New Deal and Keynes Revision

- What led to the Great Depression in the USA?

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- The 1929 Wall Street Crash
- Desertification in the Dust Bowl

- What was the difference between the proposals by Roosevelt and Hoover?

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- Hoover proposed an austerity programme (reducing government spending)
- Roosevelt proposed government intervention to create millions of jobs

- What was bank reform proposed by the Glass Steagall act?

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- To separate banks into ‘commercial’ banks that were guaranteed by the state, and ‘trading’ banks that were not guaranteed by the state

- What were the main infrastructure projects of the New Deal?

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- Airports
- Roads
- Tree planting
- Building schools and hospitals

- What is the Marginal Propensity to Consume?

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- The percentage of a salary or wages spent on consumption
- In general, the poorer you are, the higher your Marginal Propensity to Consume

- What is the Marginal Propensity to Save?

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- The percentage of a salary or wages used as savings.
- The richer you are, the higher your Marginal Propensity to Save

- What is the Multiplier Effect?

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- When money is spent in consumption in a shop, the shop buys more from the wholesaler, who orders more from the producer, who invests in more labour or machines to increase production. At each step, taxes (VAT, Income tax, Corporation tax) go to the government.
- The Multiplier effect is higher when the products consumed are made in the country, and not imported from abroad

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- By creating millions of secure jobs, workers increased consumption (with a high MPC) which, with the multiplier effect, increased money flow and tax income for the government