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1930s

The Great Depression in Global Perspective

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The Great Depression was a global phenomenon, unlike previous economic downturns which generally were confined to a handful of nations or specific regions. Africa, Asia, Australia, Europe, and North and South America all suffered from the economic collapse. International trade fell 30 percent as nations tried to protect their industries by raising tariffs on imported goods. "Beggars-thy-neighbor" trade policies were a major reason why the Depression persisted as long as it did. By 1932, an estimated 30 million people were unemployed around the world.

Also, in contrast to the relatively brief economic "panics" of the past, the Great Depression dragged on with no end in sight. As the depression deepened, it had far-reaching political consequences. One response to the depression was military dictatorship--a response that could be found in Argentina and in many countries in Central America. Western industrialized countries cut back sharply on the purchase of raw materials and other commodities. The price of coffee, cotton, rubber, tin, and other commodities dropped 40 percent. The collapse in raw material and agricultural commodity prices led to social unrest, resulting in the rise of military dictatorships that promised to maintain order.

A second response to the Depression was fascism and militarism--a response found in Germany, Italy, and Japan. In Germany, Adolph Hitler and his Nazi Party promised to restore the country's economy and to rebuild its military. After becoming chancellor in 1932, Hitler outlawed labor unions, restructured German industry into a series of cartels, and after 1935, instituted a massive program of military rearmament that ended high unemployment. In Italy, fascism arose even before the Depression's onset under the leadership of Italian dictator Benito Mussolini. In Japan, militarists seized control of the government during the 1930s. In an effort to relieve the Depression, Japanese military officers conquered Manchuria, a region rich in raw materials, and coastal China in 1937.

A third response to the Depression was totalitarian communism. In the Soviet Union, the Great Depression helped solidify Joseph Stalin's grip on power. In 1928, Stalin instituted a planned economy. His First Five Year Plan called for rapid industrialization and "collectivization" of small peasant farms under government control. To crush opposition to his program, which required peasant farmers to give their products to the government at low prices, Stalin exiled millions of peasants to labor camps in Siberia and instituted a program of terror called the Great Purge. Historians estimate that as many as 20 million Soviets died during the 1930s as a result of famine and deliberate killings.

A final response to the Depression was welfare capitalism, which could be found in countries including Canada, Great Britain, and France. Under welfare capitalism, government assumed ultimate responsibility for promoting a reasonably fair distribution of wealth and power and for providing security against the risks of bankruptcy, unemployment, and destitution.

Compared to other industrialized countries, the economic decline brought on by the Depression was steeper and more protracted in the United States. The unemployment rate rose higher and remained higher longer than in any other western society. European countries significantly reduced unemployment by 1936. However, the American jobless rate still exceeded 17 percent as late as 1939, when World War II began in Europe. It did not drop below 14 percent until 1941.

The Great Depression transformed the American political and economic landscape. It produced a major political realignment, creating a coalition of big city ethnics, African Americans and Southern Democrats committed, to varying degrees, to interventionist government. The Depression strengthened the federal presence in American life, producing such innovations as national old age pensions, unemployment compensation, aid to dependent children, public housing, federally subsidized school lunches, insured bank deposits, the minimum wage, and stock market regulation. It fundamentally altered labor relations, producing a revived labor movement and a national labor policy protective of collective bargaining. It transformed the farm economy by introducing federal price supports and rural electrification. Above all, the Great Depression produced a fundamental transformation in public attitudes. It led Americans to view the federal government as the ultimate protector of public well-being.

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