONOMIC DEPRESSION

The depression had a short and long term consequences in political , social and economic. negative consequences were the more than the positives.

1. Breakdown of financial institutions, it created panic and speculations that made millions of people to rush to withdraw their savings from banks. This made banking institutions bankrupt and consequently many banks were closed down e.g. over 4200 banks were close down in USA.
2. The depression resulted into massive unemployment due to the collapse of industry, mining and agricultural sectors. The surplus production and low demand made factories and land owners to layoff workers which resulted into mass unemployment. alas by 1932 it numbered 3.5m in Britain, over 3m in France, over 10m in Germany, 13m in US.
3. The poor economic situation led to the decline in the standards of living. This was famine, poverty and starvation because people don't have money to buy the surplus products.
4. The depression shuttered international trade . countries adopted higher tariffs and quotas on imports . In Britain Neville Chamberlain introduced the duties act of 1932 of 10% on imports. These measures reduced the volume of international trade as countries got flooded with surplus products with the narrow domestic market .
5. The depression led to breakdown of international relations among countries . Europe hated USA because of her policy of economic nationalism that escalated the depression in Europe. The anti US feelings increased as she continued to demand repayment of her debts despite the prevailing economic hardships. The relations between defeated powers and victorious powers also worsened as the victorious powers continued to demand for reparations from the defeated powers. This was because the depression had paralyzed the world economies that no one country could be able to play any role.
6. The depression undermined the performance of the League of Nations in Europe. It weakened the economic status of member states which made the nation bankrupt and unstable to finance its activities. It also made powers like Japan and Italy to resort to aggression as a way of addressing hard economic situation. Above all it made active members like Britain and France to lose commitment as they concentrated on recovery programs. This paved the way for the collapse of the LON.
7. The depression led to the Growing of influence of socialism. The great economic

depression led to the influence of socialism especially in Eastern Europe as many suffering nations looked at the communist Russia with great admiration since the depression didn't reach Russia.

8. The depression led to rise of authoritarian regimes and dictatorship in Europe. This was because it created enormous social problems that favored rise of extremist parties.e.g in Germany it led to the rise Nazism and Hitler, general Franco in Spain . In Hungary, Austria, Romania, Czechslovakia extreme political parties gained significant ground.
9. Relatedly, it sparked off political upheavals that led to collapse of governments across the world.The acute poverty and income inequality forced the desperate masses into revolts demanding for change of existing governments.In Germany it led to the collapse of the Weimar republic in1934 , in US the democrats were defeated by the Republican party, in UK the labour party was replaced by the conservatives in 1931.
10. The depression further led to severe poverty and starvation due to low income and purchasing power. Millions of people in Europe,Asia, Africa and America couldn't afford basic necessities like food, shelter Medicare and education. The working conditions worsened for workers leading to social unrest.
11. It led to the collapse of banking institutions.millions of people withdrew their savings from banks and this left banks without money leading to closure. In US about 4200 banks closed which made many people lose their savings, the Austrian central bank closed in 1931, stock exchange markets collapsed.
12. It contributed to the outbreak of the ww2. The failure of existing governments to solve peoples problems led to the rise of dictators whose ambitions amongst others was to destroy the western governments and socialism. This was responsible for the Berlin Roman Tokyo Axis alliance against western democracy that created tension and led to the outbreak of war in 1939.

POSITIVE EFFECTS

13. It resulted in the adoption of social economic reforms to modernize Agri, industry and social services.progressive taxes were introduced to redistribute wealthy, trade unions were right to bargain for better conditions of work, unemployment benefits were given to people in US, Britain, France.
14. It led to adoption of economic reforms and policies to fight the depression. e.g In France an economist John Maynard Keynes developed the ideas in his general theory of employment, interest and money.His theory suggested increase in government spending,taxcuts to solve the depression. In US president Roosevelt introduced the New deal reforms, in Germany stress Mann introduced new recovery program.
- 15.It brought closer economic nrelations among the European countries as a measure to recover from the depression.This gave way to establishment of trading groups e.g British common wealthy in1932, the Oslo group of the Scandinavian countries.
- 16.It facilitated the spread of communist and socialism in Europe.The suffering caused by the depression made many Europeans to develop hatred against liberalism and capitalism that were accused of causing the depression.As a result socialism spread to Czech Slovakia, Yugoslavia, Romania and Poland.It renewed interest in Marxist doctrines .Communism thus became popular especially among the workers.
17. It ended the rigid international gold standard system.This revived international trade since it open way for countries with out gold reserves to trade freely.
- 18.It led to increased government intervention in the economy. Governments in France and Britain intervned to protect the free market system from radical revolutions.In France the

wheat office was established to fix prices, there was government control of Banks, doctors mandate in Britain. These schemes ultimately resulted in the creation of welfare systems.

