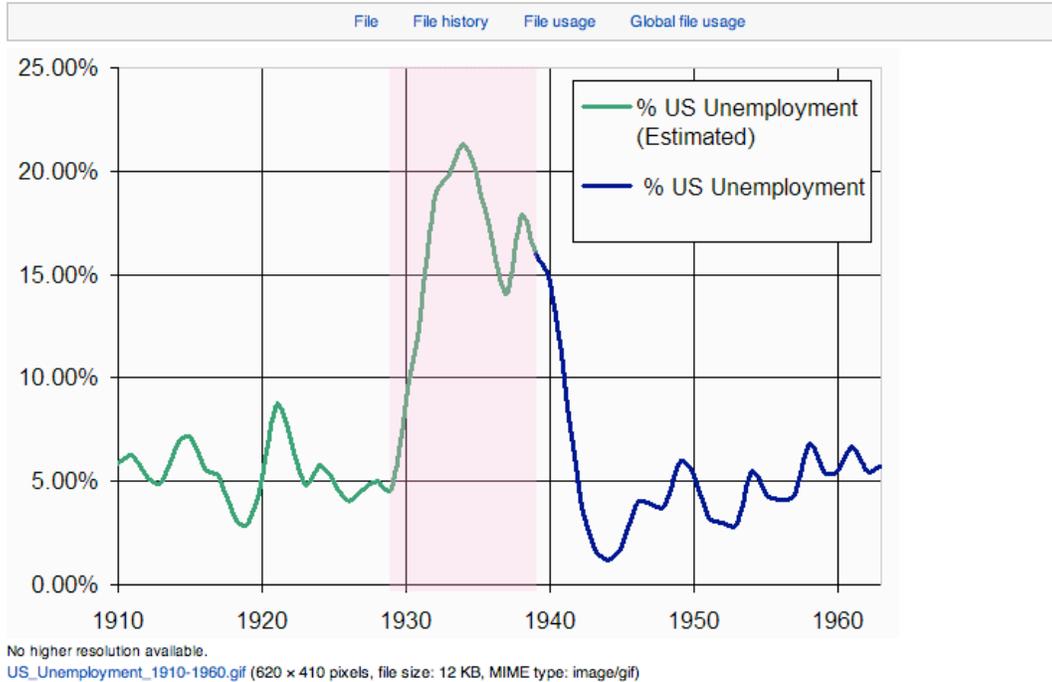


# Interpretation of Our Current Slow Recovery and the Lesson Not Yet Learned

The 1937 down turn after a very successful initial recovery<sup>1</sup> from the depression is a lesson for today.

## File:US Unemployment 1910-1960.gif

From Wikipedia, the free encyclopedia



Source: [Recession of 1937–1938 - Wikipedia, the free encyclopedia](#)

“The 1937 episode provides a cautionary tale. The urge to declare victory and get back to normal policy after an economic crisis is strong. That urge needs to be resisted until the economy is again approaching full employment. Financial crises, in particular, tend to leave scars that make financial institutions, households and firms behave differently. If the government withdraws support too early, a return to economic decline or even panic could follow.”<sup>2</sup>

<sup>1</sup> “The recovery from the Depression is often described as slow because America did not return to full employment until after the outbreak of the second world war. But the truth is the recovery in the four years after Franklin Roosevelt took office in 1933 was incredibly rapid. Annual real GDP growth averaged over 9%. Unemployment fell from 25% to 14%. The second world war aside, the United States has never experienced such sustained, rapid growth.”

