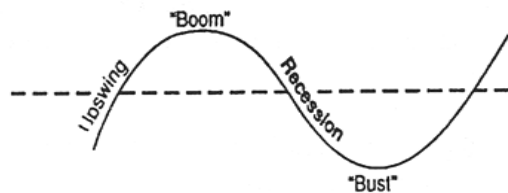
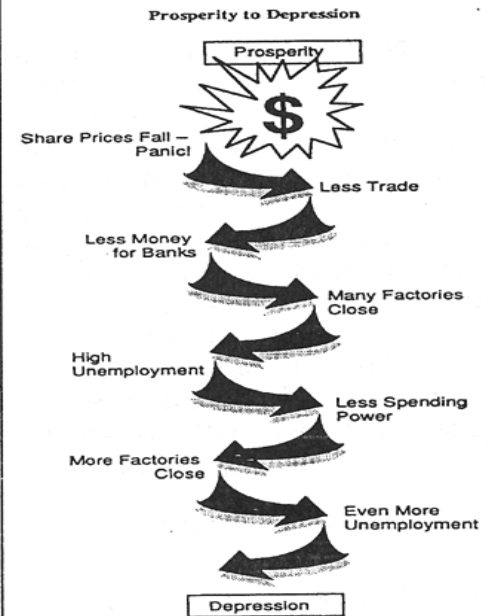


CAPITALISM in the U.S.

The BUSINESS CYCLE and the 'NEW DEAL'

The 1920's in the United States were times of prosperity ('boom times'). They were nicknamed the 'Roaring Twenties'. People were making decent money, and people were spending it (employees at Ford's 'Rouge Factory' in Detroit were being paid an amazing \$5.00 a day). There were a lot of new consumer goods to buy because of new mass production techniques. One example was the automobile. Henry Ford devised a way of producing the Model-T Ford cheap enough that his own employees could afford one. The idea of 'credit' also emerged as a popular way of purchasing goods – even shares in a company on the stock exchange.

The 1930's were a different story. Triggered by the stock market crash of 1929 a terrible recession led to the worst economic times the U.S. has ever seen – the Great Depression. The spiral effect seen to the right helps explain what happened. Many people lost everything. Along with the financial collapse, the early thirties were characterized by terrible weather in many of the agricultural regions of the country – massive drought and dry conditions often created huge dust storms. Therefore the thirties were nicknamed the 'Dirty Thirties'.

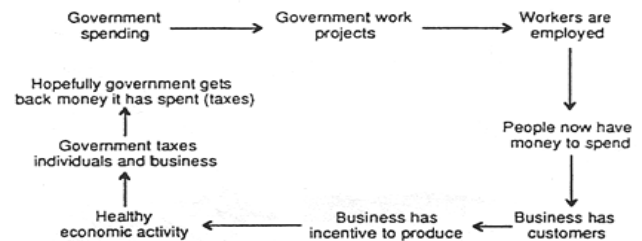


"Boom" Characteristics	"Bust" Characteristics
<ul style="list-style-type: none"> • full employment • high inflation • high investment • high demand 	<ul style="list-style-type: none"> • high unemployment • low inflation • low investment • low demand

President Franklin Roosevelt was elected in the early 1930's, because of ideas and promises of rebuilding the American economy. His plan centered around putting people back to work. Collectively his plan became known as the 'New Deal'.

Above and to the right is an explanation of how the government can help the economy with an increase in employment. Immediately to the right is a description of what Roosevelt tried to do.

Government Spending Cycle



Here is a brief description of Roosevelt's actions.

In his first "100 Days" as President, Roosevelt asked for and got from Congress an extraordinary burst of activity – making laws, voting money for new government programmes, setting up new agencies to carry them out. The first of the "alphabetical agencies" appeared – the organizations through which Roosevelt would tackle the Depression – the CCC, the NRA, the AAA, the PWA, the TVA. In 1934 more agencies were set up, and yet more still in 1935. The list seemed endless; to some people the rows upon rows of initials were confusing – FERA, CWA, RA, FCA, WPA, NYA, REC, NLRB. And to other people they seemed, somehow, 'un-American', and with more than a tinge of socialism. In 1935 former President Herbert

Hoover would declare: "There are only four letters of the alphabet not now in use by the administration. When we establish the Quick Loans Corporation for Xylophones, Yachts and Zithers, the alphabet of our fathers will be exhausted. ...But, of course, the new Russian alphabet has thirty-four letters." But for millions of Americans, who remembered all too vividly the despairing years when Hoover was president, these new agencies represented action instead of empty words. For many people they represented relief from starvation, the chance of a job and holding on to the family home: for some they meant the difference between life and death.¹

¹ Longman Group for the excerpt from *Twentieth Century History, The World Since 1900*, Tony Howarth, Longman House, Burnt Mill, England, 1979, p.129. Reprinted by permission of Longman Group Limited.