THE WEMER REPUBLIC OF GERMAN (1919- 1933)

The wemer republic was a democratically elected government that was established after the collapse of German empire in 1919. As German was being defeated in world war1. Public opinion turned against Keiser William11 who resigned and fled to exile. This created a political vacuum and led to the rise of various political parties such as Communists, socialists, republican's reberals, and democrats.

The first meeting of delegates was made in wemer town in 1919 where a new constitution was declared. This provided for a republican form of government and Elbert became the first president and the government was named Wemer Republic because it was formed in Wemer town.

REASONS FOR WEMER REPUBLIC

1. The need for a democratically elected government based on western models influenced the constitutional assembly, delegates to institute the wemer republican government, they were inspired by the French and the British systems of government to destroy the Germany monarchical government.
2. The defeat of German and diverstating effects of world war1 contributed to rise and existence of the wemer republic. By 1918, the allied powers had destroyed the Germany economy and there was serious faming, starvation, inflation and unemployment. These provided strikes and demonstration against Kaiser and the German lost confidence in monarchical government and decided to form the republic.
3. The resignation and abdication of Keiser William11 left a political vacuum through which a wemer republic arose. Due to pressure from the First World War and the hostility of the Germans Keiser William fled to exile leading to a power vacuum.
4. The role of foreign powers was influential in rise of wemer republic. The monarchical government of Keiser was a big problem to European powers and that's why they fought and defeated it in the world war1. Foreign powers needed a puppet government that would dance to their tunes and this is why they supported the wemer republic.
5. The need for reconciliation and peaceful for existence in other European powers was also instrumental in the rise of wemer republic. Germany aggression had isolated her from the rest of Europe and made Germany an enemy of nearly the whole of Europe. It has also returned the development of Germany and undermined her position in international affairs.
6. Heavy blood shed crashes and insecurity in Berlin were also responsible in the rise of wemer republic. It made the constitutive assembly delegates to shift the nation assembly venue to wemer. It was for wemer where a constitution and republic were declared.
7. The need for political liberty that brings powers to the people through parliamentary election was also behind the wemer republic. The Germans were fed-up of the

- dictatorship of Kaiser William II. They demanded for a reduction of the president's power to end dictatorship which gave the rise to Weimar republic.
8. Weimar republic was formed by the need to end Prussian dictatorship and dominance in German politics. Prussians monopolized German politics and key positions at the expense of other states. The favored religion was tolerance where the Protestant faith was made the state religion.

REASONS FOR THE COLLAPSE OF WEIMAR REPUBLIC BY 1933.

It was unpopular for its being because it was associated with the unrealistic Versailles Treaty of 1919. The treaty for example disarmed Germany and blamed her for having caused World War I and caused heavy reparation on Germany. The Weimar republic leaders were blamed for betraying the Germans by accepting and signing the harsh terms of the settlement.

Internally the republicans established a very weak foundation that contributed to its collapse. The Germans had no experience for democratically elected government. They were used to Prussian dictatorship and Bismarck's policy; this is why the republic was rejected.

The role various political groups like communists, socialist republicans and the Nazis also undermined the existence of Weimar republic. These parties criticized and undermined the government for accepting the Versailles terms and failing to prove the social and economic welfare of the Germans.

The stability of Weimar republic was also affected by a number of coups i.e. 1920 the monarchists under Kapp occupied Berlin and temporarily brought the end of the Weimar republic. In 1923-24 the royalist made by General Ludendorff and Nazis made by Hitler attempted the coup respectively.

The Weimar republic had incompetent politicians who failed to handle the post-war challenges of Germany. The republican leaders failed to contain violence and insecurity that made people to lose confidence in their government.

Economic problems also affected the stability of the republic. Germany's economy was destroyed by World War I and war reparations worsened the problem of inflation, unemployment, famine and starvation. In 1929-33 economic depression made the last devastating blow to the German's economy and created more problems.

The rise and the role of Hitler and Nazism greatly contributed to Weimar republic. The favorable post-war conditions in Germany favored the rise of Hitler and growth of Nazism. Hitler blamed the Weimar leaders for betraying the Germans in World War I like accepting the Versailles treaty.

Foreign interventions were yet another problem that contributed to the downfall of Weimar republic. In 1923, the French invaded and occupied the industrial region; they looted Germany's industries before they withdrew in 1926, this crippled Germany's economy because the Ruhr was an abundant source of power. The Germans blamed the republic for its failure to defend them and shifted the loyalty to Hitler.

The timely death of Hindenburg in 1934 marked the end of the Weimar Republic. It left a political vacuum through which Hitler rose to power and brought an end to the republic. It was after the death of Hindenburg that Hitler added the presidential power to himself otherwise if Hindenburg had not died Hitler's rise to power would have delayed.

- QN. Account for the rise and collapse of the Weimar Republic in Germany between 1919-34.**
- 2. To what extent was Hitler responsible for the collapse of the Weimar Republic?**
 - 3. Examine the problems faced by the WR between 1919 -1934.**

ADOLF HITLER AND NAZISM IN GERMANY.