

# Great depression impact on us



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This investigation will investigate how the Great Depression affected the United States in their economy during the second half of the 20th century. This investigation will be conducted by first analyzing the involvement of the United States in their economy a decade before the Great Depression in order to provide an understanding of the state of the United States prior to the Great Depression. U. S. involvement in their economy will also be evaluated during the time period of the Great Depression to determine the immediate effects. Finally, the participation of the United States in their economy during the second half of the 20th century will be examined in order to observe the more long-term effects of the Great Depression. These three different time periods will provide an overall understanding of how events transpired and their outcomes.

## **Summary of Evidence**

### **U. S. involvement in their economy before the Great Depression (primarily 1920s)**

Before the Great Depression, the United States was one of the many industrialized countries that followed the gold standard. The gold standard measured the value of a dollar. It enabled countries to conduct trade and exchange their products because everyone followed the same monetary system. In order to sustain the value of a dollar, countries had to follow the same system; however, as the Great Depression neared, countries began to leave the system of the gold standard because of various reasons such as possessing an economy that is unable to keep up with the system. For instance, after the First World War, Germany's economy was no longer able to continue on because of the debt that they owed. In the case of the United

States, the Federal Reserve decided to sustain stability internationally rather than focus on the prosperity of their country.[1]

### **U. S. involvement in their economy during the Great Depression**

During the 1920s and the beginning of the 1930s, there were two large groups who competed with one another in order to control the United States' foreign economic policy.[2]The Hoover Republicans chose to support manufacturers who made up the relatively smaller and more moderately sized part of the manufacturers in the United States.[3]By doing so, they caused the government to neglect the larger manufacturers during the time of the Hoover administration; however, once the Roosevelt administration came into power, there was a change in the tariff policy. In 1934, the Congress formed the Reciprocal Trade Agreements Act of 1934 in accordance to the needs of the President's Executive position.[4]

### **U. S. involvement in their economy after the Great Depression**

The United States was having difficulty continuing to follow a monetary policy that followed a gold standard. Eventually, during the early 1970s, the country finally stopped following the gold standard. The United States was increasing their monetary policy at a speed that made them unable to follow the gold standard of the time. Soon, the United States was unable to internationally use gold anymore since they have deterred away from the gold standard.

“ Essentially, abandonment of gold did not lead to expansionary monetary policy and inflation, rather, expansionary policy and inflation forced the abandonment of gold.”[5]

## **Evaluation of Sources**

The World Economy between the World Wars written by Charles H. Feinstein, Peter Temin, and Gianni Toniolo examine the Great Depression in relation to the financial crisis that is experienced by many countries across the world such as Germany, Britain, and the United States. Feinstein, Temin, and Toniolo examine the causes leading up to the Great Depression. They also examine the effects of the Great Depression and the improvement of the economy after it was hit by the Great Depression. The focus of this book is to further understand the interrelated financial issues among several of the world's leading countries during the 1920s.

Federal Reserve System: Background, Analyses and Bibliography by George B.

Grey examines the Federal Reserve of the United States. The author focuses primarily of the institution referred to as the Federal Reserve. He breaks down the actions and non-actions of the Federal Reserve System which provides a comprehensive critical analysis on its causes and effects on the United States economy. This is a limitation because other institutions in the United States are not addressed as well. The author inserts many of his opinions and deductions throughout the piece. For example, " Essentially, abandonment of gold did not lead to expansionary monetary policy and inflation, rather, expansionary policy and inflation forced the abandonment of gold." [6]

## **Analysis**

### **U. S. involvement in their economy before the Great Depression (primarily 1920s)**

The actions of the Federal Reserve resulted in an increase of deflation and decline in the economy. Their actions demonstrate more concern held for upholding international needs before domestic ones. Before the Great Depression, the United States had entered the First World War in April of 1917. They had practiced isolationism until the United States could no longer stand by and watch on the sidelines any longer. This leads to the question of which is more important, supporting the country or supporting the international balance. After being exposed to the international issues that occurred as a result of the First World War, the United States felt as though they should support any international issues from the start of the problem before it escalades and ends up hurting their economy even more.

### **U. S. involvement in their economy during the Great Depression**

Alterations to the trade policy were made in order to accommodate the executive power since the power of the president was expanding. Since this act was passed during Roosevelt's presidency, the president was able to negotiate with other countries in order to reduce tariffs. The changes made from the Hoover Republicans to the Roosevelt Democrats resulted in an inconsistency of the government. During Hoover's time in power, he had allowed Congress to increase the rates of tariffs to points that could be dangerous to the United States. Roosevelt on the other hand had worked alongside with Congress in order to ensure lower tariffs by creating a trade policy that would allow so. By doing so, the barriers set to the United States' trade would primarily be decided by the President. Overall, this inconsistency <https://assignbuster.com/great-depression-impact-on-us/>

would negatively affect the United States economy because of the constant shift in policies. During this time period, the government actions towards the economy appeared to be indecisive. After the Great Depression hit, it was difficult for the one in presidency to determine the best strategy of recovering the economy.

### **U. S. involvement in their economy after the Great Depression**

The United States switched their system of currencies since the current one no longer allowed them to conduct effective transactions. Many of the previous standards and systems that the United States had once followed no longer worked for them. The public primarily stopped using gold in 1933 which was about during the time of the Great Depression; however, it was not until 1971 and 1973 that the United States had finally ended any relationship it had with gold for good. A positive aspect of abandoning the gold standard was saving the country from following a system that their current state could no longer follow; however, a negative factor is that it made international business more difficult. This could harm the economy because it limits those that they can conduct business with. People are only able to conduct transactions when they provide the equivalent or sufficient funds which can only be conducted if all parties involved follow an international system of currency.

### **Conclusion**

In conclusion, the Great Depression negatively affected the United States involvement in their economy. The Great Depression broke the confidence of the American people as well as their leaders. The future of their economy was unclear and shaky strategies were used in order to attempt to recover.

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After the Great Depression, the United States government sought to remove systems that did not work for them in order to protect the country from any possible complications that could arise in the economy. After the Great Depression, the United States were more careful in what could stay and what had to go.

## **List of Sources**

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