
# Global Great Depression

*By Bennett Sherry*

The Second World War can be traced to the Great Depression. Billions of people were affected by this economic collapse. The old saying, "the bigger they are, the harder they fall," applies to economic systems.

## 970L

## Capitalism in crisis

It was the morning of Thursday, October 24th, 1929. The New York stock market began a crash that would last four days. It started in the United States, but the Great Depression was a worldwide economic collapse. As conditions worsened in the early 1930s, it appeared the old European-centered capitalist economic order was collapsing.

This course has emphasized how the long nineteenth century created a single global economic system. It linked the world through trade and finance. Because of this, when most of Europe went to war in 1914, much of the world was affected in some way. These connections continued after the war as well. Let's follow them to see how the crash of the US economy could spread worldwide.

First, European markets were closely connected to American markets. As European countries tried to recover from the war, they depended on American financing. That's how in 1929 when the American economy crashed, it brought Europe down with it. Then it was Europe's connections that quickly made this a global economic crisis. Remember that by the early twentieth century, much of the world lived under some form of European colonialism. European global empires linked far-flung economies in Asia, Africa, and the Middle East to Europe and the Americas. It didn't take long for the dominoes to fall.

## Crisis and isolationism in the West

What caused the Great Depression? Many things, but inequality was high on the list. In 1929, the top 1 percent of Americans owned more than half of their country's wealth.[1] Many of the remaining 99 percent went into debt during the 1920s to support their consumer lifestyles and open up businesses. To make matters worse, wealthy investors on Wall Street took on risky debts and made risky investments. This recipe for disaster is what cooked up the 1929 stock market crash. People, mainly in the US, responded to the stock market crash in the worst way possible: they panicked. They took all their money out of the banks. Now banks didn't have enough cash on hand. The whole crisis got worse.


*A crowd gathers outside a New York bank, waiting to withdraw their money. Public domain.*

In the first years of the depression, the global production of goods halted. American manufacturing declined by 36 percent from 1929 to 1930 and by another 36 percent the following year. International trade fell by 30 percent. The price of even basic necessities tanked. As production and trade declined, factories shut down. By 1932, around 30 million people were unemployed worldwide. In 1933, 25 percent of American workers were unemployed.

Another way the dominoes kept falling was a lack of international cooperation. All over the world, governments chose to put tariffs in place. Tariffs are taxes on foreign goods. They're intended to force citizens to buy domestic goods by making imported goods more expensive. But during the Great Depression, tariffs made matters much worse. This was especially true for people living in European colonies in Latin America.

1 And in fact, the top one-tenth of one percent controlled almost 25 percent of American wealth.

## Crisis and exploitation in the colonies

Unemployment numbers in the United States and Europe were impressively scary. However, Latin America and European colonies in Africa and Asia were devastated too. Europeans had been using many of their colonies to grow cash crops like rubber, sugar, and coffee. Cash crops aren't for local use, and they're not necessities.

West African rubber trees helped build the growing auto industries of Europe and North America. Pop quiz: What do people not buy when they've just lost their job and all their money? If you said "cars", you are correct! So British and French colonies in West Africa and Southeast Asia suddenly found themselves with a bunch of rubber that no one wanted to buy.

Cash-strapped consumers in the United States and Europe cut back on non-essentials like chocolate, coffee, cars, and diamonds. Meanwhile, Latin America and the colonized world paid the price. Of course, colonized people did resist. Moses Ochonu, a historian of colonial Africa, details how Nigerians found methods to cope with economic decline and fight back against colonizers. Organized labor strikes and tax revolts directly resisted the increasingly harsh conditions.

## As the economy falls, the state rises

The Great Depression changed the way governments saw their relationship to production and distribution. The global collapse specifically involved industrial free-trade capitalism. The Soviet Union, or USSR—the world's first state based on communist economics—did not collapse. Joseph Stalin used the opportunity to create a Five Year Plan in 1928. He called for taking land from individual peasants and putting it under the control of group "collectives," while also rapidly building Soviet industry. Of course, Joseph Stalin broke a few eggs in making this economic omelet.[2] Nevertheless, the Soviet economy seemed to improve. Soon many countries in the West began to think maybe they should be controlling their economies more as well.


*Eleanor Roosevelt, first lady of the United States, visiting Iowa in 1936 to see a New Deal public works project. Public domain.*

2 "You have to break a few eggs to make an omelet" is a popular expression. It's a way of saying that a constructive goal is often achieved by destructive actions.

In Western Europe and the United States, governments started taking a more active role in directing the economy. These new economic experiments gave more power to the state in controlling production and distribution. The US president, Franklin Roosevelt, for example, looked to address wealth inequality and provide government jobs through the reforms and massive public works projects of the New Deal. Today, the minimum wage you're guaranteed for summer jobs, the social security your grandparents receive, and much of the infrastructure you depend on, like roads, has its roots in Roosevelt's "New Deal" from the 1930s. These policies all gave more security to American citizens. But many capitalists and conservative politicians worried that it gave too much power to the government.

## War and money

Some critics called New Deal policies "dictatorial." But elsewhere actual dictators rose to power during the depression. Most historians think that economic conditions weren't directly responsible for dictators like Adolf Hitler in Germany. However, others argue that they did help them to appeal to suffering populations. And these authoritarian dictators—especially Hitler—set the stage for history's deadliest conflict: the Second World War.

Ultimately, it wasn't welfare reforms that ended the Great Depression. It was war. Germany, Japan, and Italy took state control to the extreme with aggressive authoritarianism and fascism. Germany and Japan pulled their countries out of economic muck by increasing military production. They used their new military might to seize new land and resources. The US economy only recovered when it started building and selling huge numbers of expensive tanks, planes, and ships.

In addition to setting the stage for WWII, the Great Depression prepared parts of the world for the waves of decolonization that followed the war. Colonized people in Africa and Asia were hit hard by the depression. After the war, they looked around at the global capitalist-imperialist system. It had produced economic collapse and two world wars. And they asked themselves: "why do we let them rule us?"

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## Image credits

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