The American Economy: A Historical Encyclopedia

Volume One: Short Entries

edited by
Cynthia Clark Northrup
List of Short Entries

Child Labor, 44
China, 45
Civil Rights Act of 1968, 46
Civil Rights Movement (1955–1968), 46
Civil Works Administration (CWA), 46
Civilian Conservation Corps (CCC), 47
Class, 47
Clay, Henry (1777–1852), 48
Clayton Anti-Trust Act (1914), 49
Cleveland, Grover (1837–1908), 49
Clinton, William Jefferson (1946– ), 49
Cohens v. Virginia (1821), 51
Coin's Financial School (1894), 51
Cold War (1947–1991), 52
Colonial Administration, 53
Commission Government, 54
Committee on the Conduct of the War (CCW), 54
Commonwealth v. Hunt (March 1842), 55
Communism, 55
Community Action Programs, 56
Company Towns, 57
Computer, 57
Confiscation Acts (1861–1864), 58
Congress, 59
Conservation, 60
Constitution (1788), 60
Consumer Price Index (CPI), 61
Consumer Spending, 62
Continental Congress, 62
Continental Impost, 63
Continental System, 63
Convict Lease, 64
Coordinating Committee for Multilateral Export Controls (GoCom), 64
Corruption, 65
Cotton, 66
Council-Manager Government, 66
Council of Economic Advisers (CEA), 67
Coxey's Army (April 1894), 68
Credit, 68
Crédit Mobilier, 69
Crime, 69
Cuba, 70
Currency Act (1764), 70
Currency Act of 1900, 71
Cutbacks, 73
Dartmouth College v. Woodward (1819), 74
Dawes Plan, 74
Dawes Severalty Act (1887), 74
Debs, Eugene Victor (1855–1926), 75
Defense Advanced Research Projects Agency (DARPA), 75
Defense Plant Corporation (DPC), 76
Defense Sciences, 76
Deficit Spending, 77
Delima v. Bidwell (1901), 77
Democracy, 78
Democratic Party, 78
Depression of the 1890s, 79
Depressions, 79
Deregulation, 80
Desert Land Act (1877), 81
Digital Millennium Copyright Act of 1998, 81
Dingley Tariff (1897), 82
Disarmament, 82
Disaster Assistance Act of 1988, 83
Disease, 83
Distribution Act (1836), 84
Divorce, 85
Dollar Diplomacy, 85
Dominican Republic, 86
Dow Jones Industrial Average, 86
Downes v. Bidwell (1901), 86
Dust Bowl, 87
Earnings, 89
Economic Cooperation Administration (ECA), 90
Economic Indicators, 90
Economic Interpretation of the Constitution (1913), 91
Economic Liberalism, 91
Economic Opportunity Act of 1964, 92
Economic Stabilization Act of 1970, 92
Economy Act (1933), 92
Ecosocialism, 93
Edison, Thomas Alva (1847–1931), 93
Education, 94
Electricity, 95
Electronic Commerce (E-Commerce), 96
Emancipation Proclamation (January 1, 1863), 97
Embargo of 1807, 97
Embargoes, 97
Emergency Price Control Act (1942), 98
Employment Act of 1946, 98
Energy, 99
Energy Crisis, 99
Entitlement Programs, 100
Environment, 101
Equal Pay Act of 1963, 102
Export Control Act (1949), 102
Family Assistance Plan (FAP), 105
Farm Credit Amendments Act of 1985, 105
Farm Credit System Reform Act of 1996, 106
Farm Crisis of 1982, 106
Farm Disaster Assistance Act of 1987, 107
Farm Security Administration (FSA), 107
Farmer Mac Reform Act of 1995, 108
Federal Agricultural Improvement and Reform Act of 1996 (FAIR Act of 1996), 108
Federal Agricultural Mortgage Corporation (Farmer Mac), 109
Federal Deposit Insurance Corporation (FDIC), 109
Federal Emergency Management Agency (FEMA), 110
Federal Emergency Relief Administration (FERA), 110
Federal Highway Act of 1956, 110
A new Republican Party, founded in 1854, competed strongly with the Democrats from the beginning and achieved hegemony in the late nineteenth century that endured until 1930, when Democrats assumed control of the U.S. House of Representatives. The competitiveness of the Democratic Party was dampened because of an economic downturn during the second administration of President Grover Cleveland and the populist campaign of 1896 Democratic presidential nominee William Jennings Bryan, who supported helping alienated city dwellers—mostly underpaid workers and immigrants who operated outside the mainstream political system—in a rapidly urbanizing nation. Following the economic crash of 1929, which came during a period of unified Republican control of the national government, the Democratic Party gained favorable recognition.

Although Americans continued to perceive the Republican Party as better able to conduct foreign policy during most of the twentieth century, the Democrats had the edge on handling the economy, and this doubtless contributed to the pattern in U.S. politics after the 1930 midterm elections. For the remainder of the century, the Republicans controlled both the presidency and both houses of Congress for a total of just four years—whereas the Democrats dominated Congress for 32 years running at the end of the twentieth century. Key to Democratic success was disproportionate support for its candidates by members of the working class, many of whom lived in large urban areas. In presidential elections where class polarization existed, such as in 1936, 1940, and 1976, Democratic candidates emerged victorious. In the presidential election of 1972, when the correlation of voter choice with class status approached zero, Republican Richard M. Nixon handily defeated Democratic U.S. Senator George McGovern. Interestingly, Nixon identified himself as a Keynesian, a theory of economics more closely identified with Democratic policies than with Republican ones. The Republican Party continues to define itself as a party that recognizes Keynesian economics but within a balanced budget.

