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Sample Paper

The Effects of a Stimulus Package During the Great Depression

On October 29, 1929, the world was rocked by the collapse of the global market, and a global depression formed that would only be recoverable through a governmental stimulus package.[1] Black Tuesday formed the beginning of the end for an era of American prosperity when the stock market spiraled downward, declining by nearly 25% in a four-day span, ultimately creating a loss of nearly $30 billion ($396 billion when adjusted for inflation, nominally related to 2006), (Bernanke, 1995). The U.S economy was the worst struck; however, the depression was an outreaching phenomenon affecting all corners of the globe. Initial response to the market crash was positive for the most part, where people were encouraged to invest and fundamentally place trust in the market. This may be observed in the upturn turn in the stock market during the early months of 1930, yet this optimism was short lived. The economy lost a significant amount of functional currency during the four-day crash and in doing so lost the monetary and confidence base for a strong consumeristic market.[2] (…) Only through governmental interference would the U.S economy experience recovery, and this government program was labelled as the New Deal.[3]

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[1] An important aspect of a good paper is to include a hook which makes a claim. It isn't absolutely vital to make an explicit claim within this section; however, it is useful to place your argument within the mind of the reader from the get-go.

[2] It is a good idea to include context for your argument within the introduction. Economics is a social science closely tied to historical time periods, and thus will often require information on the context to your paper.

[3] Include a thesis statement that is clear and concise. You want to make your argument clear, but you don't necessarily need to include an explanation of why it is important within it.

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NOTE: In this Sample Paper, a significant piece was omitted for the sake of brevity.

1. Body Section 1 (2-3 Paragraphs): Protective Legislation: Explains the importance of legislation to stop vulnerable populations –
    - Examples
        - Social Security Act
        - Wagner Act
        - Agricultural Adjustment Act
        - Glass-Steagall Act
    - USE OF THEORY
        - Speed up of Consumer Confidence
    - USE OF MODELING
        - Advanced Keynesian Macro Model – Money Multiplier

Also, some sentences have been omitted in an effort to discourage plagiarism (indicated with ellipses).
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The stimulus package that constituted the New Deal was formed progressively over the course of Franklin D. Roosevelt's presidency, primarily occurring during his first and second term. It grew out of countless legislative acts and government run programs that were all designed to provide funding for employment, and protection from bankruptcy. (…) It would provide thousands of much needed jobs in a time where unemployment ran well into the 20% range (Friedel, 1973).[4] Other works, like the Tennessee Valley Authority (TVA), were established a government "sponsored" firms, where they received extreme subsidization from the government. This program served to use government funds to provide utilities at a discounted rate, so as to support the lower and middle class with cheaper autonomous costs, allowing them to spend more in other areas of consumption[5]. The TVA was a landmark program because it was

[4] It is important to include numerous citations within an economics paper for whatever ideas you gather from outside sources. The standard citation format for economics is APA, but will vary depending on who and what you are writing for (i.e you may consider using Chicago style notations for a historical piece of economic work).
[5] The use of examples that illustrate your point are important. Be sure you include an explanation of why these examples illustrate your point and why they are important.

one of the first (founded on May 18, 1933) to provide noticeable economic relief in a struggling region (Temin, 1992).

The fundamental purpose of these policies was to provide a monetary base to the economy to stimulate public consumption, so that the consumers within the economy would be able to spend money again, leading to businesses being able to hire and produce once more. This would, in theory, establish a new feedback loop where instilling a small amount of consumption would generate more consumption which would, in turn, strengthen the economy and stimulate growth. This role of feedback was paramount in the economics of the New Deal.[6] (…) Keynes' economic philosophy was revolutionary to the field, and provided new insight into how the economy functions. Keynes suggested that the economy functions per demand (that is to say that the economy is demand driven), and can be spurred into growth by stimulating demand.[7](…) .

