

The World Confronts the Crisis

The Depression confronted democracies with a serious challenge to their economic and political systems. Each country met the crisis in its own way.



This photograph shows a soldier distributing food to hungry Germans in 1931 during the country's economic depression.

Britain Takes Steps to Improve Its

Economy The Depression hit Britain severely. To meet the emergency, British voters elected a multiparty coalition known as the National Government. It passed high protective tariffs, increased taxes, and regulated the currency. It also lowered interest rates to encourage industrial growth. These measures brought about a slow but steady recovery. By 1937, unemployment had been cut in half, and production had risen above 1929 levels. Britain avoided political extremes and preserved democracy.

France Responds to the Economic

Crisis Unlike Britain, France had a more self-sufficient economy. In 1930, it was still heavily agricultural and less dependent on

foreign trade. Nevertheless, by 1935, one million French workers were unemployed.

The economic crisis contributed to political instability. In 1933, five coalition governments formed and fell. Many political leaders were frightened by the growth of antidemocratic forces both in France and in other parts of Europe. So in 1936, moderates, socialists, and communists formed a coalition. The Popular Front, as it was called, passed a series of reforms to help the workers. Unfortunately, price increases quickly offset wage gains. Unemployment remained high. Yet France also preserved democratic government.

Socialist Governments Find Solutions The socialist governments in the Scandinavian countries of Denmark, Sweden, and Norway also met the challenge of economic crisis successfully. They built their recovery programs on an existing tradition of cooperative community action. In Sweden, the government sponsored massive public works projects that kept people employed and producing. All the Scandinavian countries raised pensions for the elderly and increased unemployment insurance, subsidies for housing, and other welfare benefits. To pay for these benefits, the governments taxed all citizens. Democracy remained intact.

Addressing the Nation

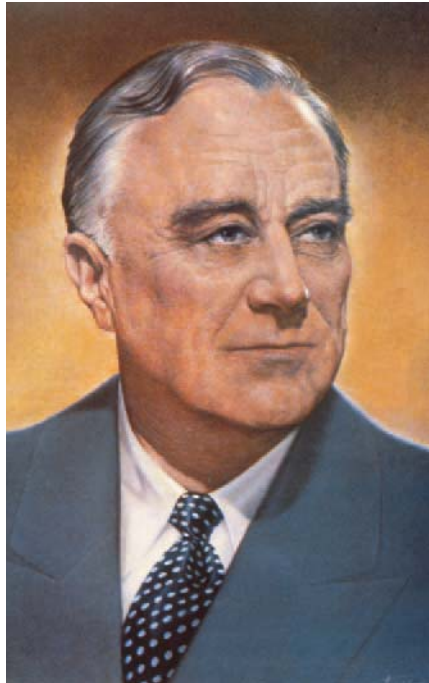
On March 4, 1933, President Roosevelt sought to restore Americans' faith in their nation:

Analyze Historical Sources

Based on this excerpt, what motive did Roosevelt have when he delivered his First Inaugural Address?

"This great Nation will endure as it has endured, will revive and will prosper. . . . [L]et me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance."

—Franklin Roosevelt, First Inaugural Address



Stricken with polio in 1921, Roosevelt vowed he would not allow bodily disability to defeat his will.

His advisers believed that government spending would create jobs and start a recovery. Regulations were imposed to reform the stock market and the banking system.

The New Deal did eventually reform the American economic system. Roosevelt's leadership preserved the country's faith in its democratic political system. It also established him as a leader of democracy in a world threatened by ruthless dictators, as you will read about in Lesson 3.

Recovery in the United States

Herbert Hoover and his administration were unsuccessful at helping Americans during the Great Depression. They tried to stop the **recession**, or period of low or reduced economic activity, but conditions worsened. However, in 1932, U.S. voters elected **Franklin D. Roosevelt**. His confident manner appealed to millions of Americans who felt bewildered by the Depression.

Roosevelt immediately began a program of government reform that he called the **New Deal**. Large public works projects helped to provide jobs for the unemployed. New government agencies gave financial help to businesses and farms. Large amounts of public money were spent on welfare and relief programs. Roosevelt and his