

# Knowledge Organiser: Depression, war and recovery 1930-1951 (Unit 1)

## Key Question 1: What were the main causes of the Depression?

### Timeline of events

29 October 1929: Wall Street Crash

### Important concept

Britain was the first industrial nation, and had prospered from the lack of competition from other countries and the ability to sell their products across the British Empire. However, by the 1920s, lack of investment in their industries and the cost of the First World War meant that Britain faced new economic rivals, such as the USA and Japan, who had developed new methods of production. With the Wall Street Crash of 1929, Britain faced a major economic depression.

### Key words

<b>Depression</b>	A long-term downturn in economic activity.
<b>Wall Street</b>	Street in New York where the USA's financial markets are based.
<b>Stock exchange</b>	A place where stocks and shares in companies are bought and sold.
<b>Exports</b>	Goods or services sold to other countries.
<b>Imports</b>	Goods or services brought into one country from another.
<b>Free trade</b>	Trade policy that does not place taxes or quotas on imports or exports.
<b>Mass production</b>	The manufacture of large quantities of one product quickly and cheaply.
<b>Reparations</b>	Compensation for war damage paid by a defeated state.
<b>Balance of trade</b>	The difference between money made by exports and imports.



### Competition from abroad

- Traditional British industries produced heavy goods, such as ships, textiles, coal, iron and steel. These were old industries, and had not developed during the early 20<sup>th</sup> century.
- These industries depended on exporting their goods; they were only profitable if they could sell to markets across the world.
- Britain had suffered economically from the First World War and could not afford to invest in its heavy industries. From the early 1920s, Britain faced competition abroad from countries that could.
- Foreign competitors could produce goods at a bigger scale and at a cheaper price.

#### Coal:

- The USA could produce coal at a cost of 65p a tonne, compared to £1.56 a tonne in Britain.
- Germany was making reparation payments in coal.

#### Iron and steel:

- The US and German steel-making plants were more technologically advanced and more efficient than their British counterparts, so Britain lost markets.

#### Textiles:

- Increased competition from the USA and Japan.
- Lancashire could not compete with cheaper cotton produced in India.

#### Shipbuilding:

- Japan and the USA could produce ships more cheaply than Britain.

### Wall Street Crash

- On 29 October 1929 a financial crash in the most powerful economy in the world took place.
- The effect of the Great Depression in the USA was felt across Europe.
- In Britain, business confidence fell dramatically and international trade declined.
- Between 1929 and 1931 exports from Britain fell by half.
- Britain's balance of trade was badly affected and by 1931, it had a trade deficit of £114 million, compared to a trade surplus of £104 million in 1928.
- Unemployment numbers increased rapidly (1930 - 2 million, 1932 - 3 million).

### New markets

- It was difficult to find new markets for British goods as products were more expensive.
- The government's Free Trade policy allowed goods from foreign markets to come into Britain freely which meant that consumers had access to cheaper foreign goods.
- British companies that exported goods often had to pay import duties to foreign governments, making their products expensive.

### Obsolete methods

- The USA had developed mass-production methods to produce goods such as cars. This meant that goods were produced quickly and cheaply.
- Britain was slow to move to new, quicker and more efficient methods of production.

#### Coal:

- British mines had not invested in up-to-date machinery so it was more difficult to mine. This made British coal more expensive.

#### Iron and steel:

- Steel-making plants abroad were larger, more efficient and more modern than those in Britain.
- 1929 - steel making ceased completely in Ebbw Vale.
- 1930 - 3,000 steel workers unemployed at Dowlais, Merthyr Tydfil.
- With the end of the First World War there was less demand for warships so Britain's iron and steel industries declined.

