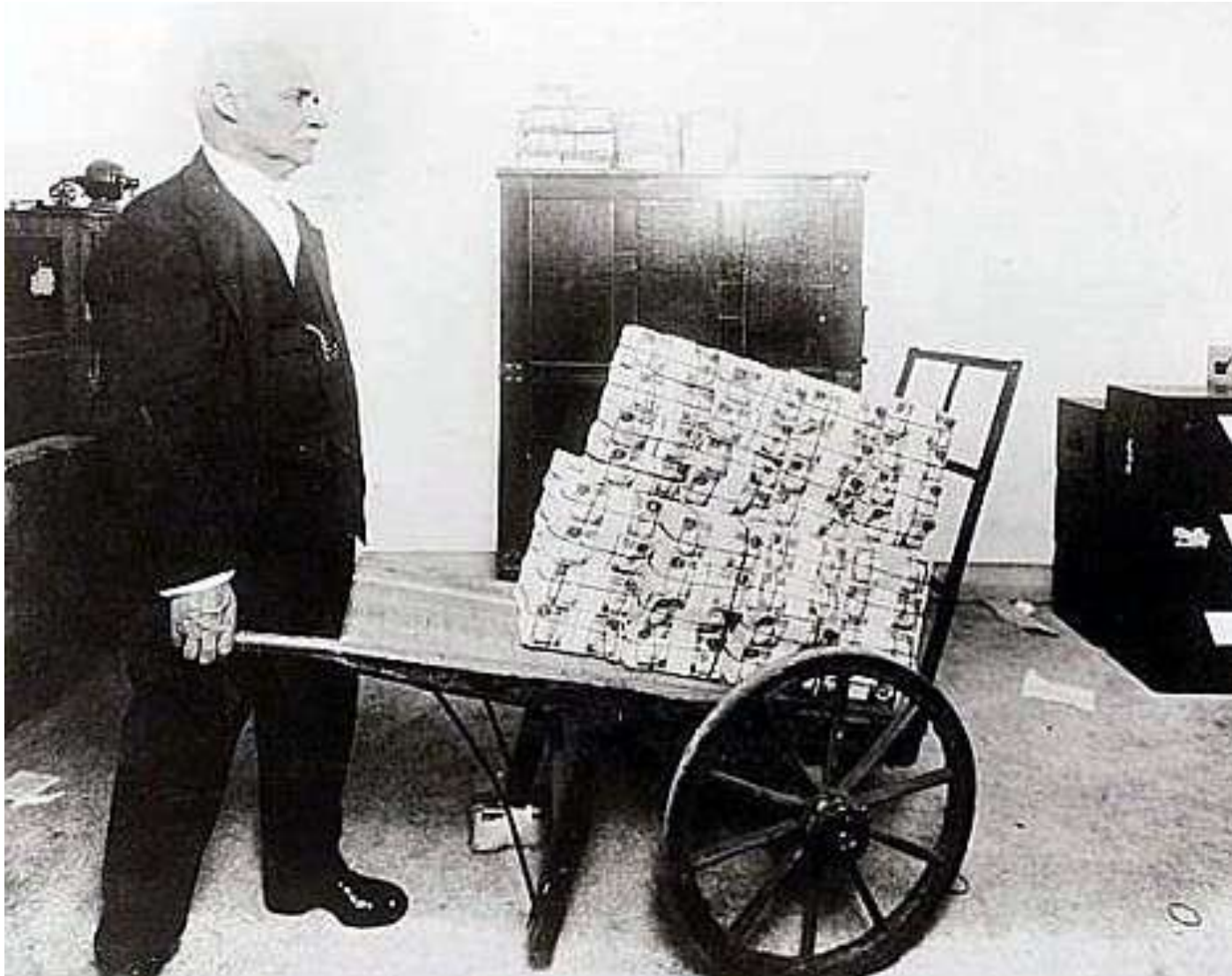


## Great Depression: A Story of Bessy, Karen, and Maryuri



## **Friends Forever: A Story of the Great Depression**

Karen, Bessy, and Maryuri are best friends. They grow up in Germany during World War I. They all come from the same town in the countryside. But they come from different backgrounds.

