

Chapter 8

New Deal Programs

Congratulations! President Franklin Roosevelt has just asked you to advise him. He wants you to help end the Depression.

Before you give your help -- check out the following statistics. They tell the story of the Depression and what you are up against:

Gross National Product had gone from 104 billion in 1929 to \$59 in 1932; average family income from \$3,000 to \$1,800 a year. Stocks fell from \$310 to \$34 per share. Farm income was down from \$790 to \$200 a year; a bushel of wheat that cost 45 cents to grow, was selling for 38 cents. 13 million were unemployed and many people were starving. You, like President Roosevelt have no money to spend to relieve the miseries of the unemployed and their families and to end the Depression -- unless you raise taxes, or run up the government's debt.

Suggestions made to solve the country's problems are listed below. Look at them -- see how much they will cost and what they will accomplish. Then decide what to do -- you will have a guide that will tell you how much money you spent and how many people you helped.

Possible Programs for Roosevelt's New Deal

[In figuring value of money use formula (\$1.00 in 1933 = \$20.00 in 2001), and then multiply by 2 1/2 that number to reflect a 250% increase in population since the 1930's.

You start this exercise with no money to spend to end the Depression unless you decide to raise taxes on the relatively affluent citizens, and/or borrow money from the Federal Reserve Banks.

a. **Tax Increase** - will raise \$2 billion (100 billion, 2001 dollars) by taxing the rich. Tax rate on incomes over \$25,000 (500,000 2001 dollars) would be raised from 25% to 70%.

b. **Farm Program** - will help 20 million farm families and **increase the price of bread from 5 cents a loaf to 6 cents** (\$1.00 in 2001, to \$1.20 2001 dollars). Cost to taxpayers \$600 million; 30 billion, 2001 dollars. (about 1 of every 4 -- a total of 25 million people were farmers in 1933.

c. **Works Progress** - build a large number of different projects such as roads, bridges, schools, and athletic fields, providing 3 million jobs and costing \$4 billion (80 billion 2001 dollars). **You can repeat this program as many times as you want as long as you are willing to borrow the money.**

d. **Stock Buying Program** - Government will buy stocks to help people who lost money in the stock market. Cost, \$2 billion (100 billion, (2001 dollars).

e. **Civilian Conservation Corps** - Hire 200,000 young men aged 16-24 to work in woods planting trees and making trails. Cost: \$200 million (4 billion, 2001 dollars)

f. **Helping Business** - Lend money to get businesses starting to produce again, cost \$1 billion (50 billion, 2001 dollars) - create 500,000 jobs, if trickle down' works.

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g. **Unemployment Insurance** - give money (about \$7.50 (150, 2001 dollars) per week to unemployed: cost, \$400 million (800 million 2001 dollars) for 1 million **You can repeat this program for as many times as you want, as long as you are willing to spend the money.**

h. **Tennessee Valley** - will help provide cheap electricity, lakes for boating, reforestation, flood control and industrial development in the Tennessee Valley, along with 100,000 jobs and cost \$1 billion. (20 billion, 2001 dollars)

Suggested student exercises:

1. Before you decide which programs you want to do, state which of the following approaches you want to use and why:

- a. trickle down or trickle up.
- b. laissez-faire or government intervention.
- c. balancing the budget or borrowing money the government does not have.

2. Decide which of the programs you would try. Make sure you have a good reason for choosing the programs you want. Keep track of how much each program costs and how many people it will employ. You will have to borrow money and or raise taxes to finance your programs

3. Use chart on next page or make your own copy. Be sure you give more reasons for the programs you decide to adopt than against them. Write small and legibly, or use extra page.

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Names:				
Will you follow a policy of trickle up or trickle down? Why?				
Is it more important to limit the amount of debt, or to get people working again as soon as possible? Why?				
Program	\$ cost	Reason For or Reason Against	\$ spent	# helped
Tax Increase	+2 bil			
Farm Program	600 mil			
Works Progress	4 bil			
Civilian Conservation Program	200 mil			
Help Business	2 bil			
Unemployment Insurance	600 mil.			
TVA	1 bil			
Your ideas: Public housing? College loans? Military buildup?	?			
Amount of money spent (minus tax cut if you included one) and number people helped				

What do you think you accomplished with your program?