

## G. The Great Depression (1929-39)

1. Following **World War I (1914-19)**, there was peace, and much industrial progress. People also believed that “regulated” industries were well-organized. It was a time of great optimism called the “Roaring Twenties.”
2. Then, to everyone’s shock, there was a “stock market crash” in 1929.
3. Such problems in the economy are very difficult to explain. There is an entire science called “economics,” whose experts can’t even agree on what happened!
4. All we can really say here is that when the stock market crashed, a lot of companies lost money, and so did a lot of banks.
5. It took years for companies and banks to get reorganized, and meanwhile, a drought started in the American prairies. It caused the “dust bowl” period of terrible sand storms that meant that many American farmers were also in trouble at the same time as American businesses and banks were in trouble.
6. It was a very desperate time, when many people were out of work, and people wanted a new social contract, which brings us to the modern chapter of political economy called the “mixed economy”...



The “Roaring Twenties” were a “boom time”: a period of peace, prosperity, and optimism. Everything seemed to be going right.

## H. The Mixed Economy, Part 1: The New Deal

1. In the 1932 presidential election, Americans were faced with a clear choice. Incumbent Herbert Hoover’s message was that Americans needed to help themselves. Democratic challenger Franklin Delano Roosevelt’s competing message was that government was going to help people get back on their feet. This was known as the “New Deal.” Roosevelt was elected.
2. If people couldn’t get jobs, the government would give them jobs. Multiple “alphabet agencies” were created, including the Civilian Conservation Corps (CCC), which gave people jobs to plant trees and build bridges and other infrastructure for national parks.
3. If people couldn’t save enough money to retire when they were older, the government would do it. The Social Security Administration was created in 1935 to force employers to contribute to the retirement savings of every American.
4. If people didn’t have enough money to buy food, the government would give out “food stamps” to the poor, so that they could purchase groceries.