-Maryuri is from a farming family. Her family doesn't have much money so they move to the city. Maryuri starts working in the Bayer Aspirin factory.

-Bessy is from a business family. Her dad is really good at investing. He invests in companies on the German stock exchange. He makes a fortune investing in the Bayer Aspirin company.

-Karen is rich and intellectual. Her parents worked for Kaiser Wilhelm and Otto von Bismarck in the German government. During the revolution, her dad got a very important job in the Weimar Republic, the new German democracy.

## Chapter 1: Best Friends Forever

The year is 1925. Bessy, Maryuri, and Karen are best friends. But their lives are totally different now. They meet at the local biergarten to have some drinks.

They like to think back about school. They had a very handsome history teacher who was also very angry. He used to tell the class: “The Treaty of Versailles will destroy the world!” They remember that this refers to the treaty that ended World War I. He used to say: “It was overly punitive.” They had no idea what this meant because they didn’t listen; they liked to ignore him and flirt with the stupid boys in class.

“What was that teacher’s name? Herr Elias. I heard he’s off in America now,” said Maryuri. “Yeah, he’s supposedly rich.” They all laugh. “Too bad he was married,” they joke.

## Complete

1. Who do the girls remember?
2. Why was Herr Elias angry?
3. The Treaty of Versailles ended what war?
3. What was wrong with Versailles? What does punitive mean?

Reparations are money that Germany had to repay to France and England for starting the war. Germany didn't have any money, so they printed new money. If you print money, you cause inflation. Inflation means that prices go up. If you print too much money, you cause an inflationary crisis: Money becomes worthless, people lose their savings, and everyone panics.

### Complete

1. When you print more money, you cause \_\_\_\_\_.
2. Inflation causes money to be \_\_\_\_\_ and people lose their savings.
3. When people lose their savings, they \_\_\_\_\_.

So, to summarize: Germany lost World War I. France and England hate Germany, so they want them to pay. So, Germany has had to pay a bunch of money back to France and Germany.

Germany didn't have it, so they printed more money. When you print more money, it seems great. But it causes something called inflation. Inflation is when prices go up. So, like, a can of coke isn't one dollar anymore. It's like 100 dollars! This happens naturally because of supply-and-demand.

So, now everyone in Germany and Europe is freaking out! The economy over there is just going crazy. People are losing money because of stupid decisions by the stupid, stupid governments over there. This happens in the 1920s.

