GROUPE ESSCA

KEYNES AND THE AMERICAN NEW DEAL

The Great Depression & the New Deal

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summary

Introduction: Background of the Great Depression

John Maynard Keynes: Theories and Principles

The New Deal: Objectives and Main Measures

Keynes' Influence on the New Deal

Impact and Limitations of the New Deal

Conclusion and Legacy Today

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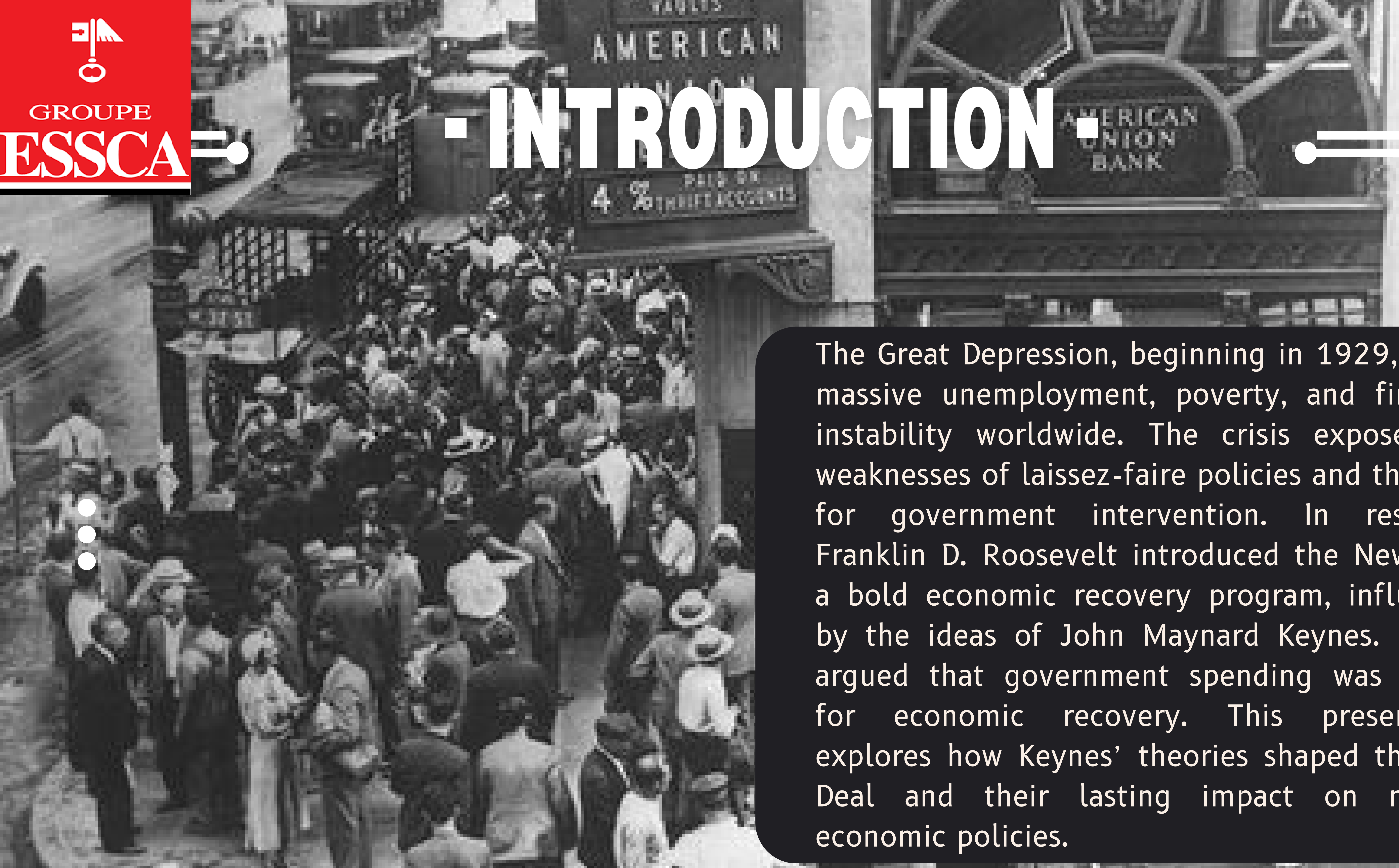
INTRODUCTION



