National industrial recovery act

Literature, Russian Literature

National Industrial Recovery Act

In response to Great Depression, the United States put up a number of financial regulations to ensure that the New Deal was an effective remedy. These financial regulations include fiscal policy, banking reform and monetary reform. Fiscal policy was a core weapon in this case considering that an act directly affecting federal budget was proposed. The act focused on reducing the pay to government employees and veterans' pensions to ensure a balance in the federal budget. Considering that the great depression was mostly caused by bank runs, Emergency Banking Act was drafted to effect the reopening of wide-ranging banks through supervision of the treasury (Schlesinger, 2003). Another regulation was monetary reform, through Gold Reserve Act, whereby the major aim was to raise the sum of money in circulating to a level that suffices the economy.

The financial regulations were accompanied by National Industrial Recovery Act, which was core in reducing cutthroat competition. The act introduced anti-deflationary floors, acting as the benchmark, for the companies on setting prices. The company would not lower price lower than this. To reduce information asymnmetry, the fiscal policy was put up to balance the non-emergency budget thereby ensuring that everybody was equal in the society. Further, based on the moral hazards exhibited during the great depression, the New Deal was accompanied by an act which restricted the age of Child labor to 16 and above while also forbidding hazardous employment (Bordo et al, 1998).

The financial regulation came through in curbing the great depression without necessarily affecting the system of capitalism. Amazingly, they resulted to a beneficial capitalist system through creating a stabilized financial security. Further, they resulted to balance in the distribution of wealth across all states and equality among labor and industry. However, they did not last as expected because they resulted to increased national debt while also strengthening bureaucracy and inefficiency. The rights of the entrepreneurs were also infringed through the financial regulations. Essentially, this led to the need to introduce more effective system to rescue the situation.

As shown in the outcome of the New Deal, technology also played a major role in producing the impacts. During the great depression, 1920's, most of the homes were not in a position to use technology as evident by the sub-standard housing, with no electrical appliances. During the integration of the New Deal, Modernization came in handy to spur the economy, as shown in the increased preference for electrical appliances. The government embraced modernization, which in turn lead to subsidized consumerism and home owning (Skocpol & Jacobs, 2011).

The financial sector saw the repeal of Glass–Steagall Act as uncalled for because it was a breakthrough which resulted to reduction in the number of banks failing per year (Skeel, 2011). The act focused on restricting the security activities of commercial bank thereby regulating speculations in the market. Further, the act also led to the formation of Federal Deposit Insurance Corporation (FDIC), which was mainly focused in insuring the bank deposits. The insurance corporation was instrumental in ending the bank runs witnessed during the great depression.

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