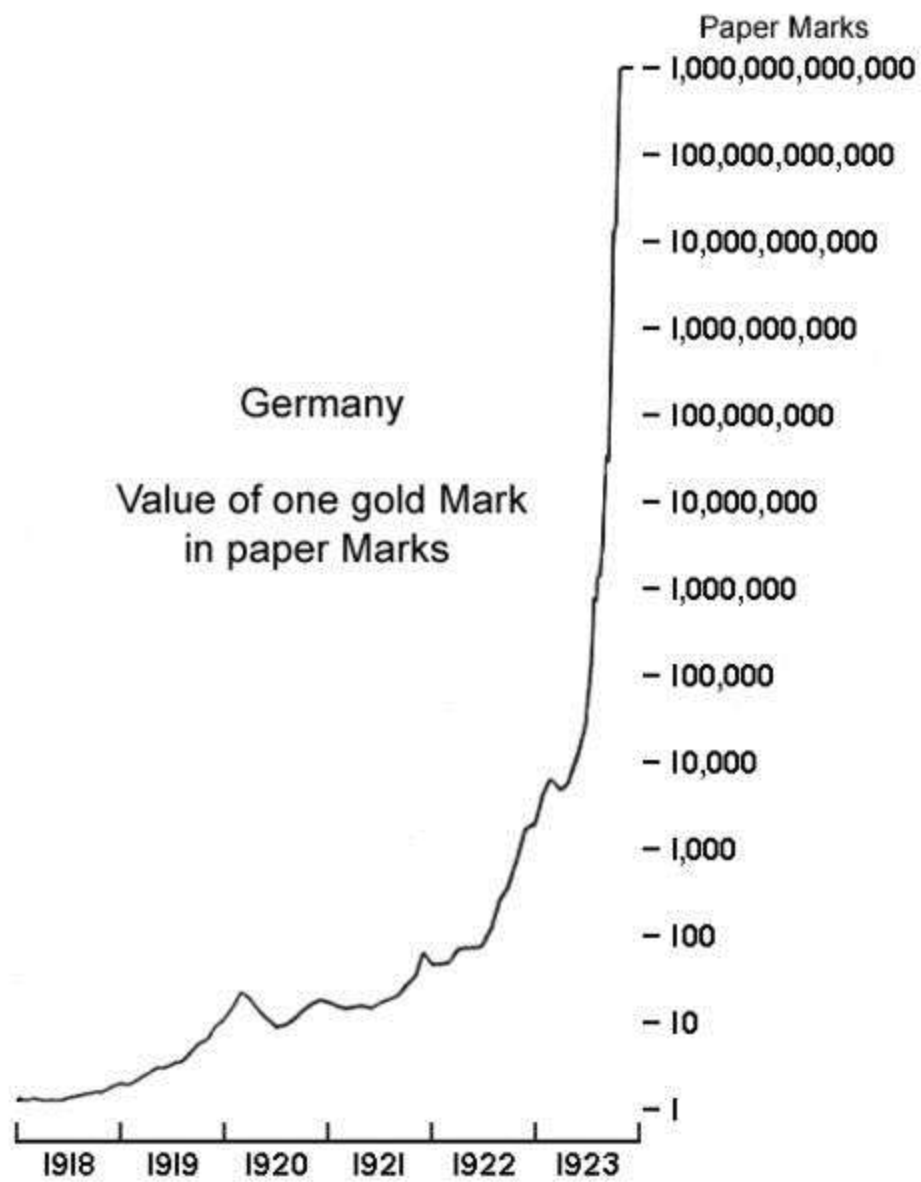
## Summarize

Why does the Treaty of Versailles cause the economy in Europe to crash?

Maryuri has been saving her money for months. She hides it under her bed. She has saved 1000 Marks (German \$\$\$) to buy a new pink dress.

She goes to the market with her money. They say: "Sorry. That dress doesn't cause 1,000 Marks anymore. It costs 10,000 Marks." Maryuri is confused and angry! Her salary hasn't changed. How can this price change so much?





Maryuri calls Karen. Now Karen works for the government. Maybe she can explain. Karen says that they just printed a whole bunch of money to pay the French, then they printed some more so that the really poor people can buy bread. "Remember Bryan Olivia?" says Karen. "He is poor and starving. He lost his job and savings. We need to support him. We need to print more money."

They look outside. There are people with carts filled with Marks. Huge piles of Marks... more than they'd ever seen before. They are taking them to the bank to buy gold and silver. They follow the crowds to the banks. Bessy is there. She owns one of the central banks in Berlin. They fight through the crowds to see Bessy.

“Hey Bessy, what's up? Why are people so angry? Why do they want gold?”

“They are angry because their money is worthless. They want gold because it has value. Our Marks are now worthless. They have no value. And I don't want to give them any. I'm going to take my gold and go to America. Wanna come?” says Bessy.

“No thanks!” say Mayuri and Karen. They are cowards. But Bessy goes to seek out the one man who always made sense: Herr Elias.

MEANWHILE, in the USA.... Before World War I, England, Germany, and France are the biggest powers in the world. After World War I, it's the United States. The United States expands to dominate world commerce. They do this by industrializing and increasing their production capacities. The USA can produce more things, in more factories, than any country in the world.

The USA becomes the center of the global economy. Everyone wants to invest in US businesses. They invest in railroads, oil wells, car factories, canals, subways... you name it!

NOW READ THIS: How do you build a railroad, factory, or subway? You borrow money from investors. THIS IS CALLED THE STOCK MARKET!

## Complete

1. What are Marks?
2. What happens to Maryuri's Marks?
3. The people carrying their Marks in carts is an example of really bad...
4. People go to the bank to trade their Marks for Gold because...
5. Europe's economy is decreasing. What about the USA?
6. The United States is building many....
7. People invest money in the \_\_\_\_\_ to pay for these things.  
They buy stocks.