The Great Depression, beginning in 1929, led to massive unemployment, poverty, and financial instability worldwide. The crisis exposed the weaknesses of laissez-faire policies and the need for government intervention. In response, Franklin D. Roosevelt introduced the New Deal, a bold economic recovery program, influenced by the ideas of John Maynard Keynes. Keynes argued that government spending was crucial for economic recovery. This presentation explores how Keynes' theories shaped the New Deal and their lasting impact on modern economic policies.

The 1929 Stock Market Crash

Banks collapsed, life savings vanished.
Businesses and factories shut down.
Global economic instability followed.

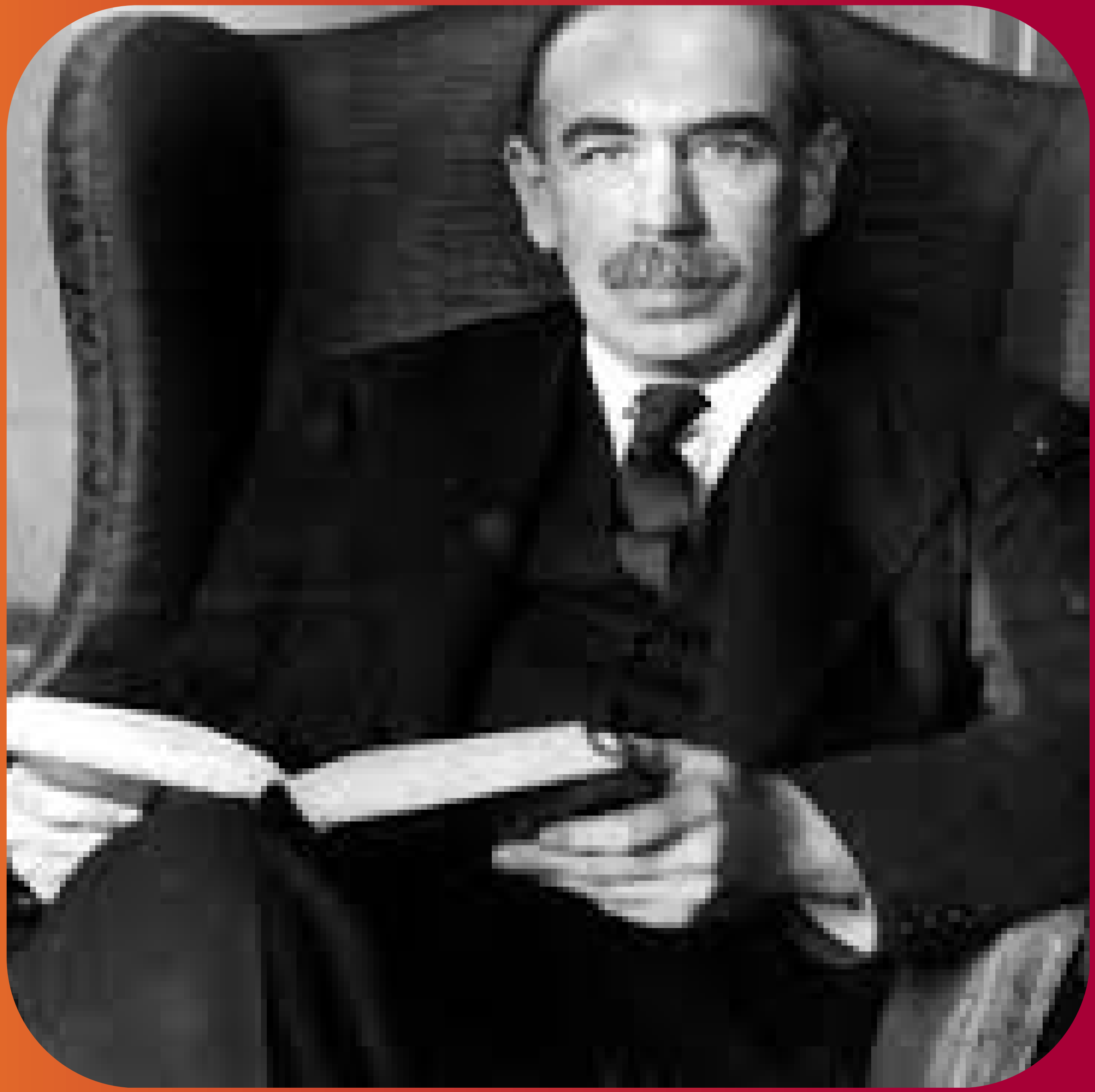
Government's Initial Inaction

President Herbert Hoover believed in minimal intervention.
The economy worsened as banks failed and unemployment soared.

The New Deal: Government Steps In

FDR's New Deal aimed to create jobs, stabilize the economy, and restore confidence.
Analogy: A flooded town needs emergency aid; the New Deal was that aid.

JOHN MAYNARD KEYNES - THE ECONOMIST WHO CHANGED EVERYTHING



1 Who Was Keynes?

British economist (1883-1946) who reshaped economic thinking.
Opposed laissez-faire policies; advocated for government intervention.

2 Keynes' Core Idea: Public Spending as a Solution

Economic downturns reduce consumer spending, causing business failures.

Keynes suggested governments spend money to stimulate demand.

Example: Government infrastructure projects create jobs, boosting consumer spending and businesses.

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THE NEW DEAL - A THREE-PART ECONOMIC STRATEGY

Objectives of the New Deal

Relief: Immediate aid for the unemployed.
Recovery: Revitalization of industries and economy.
Reform: Long-term measures to prevent future crises.

Major New Deal Programs

