

The great depression and past recessions of america's history in comparison to to...

[History](#)



Today, we are all quite aware of the recession the world is in right now. You cannot turn on the television without hearing about it. Economic recessions and depressions have occurred all throughout the history of modern economics, some date back as far as the 1700s. The National Bureau of Economic Research defines economic recession as a significant decline in the economic activity spread across the economy, lasting more than a few months. A depression is a severe economic downturn that lasts several years. What exactly can we do to get out of this economic climate?

Many presidents have had to serve during such times and each has tried different methods to improve the economy. Which is the most effective solution though? It's best to analyze three of America's past economic crises, including the Great Depression, to look for an effective measure to help us turn the markets around. The Great Depression is certainly one of the most infamous periods in American history. The condition in which the country was in is definitely one we do not want to experience again. Unemployment was terribly high, and people were hungry as well as homeless.

How did this happen though? In the Early 1920's the economy was booming; but on October 29, 1929 the stock market suddenly crashed on what we know as "Black Tuesday". There is much speculation as to why the depression happened. There is the common theory that it was irresponsible investing. There is a second theory that states bank corruption and the establishment of the Federal Reserve Bank System destroyed the economy. In the roaring '20s there were many new advances such as the radio, cars, and the rise of jazz culture.

Life was changing in the economy, stocks were escalating in prices but productivity was not increasing as fast. Investors were, for the first time in history, borrowing from the margin in order to buy vast sums of stock, which made stock very unstable. On that treacherous Tuesday many lost faith in the stock market and opted to sell all at the same time causing a panic. As stock went down more began to sell. Investors couldn't pay the interest on their margin accounts causing banks to go out of business. The following theory is not the "official history" of the great depression but is certainly worth noting.

The National Monetary Association in 1912 presented a bill called the National Reserve Association bill, commonly referred to as the Aldrich bill after the U. S. senator that helped accomplish the passing of the bill in 1914. The bill was passed under Wilson's administration. The Federal Reserve act handed the power of debt and money creation to a terrible group of bankers, effectively took us off the gold standard. I do not think that that is what our forefathers would have wanted. To quote the late Congressman Louis McFadden, "Every effort has been made by the Fed to conceal its powers- but the truth is- the Fed has usurped the Government.

It controls everything here and it controls all of our foreign relations. It makes and breaks governments at will. " What McFadden was saying is that the crash and depression were brought on by the actions of the Fed, that through its greed it gained control of the central banking authority of the United States government, ran up huge debts to its international banking partners, bankrupted the country and then subsequently forced the

American taxpayer, through the income tax system, to repay the debt over the course of decades! Franklin D.

Roosevelt was elected in 1932 and brought a wave of change to fix the problems with the economy. He proposed the “ New Deal” which would pass many bills and set up many government offices. In just the first 100 days he accomplished much. On March 6, 1933 FDR closed banks until congress came up with legislation to fix the banking crisis. On March 9, 1933 Emergency Banking Relief Act was passed saying banks could no longer deal in stocks. March 22, 1933 Beer and Wine Revenue Act was passed allowing the sale of beer and wine. The 18th amendment was repealed by the 21st amendment in December.

On March 31, 1933 Unemployment Relief Act created the Civilian Conservation Corps (CCC) which hired three million poor men ages eighteen to twenty-five to build roads, plant trees, and work flood control. They lived in camps under military supervision, were given food, shelter, and one dollar per day in wages. On April 5, 1933 FDR ordered gold surrender which made all banks turn in gold to the government. On May 12, 1933 Federal Emergency Relief Act was passed, it created Federal Emergency Relief Administration (FERA) which provided assistance to the poor.

On May 12, 1933 Agricultural Adjustment Act (AAA) was passed. It paid farmers to limit their production. On May 18, 1933 Tennessee Valley Authority Act (TVA) was passed, it help control the flood waters of the Tennessee River and its tributaries for production of electric power. The TVA, in four years, provided four billion dollars of electricity to three million

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people. On May 27, 1933 Federal Securities Act was passed and in June 5, 1933 Gold payment clause was repealed. On June 13, 1933 Home Owners' Refinancing Act was passed which created the Home Owners Loan Corporation.

On June 16, 1933 National Industrial Recovery Act was passed which created National Recovery Administration (NRA) and Public Works Administration (PWA). It was designed to help business get back on its feet, but ended up creating monopolies, which caused small business owners to go broke and prices to go up. In 1935 the Supreme Court declared the NRA to be unconstitutional. On June 16, 1933 Glass-Steagall Banking Reform Act was passed and created the Federal Deposit Insurance Corporation. This act would insure everyone's money up to \$5, 000.

To improve and revive the economy more Roosevelt came up with the "Second New Deal". On November 9, 1933 Civil Works Administration was established (CWA). On June 6, 1934 Securities and Exchange Commission (SEC) was authorized. On June 12, 1934 Reciprocal Trade Agreements Act was passed. On June 28, 1934 National Housing Act authorized Federal Housing Administration (FHA). On April 10, 1935 Frazier-Lemke Farm Bankruptcy Act was passed. On April 30, 1935 Resettlement Administration was created. On May 6, 1935 Works Progress Administration (WPA) was established. On July 5, 1935 National Labor Relations Act was passed.