## Chapter 2: Herr Elias and the Roaring 20s

Bessy arrives in New York. She is dirty and smelly from the week-long voyage. She is really smelly! But she is happy. She is going to meet her mentor.

She thinks about what she knows about Herr Elias. She hadn't told her friends, but Bessy and Elias had been corresponding by mail for years. Elias recognized that Bessy was interested in business, so he gave her many hints over the years.

Elias arrives in New York right after World War I. He puts his money together with some other immigrants and they buy some shares on the New York Stock Exchange. Shares are like little pieces of companies. When a company starts, they sell shares of their company to the highest bidder. Elias and his crew invest in a small chemical company.

The company develops a poison gas that kills roaches. It's called Cucaracha Ltd. Elias buys many shares of Cucaracha Ltd. The product is a success. He sells his shares a year later, and he is an instant millionaire. He invests his money in some other companies, and again, he makes a good profit.

"Herr Elias," shouts Bessy. "Hi Bessy, how are you? How's your friends Mayuri and Karen?" replies Elias.

Bessy replies: "They are cowards. They stayed in Germany. Things are really bad there. Reparations have destroyed the country. Those two girls aren't serious. But I am!"

"Hey, take it easy! I don't need limpieza. I need workers." replies Elias. "So, you wanna get rich?"

“Yes, I really do,” says Bessy. “But I have no money. Our Marks are worthless because of reparations. The economy is ruined from the war. What can I do? I don’t even have money for a hotel room tonight.”

“Hey, take it easy. You can sleep under the bridge. This is America. We are capitalists. You will soon be rich. You don’t need money. You just need credit. You need to buy stocks!” says Elias. He gives her a winning smile. “Let’s make money in the stock market! I will give you some credit. You pay me with what you make!”



Capitalism is an economic idea that focuses on investment and competition. The central idea of capitalism is the company or corporation. The corporation allows the individual to put his money together with others to invest large quantities. But during the 1920s, another **catalyst** emerges to speed up investment. This is the expansion of credit. Business people could buy stocks on the “margin,” which means they buy them without paying for them. They pay for them later... when they make their profits. This is the same as a credit card. But it is dangerous. If there is a panic, and everyone wants their money RIGHT AWAY, then there isn't any money to pay them. So, basically, everyone will go to the banks and ask for their money, and it won't be there. **This is a financial panic!** When this happens, everyone loses everything except if you keep your money in a piggy bank!

## Complete

1. Why does Bessy go to NY?
2. Herr Elias makes his first million by...
3. Herr Elias shows Bessy how to make money in the ...
4. Herr Elias gives Bessy \_\_\_\_\_, which is like some money she can use now and pay him later.
5. When you buy stocks on the \_\_\_\_\_, you pay for them with credit.
6. When everyone freaks out and goes to the banks to get their money out, this is called a \_\_\_\_\_.

## Chapter 3: The Financial Panic is Coming!

Swagg! The year is 1929. It is October. Herr Elias and Bessy have made enough money to buy two big houses each. They are living like gangstas.

Elias and Bessy are a great team. They work with an Irish immigrant they met named David Cole. He's smart and good at predicting the market.

Elias walked in to their office. He was all Swag:

“Hey Cole! Bessita! What's up! I heard about this great new investment. It's a Company that is going to build a floating city in the sky.

It is powered by steam. Soon, people will live in the clouds. You want a piece of the action?”

“Heck yeah! Let’s do this!” enthused the crew!

Elias, Cole, and Bessy put all of their money together. They sell their other investments. They sell the deeds to their houses. All together they get 50 percent of the new company. They buy another 25 percent share on the “margin” or with credit.

Just then, Mikias from Ethiopia comes by. “Yo guys, there’s a great new opportunity. It’s a new product called Takis. They are spicy corn chips. I can get you a 100 shares on the “margin” and you’ll make it back in no time.”

The crew buy in. Now they have all their money invested. And they have a few hundred thousand on “the margin.” What could go wrong?

The Stock Market Crash happened in 1929. The Stock Market crashes a lot. It goes up and down. But never like this.