Examine the following readings and charts and answer the following questions.

Franklin D. Roosevelt

President Hoover had no answer to this breakdown in the American economy – and so the American electors were encouraged to vote for his Democrat rival, Franklin D. Roosevelt in the 1932 elections. Roosevelt was offering the American people a “New Deal” – his answer to unemployment. Once elected, he gave vast sums of federal aid to the 48 states so that they could put money back into the pockets of the wage earners. He introduced ‘social security’ – unemployment and sickness pay; he began great ‘work-finding’ schemes

such as irrigation projects, bridge building and dam construction. Most famous was his Tennessee Valley Authority (T.V.A.), a remarkable scheme which boosted agriculture and industry in a number of states. He had to face plenty of opposition from his political opponents. The Republicans disliked his interference in the affairs of individual states and the charge of “Fascist dictator!” was often bandied about. But the American people were behind “F.D.R.”, who was destined to win the next three presidential elections. ¹

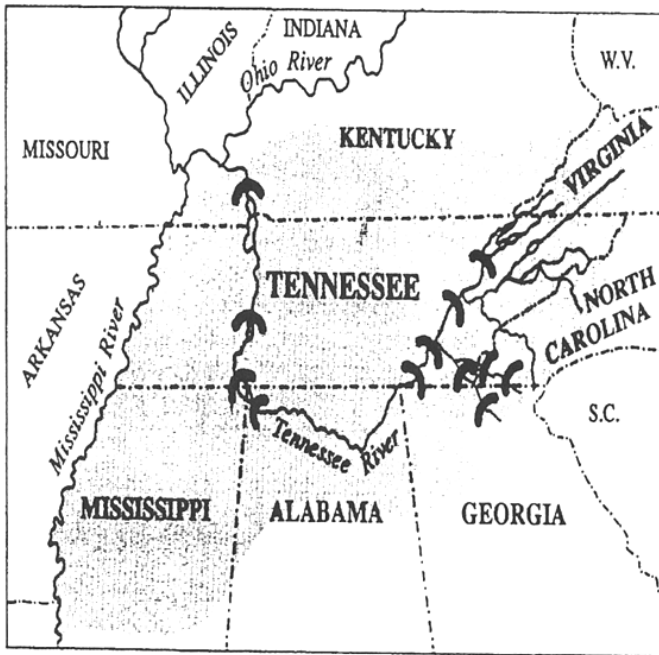
ROOSEVELT'S NEW DEAL



Franklin D. Roosevelt

Some Parts of the New Deal

- T.V.A (Tennessee Valley Authority). It transformed the valley from poverty to prosperity over an area of 65 000 square kilometres. It involved hydro-electric power, irrigation, new industries, and work training.

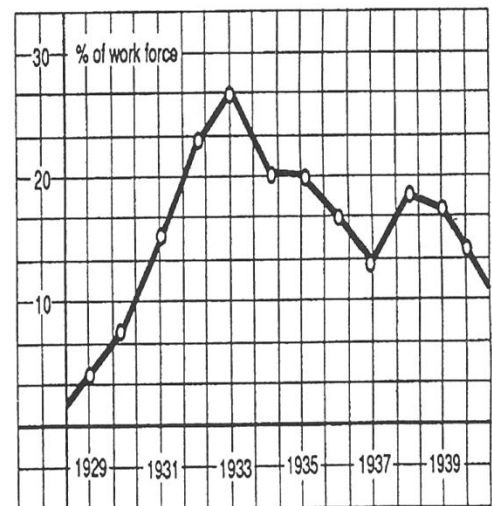


Hydro-electric dam Area served by the T.V.A.

¹ Longman Group for the excerpt from *Twentieth Century History, The World Since 1900*, Tony Howarth, Longman House, Burnt Mill, England, 1979, p.129. Reprinted by permission of Longman Group Limited.

- C.C.C. (Civilian Conservation Corps). Two and one-half million unemployed young Americans were given jobs in forestlands.
- P.W.A. (Public Works Association). Useful work for the unemployed was created with over three billion dollars assigned for in national construction projects.
- H.O.L.C. (Home Owners Loan Corporation). People who would have lost their homes were loaned money to maintain their mortgage payments.

U.S. Unemployment, 1929-1940



*The above employment organizations were nicknamed the ‘alphabet agencies’