WPA (Works Progress Administration): Built roads, bridges, and schools.
AAA (Agricultural Adjustment Act): Controlled farm production to stabilize prices.
Social Security Act (1935): Established pensions, still in place today.

KEYNES' INFLUENCE ON THE NEW DEAL

Did Roosevelt Follow Keynes' Theories?

Yes, but with caution.
Keynes called for aggressive government spending.
Roosevelt spent significantly but was concerned about national debt.

➡ Analogy:
Keynes' approach: "Fill the car's gas tank completely!"
Roosevelt's approach: "Add enough fuel to get moving, but not too much."

EVALUATING THE NEW DEAL - SUCCESSES AND LIMITATIONS

SUCCESS

- ✅ Created millions of jobs.
- ✅ Improved infrastructure (roads, schools, utilities).
- ✅ Introduced Social Security, still vital today.
- ✅ Strengthened banking regulations, protecting savings.

- ❌ The economy didn't fully recover until WWII.
- ❌ Some business owners opposed excessive regulations.
- ❌ The Supreme Court struck down some New Deal programs.

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KEYNES' LASTING INFLUENCE AND THE NEW DEAL'S LEGACY

Why Is Keynes Still Relevant?
His ideas continue to shape global economic policies.

Governments used Keynesian strategies to handle the 2008 financial crisis.

The COVID-19 pandemic saw massive government spending to prevent collapse.

📌 Modern Example:
In 2020, governments spent trillions to support businesses and workers, following Keynesian principles.

PRESENTATION CONCLUSION ...

Key Takeaways

Keynes revolutionized economic thought, advocating for government intervention.

The New Deal adopted Keynesian principles, reshaping the U.S. economy.

Even today, Keynes' approach is the go-to strategy in times of economic crisis.

SOURCE

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THANK YOU

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