Americans had invested too much, too fast, and much of it was “on the margin” using credit. This was dangerous because Europe never recovered from World War I. Germany was especially broke. They couldn’t pay their reparations debt. Inflation got out of control. In America, people got a bit nervous. They went to their banks to take out money, just in case. The banks had given away all the money “on the margin” to companies. Word got out; people panicked. The banks shut down. Companies stopped hiring. The economic activity that keeps the USA strong stops. The same thing happens around the world! **THIS IS CALLED THE GREAT DEPRESSION!**

## Complete

1. What is debt?
2. Bessy and Herr Elias work together with...
3. How do Elias, Cole, and Bessy become greedy?
4. The Crew pay for their investment by...
5. How do the crew get in debt?
6. The Stock Market problems start in Europe because of the \_\_\_\_\_ debt that America has.
7. When \_\_\_\_\_ gets out of control (and prices are high), people get nervous.
8. When the financial panic happens, \_\_\_\_\_ stop hiring workers and banks go out of business.

Herr Elias came running. “We’ve lost it. It’s all gone. Our investments are worthless.”

“How is this possible,” whined Bessy in a very annoying voice.

“People demanded their money. The banks didn’t have it. Everyone sold their stocks. For whatever they could get. Such low prices! It was all based on credit anyway, and now it’s worthless. Everything we have is gone,” cried Elias. He was still handsome, even though he was clearly a broken man.

“Let’s all kill ourselves!” said Cole. And they did. They jumped off the building and fell to their deaths.

Except Bessy... She ran to the telegraph office. She sent a message to Karen and Maryuri:

Emergency. My sisters! Elias is dead. We lost everything. Listen: Something bad is coming. The economy is shutting down. Germany is bad but I think things will get worse. Please do something before it's too late!

Then, she ran in front of donkey cart, killing the donkey. But she survives...

### Complete

1. What does Elias explain to Bessy?
2. What is the warning?
3. Who dies—Bessy or the Donkey?



## Chapter 4: Karen Strikes Back!

Karen stares at the telegraph. “What does it say?” exclaims Maryuri.

Karen explains the situation. “We have to do something! But what?”

Maryuri has an idea: “Let’s not do anything. Remember that Adam Smith says that when governments interfere in the economy, they usually make things worse. We’ve done enough bad stuff already by printing money and giving out credit.”

“Woah, Maryuri! Take it easy! Everyone knows that you didn’t pay attention in school. Adam Smith was your third boyfriend, not a famous capitalist economist. Remember?” explained Karen. Besides, Karen had a plan. She could talk to her daddy in the government. **KAREN WANTED TO MAKE PROTECTIONIST TARIFFS!**

### Protectionism and Tariffs:

Governments have one big economic power. They can make tariffs. These are taxes that make goods from other countries expensive. So, if USA wants to protect US products from cheaper European products, they can make tariffs. This seems like a good idea, but it STOPS trade. Because Europeans make high tariffs, too. So, instead of everyone trading; nobody is trading and taxes are too high. This made the Great Depression worse.

“Daddy, I have an idea,” said Karen. She got whatever she wanted from her daddy. She was that kind of girl.

“Yes, buttercup,” said Daddy. “Anything for you.”

“You need to protect German businesses. You need to protect the Bayer Aspirin plant. A big problem is coming. You must do something!”

So, Daddy raised the tariffs. In response, the US raised tariffs. Soon, it was a trade war. Bad idea, Karen! Maryuri lost her job because the money was worthless *and* the factory wasn’t profitable.

But, by then, something new was coming...

## Complete

1. Maryuri alludes to the work of what economic philosopher?
2. Karen decides to...
3. A tariff is like a \_\_\_\_\_ on imported goods.
4. Protectionist tariffs have what effect on trade? (Do they stop it or increase it?)
5. Do you think that stopping trade is good for the world economy?

**The end of our story:**

Karen, Bessy, and Maryuri are all very silly. They made big mistakes. Bessy lost all of her money and panicked, along with millions of other Americans and Europeans.

Karen convinced her daddy to make a tariff. The tariff stopped trade and so the economy got worse.

These silly girls caused the Great Depression.

The Great Depression causes problems in the USA.

The three major problems are unemployment, financial collapse, and stagnant world trade.

