

## Chapter 5.

# New Deal Programs



**C**ongratulations! Your President, Franklin Roosevelt, has just asked you to advise him. He wants you to help end the Depression.

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

- The Gross National Product has gone from 104 billion in 1929 to \$59 in 1933
- The average family income has dropped from \$3,000 to \$1,800 a year.
- Farm income is down from \$790 to \$200 a year, and a bushel of wheat that cost 45 cents to grow is now selling for 38 cents.
- The average price of a share of stock has fallen from \$310 to \$34.
- 13 million are unemployed, and many can work only part time.

You, like President Roosevelt, have no money to spend to relieve the miseries of the unemployed and their families unless you raise taxes or run up the government's debt.

Some suggestions that have been made to solve the country's problems are listed below. Look at them; see how much they will cost and what they will accomplish, and then decide what to do. You will have a guide that will tell you how much money you have spent and how many people you have helped.

### Possible Programs for Roosevelt's New Deal\*

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

1. **Tax Increase:** Increase the tax rate on incomes over \$25,000 (500,000 in 2006 dollars) from 25% to 70%. This will raise about \$2 billion.
2. **Tax Cut:** Cut taxes by about 20% on all who pay taxes by about 20% and lose revenue of about \$2 billion, but put money into the pockets of taxpayers who may spend or invest it.

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\* In figuring value of money the following formula is used: (\$1.00 in 1933 = \$20.00 in 2006)

9. **Farm Program:** Give some help to 6 million farm families (a total of 30 million people were farmers in 1933, about 1 of every 4) and raise the cost of a loaf of bread from 5 cents to 6 cents (\$1.00 to \$1.20 in 2006 dollars.) Cost to taxpayers is \$600 million (\$12 billion, in 2006 dollars.)
10. **Works Progress Administration:** Fund a large number of building projects such as roads, bridges, schools, and athletic fields to provide 3 million jobs. Cost: \$4 billion (\$80 billion in 2006 dollars. You can repeat this program as long as you are willing to borrow the money.
11. **Stock Buying Program:** Have the government buy stocks to help people who lost money in the stock market. Cost: \$2 billion (\$40 billion in 2006 dollars).
12. **Civilian Conservation Corps -** Hire 200,000 young men, aged 16-24, to work in forests planting trees and making trails. Cost: \$200 million (\$4 billion, 2006 dollars.)
13. **Help Business:** Lend money to get businesses to resume and increase production to create 500,000 jobs. Cost: \$1 billion (\$50 billion in 2006 dollars).
14. **Unemployment Insurance:** Give money, about \$7.50 per week, (\$150 in 2006 dollars) to the 1 million who are unemployed. Cost: \$400 million (\$800 million in 2006 dollars) You can repeat this program for as long as you are willing to spend the money.
15. **Tennessee Valley Authority:** Provide cheap electricity, lakes for boating, reforestation, flood control and industrial development in the Tennessee Valley and create 100,000 jobs. Cost: \$1 billion. (\$20 billion in 2006 dollars)

#### **Student Activities: Ending a Depression**

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

**Trickle down:** Help businessmen and wealthier people. The money they receive will be invested and this will create jobs and trickle down to the unemployed. **Or Bubble up:** Help the poor and unemployed directly by creating jobs that will provide them with money to spend which in turn will help businesses expand.

**Balance the budget:** Ensure the people that the government is not going broke by keeping interest rates low and making sure future that future generations won't have a huge debt. **Or Borrow money:** Solve the problems that have caused massive unemployment and economic stagnation by paying the money back when the economy is healthy.

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. Meet with three or four other students in class, as your teacher directs, and make and complete your own copy of the chart on next page. Write small and legibly, or use extra pages, and be sure to do all of the math.