[Economics focus: The lessons of 1937 | The Economist](#)

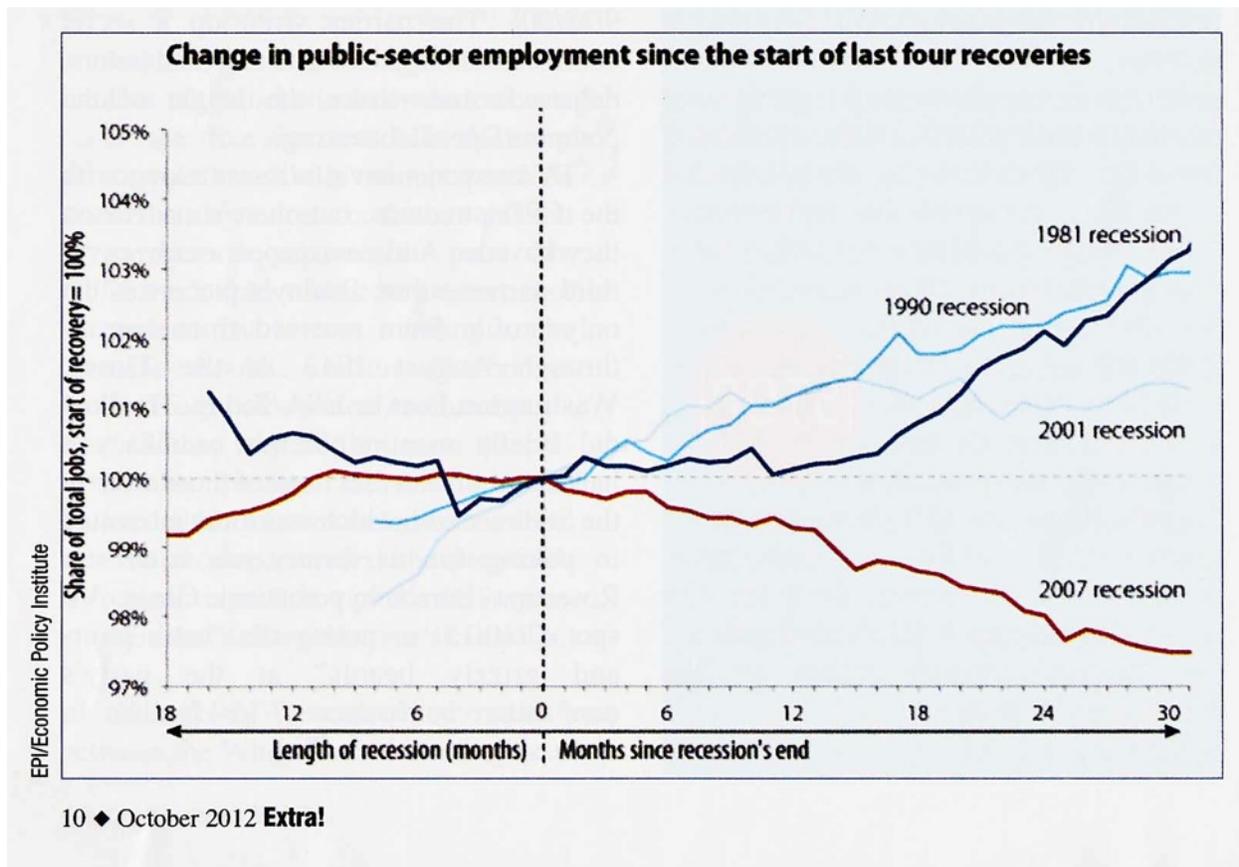
<sup>2</sup> *loc. cit.*

## What Roosevelt did:

“In February 1938, Congress passed a new AAA bill which authorized crop loans, crop insurance against natural disasters, and large subsidies to farmers who cut back production. On April 2, Roosevelt sent a new large-scale spending program to Congress, and received \$3.75 billion which was split among PWA, WPA, and various relief agencies.<sup>[3]</sup> Other appropriations raised the total to \$5 billion in the spring of 1938, after which the economy recovered.”<sup>3</sup>

**is what is necessary.** [About \$82 billion now --not that much necessary, as we are not in recession. OTOH, WW II expenditures were much greater]

Instead of killing the president’s job bill, they must pass larger ones. Otherwise the economy will never recover.



No stimulus; no recovery.

bc

<sup>3</sup> [Recession of 1937–1938 - Wikipedia, the free encyclopedia](#)