—Henry B. Siro

References
See also Volume 1: Great Depression; Republican Party.

Depressions
Sustained periods of economic contraction, characterized by high and persistent levels of unemployment accompanied by falling prices, investment contraction, financial crises, reduced demand, and general decline in business activity.

Although some economists view depressions as random aberrations, most agree that they remain inherent to capitalist economies. Throughout the long-term evolution of capitalism, the type and nature of depressions has changed. The structural and institutional development of the economy has played an important role in the types of depressions that have emerged. The United States has experienced six major depressions in its economic history since the early 1800s—all similar in length and severity. Prior to that, economic declines had occurred largely because of wars, natural disasters, and other noneconomic factors.

During the early nineteenth century, merchant capitalism, in which depressions remain largely commercial and speculative in character, ended. Small proprietorships made up the economy at this time. This raw-materials economy resulted in depressions accompanied by speculation and sharp declines in prices for agricultural and raw materials. With the advent of the Industrial Revolution in the late nineteenth century and diminished contribution of agriculture to economic growth, crisis became associated with the rise, expansion, and financing of industrial activity. The profit incentive became even more important in an era of increased demand.
and mass production. Corporations replaced proprietorships, and new financial institutions emerged to facilitate factory production. The development of competitive markets frequently led companies into price wars, which undermined profitability and hence firms' ability to meet financial obligations. This uncertainty led to the emergence of a different type of company—one with great market power and control characterized by cartels, trusts, and mergers. Investment banking evolved to service these organizations, acquiring a large stake in their control by securing a large number of firm shares and positions on governing boards. The depressions in the era of what may be called “banker capitalism” during the 1920s occurred as a result of the aggressive expansion of these firms and accompanying financial speculation. The authority of investment banking over the firms and lack of internal control are closely related to the massive financial speculation that brought about market instability and played a pivotal role in the deepest and most severe depression of our time, also referred to as the Great Depression, in the 1930s. In the post–World War II era, financial sector development and innovation, increasing globalization, and increasing financial instability have triggered several global financial crises or recessions, but no depressions.

Although economists disagree on the exact causes of each depression, the nature of depressions has changed with the evolution of capitalism. Whether linked to a collapse in agricultural prices or speculative financial attacks, all depressions include a sharp decline in demand. Each of the six major U.S. depressions has followed periods of sustained government surpluses and sharp debt reductions, thereby stifling aggregate demand. Price shocks, stock market crashes, and banking-sector crises act as catalysts that bring about the fast, sharp decline in economic activity that is typical of depressions.

Depressions are protracted and severe because it takes a while for business confidence to return. Sharp declines in demand or overinvestment (or both) lead to cutbacks in production, involuntary inventory accumulation, and massive layoffs. Declines in employment further depress aggregate demand, leading to a downward spiral in economic activity. Business confidence falls so that expected future returns do not warrant any new investment, even in the face of falling prices, wages, and interest rates. As markets fail to bring about a recovery, policy proposals have emerged for governments to implement countercyclical measures. The suggested remedial policy responses include “priming the pump,” large public infrastructure investment, public service employment programs like those of the New Deal era, and job guarantee schemes, such as making the government an employer of last resort or making public service employment available. The emergence of big government, in which the federal government assumes control over a major portion of the U.S. economy, has contributed to the lack of depressions since World War II.

References

See also Volume I: Captains of Industry; Great Depression.

Deregulation
The loosening of government controls over vital industries such as the airline, utility, and communications industries.

The legal cartel theory (in which some companies control pricing and supply although competitors exist), increasing evidence of waste and inefficiency in regulated industries, and the contention that government was regulating potentially competitive industries all contributed to the deregulation movement of the 1970s and 1980s. Since 1980, important legislation has been passed that deregulates in varying degrees the airline, trucking, banking, railroad, and television broadcasting industries.

Deregulation has proven controversial, and the nature of the controversy remains quite predictable. Basing their arguments on the legal cartel theory, in which certain companies control a near monopoly but some competitors exist, proponents of deregulation contend that it will result in lower prices, more output, and the elimination of bureaucratic inefficiencies. Some critics of deregulation, embracing the public interest theory, argue that deregulation will result in the gradual monopolization of the industry by one or two firms, which in turn will lead to higher prices and diminished output or service. Other critics contend that deregulation may lead to excessive competition and industry instability, and that vital services (for example, transportation) may be withdrawn from smaller communities. Still other critics stress that as increased competition reduces each firm’s revenues, companies may lower their standards with respect to safety and risk as they try to reduce costs and remain profitable.

Perhaps the most publicized case of deregulation involves the airlines. The Airmail Act of 1925 provided for the encouragement of the air carrier industry; the Civil Aeronautics Act in 1938 established economic and other regulations upon which the industry matured and developed. Many factions and individuals representing the aviation industry, government, and the general public continued to express dissatisfaction after Congress passed the Civil Aeronautics Act in 1938 and again after the Federal Aviation Act became law in 1958. Dissent against and criticism of federal aviation regulation continued with increasing force until the 1970s. As early as 1975 a law was proposed that was also known as the Federal Aviation Act. Congress did not pass the act, but opposition grew regarding the economic regulation of the aviation industry. In the early 1970s, many academic economists questioned the need for economic regulation of air carriers. As a result, President Gerald Ford began to press for deregulation. Then President Jimmy Carter appointed Alfred Khan as Chairman of the Civil Aeronautics Board, and he moved quickly toward deregulation in areas of pricing, entry, and exit.