On August 14, 1935 Social Security Act was passed, it created the modern social security system. On August 26, 1935 Public Utility Holding Company Act was passed. On February 16, 1936 Second Agricultural Adjustment was

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passed. On September 1, 1937 U. S. Housing Authority was established. On February 29, 1938 Soil Conservation and Domestic Allotment Act was passed. On June 25, 1938 Fair Labor Standards Act was passed. As you can see much reform was needed in order to get us out of the whole we created. Eventually the economy did turn around. By 1939, the New Deal had run its course.

In the short term, New Deal programs helped improve the lives of people suffering from the events of the depression. In the long run, New Deal programs set a precedent for the federal government to play a key role in the economic and social affairs of the nation. Ronald Reagan during his 1980 campaign promised to end the economic crises that had been left over from Jimmy Carter's administration. In February 1981 Reagan presented the Economic Tax Recovery Act to Congress, calling for massive personal and corporate tax cuts, reductions in government spending, and a balanced budget.

The program was based on tax cuts which would allow people either to spend more on goods and services or to invest in businesses. In an effort to balance the budget, Reagan proposed budget cuts in practically every department of government. While he cut back social programs, including school lunch programs and payments for people with disabilities, but he refused to touch Social Security and Medicare. He also advocated deregulation of certain industries in an effort to reduce the government's role in the economy, and proposed such a massive military buildup.

At first, some republicans were skeptical and most democrats were completely against the Recovery Act. To overcome opposition, Reagan lobbied hard in Congress and used his skills as a great communicator to persuade the country. Slowly he began to gain support. By July 1981, Reagan's economic program won the support of two-thirds of the American public and was approved by enough democrats to get it through Congress. That fall, the economy took a turn for the worse. To fight inflation, running at a rate of 14 percent per year, the Federal Reserve Board had increased interest rates. Recession was the inevitable result.

Blue collar workers who had largely supported Reagan were hard hit, as many lost their jobs. The United States economy was in its worse state since the Great Depression, with conditions looking a lot like fifty years previously. By November 1982, unemployment reached, nine million, the highest rate since the Great Depression. 17, 000 businesses failed, the second highest number since 1933. Farmers lost their land and homelessness skyrocketed. His budget cuts, which hurt the poor, and his tax cuts, which favored the rich, combined with the hardships of a recession, made people believe that Reagan was insensitive to his people's needs.

As economic hardship hit American homes, Reagan's approval rating hit rock bottom. In January 1983, it was estimated to be as low as 35 percent. Having failed in his promise to deliver economic prosperity, Reagan's reelection in 1984 seemed unlikely. While Reagan finally agreed to a moderate tax increase on businesses, he steadfastly refused to raise income taxes or cut defense spending, despite a growing negative sentiment toward the buildup.

In January 1983, with his approval rating at an all time low, the economy slowly began to get better.

Unemployment, as high as ten percent in 1982, had improved enough by 1984 for his popularity to be restored, and by the November presidential election his chances at winning were looking much better. The Federal Reserve Board, backed by Reagan, squeezed inflation out of the American economy and set the nation on the right economic course. During Reagan's second term America prospered. The United States experienced the longest sustained peacetime prosperity in its history. Today we are currently experiencing a recession that seems to have some of the same fundamental problems as the Great Depression and the recession of the early 1980s.

We have troubles with banks and their loans, but not just bank loans but loans from corporations. Poor leadership (even though it's more of a problem now than it was during the depression), and the housing market is drastically unstable. We have been living beyond our means for far too long and the consequences are now catching up with us. There is wide spread foreclosure and bankruptcy, as well as numerous job losses. Bank and mortgage companies such as Freddie Mac and Fannie Mae have completely destroyed the value of homes.

In 2003 the huge level of risk that Fannie Mae and Freddie Mac for both taxpayers and financial institutions was becoming apparent. The Bush Administration attempted to reign in the problem by raising standards for loans that Freddie Mae and Freddie Mac guaranteed. Congressional Democrats blocked this reform so that minorities and low-income groups

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could continue to buy homes that by most standards they could not really afford. Many of these people who were permitted to buy homes that they could not afford ended up not being able to pay off their loans and many of them filed for bankruptcy.

Their houses were foreclosed making the value of that home go down. This is happening far too frequently and is one of the main problems that must be fixed. But with the democrats in charge, who do not want to put more regulation on the two companies, will it get any better? Once again, we have too much paper currency out in circulation and what is the Federal Reserve doing? They are printing more of it driving our value of our money even further into the ground. This is proven to be bad so why do they continue to do this to us?

The price of energy is unquestionably higher, with gas prices last summer reaching record highs and heating bills, whether it is gas or electric, this winter growing in price we have to give up some luxuries to pay for the necessities. The demand for energy has risen rapidly but the supply hasn't risen as fast. To conclude my paper, the three economic crises that have been mentioned are remarkably alike. You also get a good idea on what brought them about and how to get out of it. Yes we are struggling as a nation but if we stood up and demanded the change that we need, not the change we are getting then we can get out of this recession.

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