Money Across Borders

Trace how debts, loans, and trade barriers deepened the Depression.

USH.C.4.2.B "Examine the various factors contributing to and exacerbating the global depression, including German reparations, Allied war debts, United States of America loans to Europe, and the Smoot-Hawley Tariff's strain on international trade."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline movements of money between countries and circle changes that made those movements harder. Number the steps in one chain from U.S. loans to Allied war-debt payments.

A Fragile Flow of Money

1. Imagine a banker in New York watching money cross the Atlantic after World War I. The Allies, including Britain and France, owed the United States billions of dollars borrowed during the war. Germany, defeated in the war, owed reparations to the Allies under postwar agreements. Allied governments hoped German payments would help them cover their own debts, although the two obligations were legally separate. Germany's economy struggled to meet its payments, so pressure on one country's treasury could spread to another. These obligations tied governments together long before the 1929 stock market crash.

2. In the mid-1920s, American banks and investors lent heavily to Germany, especially after the Dawes Plan of 1924 reorganized its payment schedule. Some of that borrowed money helped Germany make reparations payments. Britain and France, in turn, could use money received from Germany to help pay their war debts to the United States. This was not a closed loop of identical dollars, but it created a fragile pattern of dependence. After the 1929 crash, American lending to Europe contracted sharply. Germany then had a harder time finding funds, and its missed or reduced payments increased pressure on Allied budgets.

3. Trade offered another way for countries to earn money to pay debts, but it too came under strain. In 1930, the United States passed the Smoot-Hawley Tariff, raising duties on many imported goods. Other countries responded with trade barriers of their own, making some American exports harder to sell. Tariffs did not cause the Depression alone: collapsing demand, banking failures, and shrinking credit also damaged economies. Still, weaker international trade reduced opportunities to earn foreign currency just as governments and businesses needed it. A debt problem, a lending slowdown, and trade barriers could therefore reinforce one another across borders.

2 ANSWER WITH EVIDENCE

Use the passage

1. How did German reparations and Allied war debts connect the governments' financial pressures?

2. Why did the drop in U.S. lending after 1929 put German reparations payments at risk?

3. How could the Smoot-Hawley Tariff make it harder for countries to earn money to pay debts?

4. How did weaker trade add to the payment problem that followed shrinking U.S. loans?

3 YOUR TURN

Your own words

Imagine you advise a port-city council in 1931. In four or five sentences, trace how trouble abroad could reach a local exporter through at least three named factors from the passage, then propose one action the council could take and explain one limit of that action.

ANSWER KEY

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HIGH SCHOOL · USH.C.4.2.B

PART 1 · READ AND MARK

Underline movements of money between countries and circle changes that made those movements harder. Number the steps in one chain from U.S. loans to Allied war-debt payments. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How did German reparations and Allied war debts connect the governments' financial pressures?	**Britain and France hoped to use payments from Germany to help repay their war debts to the United States, so trouble with German payments put pressure on Allied budgets.**
2	Why did the drop in U.S. lending after 1929 put German reparations payments at risk?	**Germany had used some money borrowed from American banks and investors to make reparations payments. Less lending made those payments harder to fund.**
3	How could the Smoot-Hawley Tariff make it harder for countries to earn money to pay debts?	**It raised U.S. duties on imports, and other countries responded with trade barriers. Weaker international trade reduced opportunities to earn foreign currency.**
4	How did weaker trade add to the payment problem that followed shrinking U.S. loans?	**Shrinking loans reduced funds Germany could use for reparations, while weaker trade reduced opportunities to earn foreign currency. Both made debts harder to pay.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Our port's grain exporters could lose buyers when U.S. lenders stop making loans to Germany. Without those loans, Germany struggles to pay reparations, leaving Britain and France less able to repay war debts to the United States. The Smoot-Hawley Tariff also raises U.S. duties, and foreign trade barriers can make our grain harder to sell abroad. The council could help exporters find buyers in other U.S. cities. That step cannot restore foreign credit or reverse national tariff policies.

Accept chains that accurately distinguish German reparations from Allied war debts and explain how reduced lending or trade made payments harder. For Part 3, the council action must be within local authority, and its stated limit must be plausible.