

Week 5 disc 2 can government create an economic recovery

[History](#)



Can Government Create an Economic Recovery? Number The Great Depression President Franklin Roosevelt's radical economic recovery plans made him popular, since the general public felt that his administration was doing all it could to stem the Great Depression. In reality, though, the New Deal led to modest economic gains before 1945 (Robbins, 2007). World War II ended the Great Depression by creating more employment opportunities in the military and arms factories as well as in war-related sectors.

I agree to the fact that President Herbert Hoover was not entirely to blame for the Great Depression, and indeed he deserved a second term. The economic crisis during his tenure was caused by among other factors; the collapse of the Stock Exchange in October 1929; failure of the banks to cushion customers' money by insuring the cash; reduced purchasing power; and drought (Robbins, 2007).

According to Robbins (2007), President Hoover's administration announced practical and affordable plans aimed to balance the Federal spending; reform the financial sector; reduce taxes; and increase public works budget. Even though, these steps were gradual they had the potential to turn-around the American economy in the long-run, as opposed to the New Deal under FDR. The Great Depression of 1930s and the Great Recession of (2007-2009) are similar in the sense that they led to massive job cuts and a weakened private sector (Grabell, 2012). The government's response eight decades ago draws similarities to the current economic stimulus programs aimed at empowering the private sector by creating more job opportunities and bringing the private sector back to life, almost instantaneously.

Although, the two programs are believed to have eased budget shortfalls,

especially for the private sector as a way of triggering the creation of more job opportunities, government spending is not the most effective way to deal with a major recession. The New Deal was more effective in restoring economy, since it was more reform-based.

References

- Grabell, M. (2012). *Money Well Spent?: The Truth Behind the Trillion Dollar Stimulus, the Biggest Economic Recovery Plan in History*. New York: PublicAffairs.
- Robbins, L. (2007). *The Great Depression*. New York: Ludwig von Mises Institute.