-Unemployment is easy to understand: people are out of work because there are no jobs. There *were* tons of jobs in the cities thanks to industrialization. But not during the Great Depression.



The president who saves the USA from unemployment in the 1930s is President Franklin Roosevelt. He uses the powerful federal government to make a bunch of programs like the WPA to help American's find jobs. They did stuff like build bridges and they even built the bridge over the George Washington Parkway. They do stuff that helps the country. Like, if we had this today, people would be installing free internet cable and fixing potholes in the roads. Back then, there was plenty to do. We didn't even have highways, yet. All of these **job programs are part of Franklin Roosevelt's New Deal.**



## Complete

1. \_\_\_\_\_ is a big problem. In other words, people have no jobs.
2. President \_\_\_\_\_ creates a New Deal Program to give people jobs.
3. The name of his program is \_\_\_\_\_ or the Workers Progress Administration. It creates jobs for people out of work doing stuff to help the country.

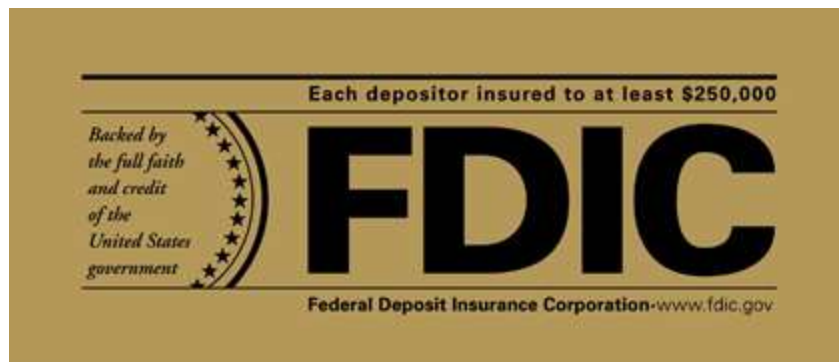
The world and America's **finances collapsed**. They feel apart. Financial collapse is complicated. Finance is another word for banks, investors, and people. Collapse is falling apart. So what does this mean?



Financial collapse meant that people lost all of their money, even in banks. If you can't depend on banks, where do you keep your money? In your piggy bank? Under your bed?

There is this government agency that is supposed to protect us from this: **The Federal Reserve**. During the Great Depression, it didn't help. So, guess who saved the day? President Franklin Roosevelt. He created something called FDIC, which is like insurance when you put money in the bank. If you put your money in the bank, and the bank closes, the government has to pay you back.

The **FDIC** is part of the Franklin Roosevelt's New Deal. It protects people's money in banks. So, new banks can open and take people's money. They can invest the money in companies. And the economy can get better!



## Complete

1. Financial collapse is when \_\_\_\_\_ close and people don't have money for investment.
2. The \_\_\_\_\_ is insurance to help protect your money in banks.

- Global trade has to do with tariffs. Countries trade with each other and everyone does good business... but, when the Great Depression happens, they get nervous. They panic. So they make tariffs, which are big taxes. These taxes stop trade. The US presidents couldn't do much about that. Like we said in the story, Karen convinces her daddy to make a tariff. This is actually what happens in the US. Before Franklin Roosevelt, the presidents make tariffs. These tariffs are supposed to help the USA, but they hurt it.

The world economy and trade actually doesn't really get better for another 10-20 years. The thing that happens after the Great Depression is World War II. This war actually helps trade start again because now the countries that are allies feel like they need to trade with each other.

## Complete

1. Global trade stops because of \_\_\_\_\_, which are like taxes on imported goods.
2. The world economy depends on global \_\_\_\_\_ to be strong. If not, you have a depression.
3. Global trade doesn't get any stronger until \_\_\_\_\_, when countries have to trade with each other because they are fighting.

## Complete

1. The three causes of the Great Depression are...
2. Unemployment means...
3. Banks give credit using people's...
4. People stop trusting...
5. Protectionism causes people to panic and make...



## Rewrite

1. The Great Depression is a time of economic growth.
2. Investors get credit from the government. But if they collapse, then there is no credit.
4. When people panic, they lose their trust in banks. This can cause the Supermarket to crash.
5. The President who saves the USA during the Great Depression is Woodrow Wilson.