A second, particularly important, aspect of Keynesianism is his inclusion of expectations in a model for the functioning of the economy. He labels expectations as "animal spirits," and could not underestimate their importance in how the global market operates. To Keynes "animal spirits" set the economy to function in a self-fulfilling manner. If people expected the economy to grow, they would rely on these expectations to decide to invest in the economy. Their investment would cause a business to grow, and fundamentally establish a self-fulfilled prophecy. Similarly, if an investor saw a potential danger in the economy and expected it to crash, we would see them pull any and all of their investments out of the economy. This would have the effect of withdrawing functional capital from a firm, forcing them to reduce production,

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[6] Here we begin our discussion of the economic theory behind the policies of the New Deal. In discussing theory, it is useful to "frame" it first, to provide an explanation of exactly what is happening.

[7] In discussing economic theory, we must consider our audience and their base knowledge. This essay was written to an audience of slightly advanced students of economic thought, so I offer basic theory without much context. If I were writing to a more advanced audience, I would go further into depth, explaining this phenomenon, and if it were less advanced I would remain at a surface level but offer more context and explanation of the phenomenon itself.

which would require them to lay off workers. (…) . This can be expressed in a basic macroeconomic model, like the one found below, in figure 1.1.[8] Keynes furthered this model by stipulating consumption has 2 parts; autonomous consumption represented by c_o, which is the consumption for basic needs that people can afford, and consumption *C*, which details total consumption. The revised model is expressed in figure 1.2, where *Y* represents total output, *I* represents investment, *G* represents the net expenditure of government (where it is *G* – *T*, or government spending subtracting taxes), *NX* represents net exports. If we apply our new understanding of the effects of expectations, we can see clearly that output will rise. If we expect investments to grow and be safe, we invest more. This will increase our *I* value, thereby increasing our *Y* value. If we expect to have a larger income and expect to spend more, we would increase our *C* value, thereby increasing our *Y* value. Thus we find that expectations play a predominant role in economic modeling.

$$1.1 \qquad Y = C + I + G + NX$$

$$1.2 \qquad Y = \left(\frac{1}{1-co}\right)(C + I + G + NX)$$

The importance of this model is to demonstrate the role of Keynesian thought on the New Deal during the Great Depression. We see that New Deal programs regularly sought to increase the *G* value in figure 1.2. Thus, it becomes clear that Keynesian economics played an incredibly important role on the development of the New Deal, and the effects of its stimulus package.[9] Keynesian economics shows that governmental interference within the economy can be a driver

[8] Here we begin to construct a quantitative model of the economy. In using a model to explain macroeconomic (or even microeconomic) trends, it is important to establish a few things. First, you must offer the reader some context and theory to the model. Make sure they understand why you are using it, and what it will show them. Secondly, you must make sure the model itself is explained fully. Articulate the meaning of each number and/or variable you use. Make sure that you walk the reader through each step of the process. Finally, be sure the model is cleanly represented and written in a place within the essay such that it will not be a distraction to the reader.

[9] Within the conclusion, be sure you restate the thesis, so as to make it clear for the reader what you were arguing throughout the paper.

for growth, and will not strictly inhibit the free market as standard neoclassical theories hold.[10] The effects of this claim are that the American economy was able to put itself on the path toward recovery through instituting new monetary and fiscal policy that provided employment and liquid capital to its citizens, thereby allowing them to push the economy toward growth.[11]

[10] A crucial difference to note in a paper for economics is that the field itself is split between multiple theories that dominate the field. When writing it is good to indicate which perspective you come from (or at least are arguing for).

[11] Another aspect of a conclusion written within an economics paper is its use of establishing a new argument at the end of an essay. Here we want to argue for why this paper is important, and in doing so tell the reader the implications of the logic used throughout the paper. This will form the bulk of the conclusion and will be used to elucidate the reader on why their time reading was put to good use.

References

Ben S. Bernanke, “The Macroeconomics of the Great Depression: A Comparative Approach,” *Journal of Money, Credit, and Banking* 27, No. 1 (February 1995): 1-28.

James Hamilton, "Monetary Factors in the Great Depression," *Journal of Monetary Economics*, 19 No. 1 (2): 145–169.

Mitchell, Broadus. *Depression Decade: From New Era through New Deal, 1929–1941* (1947).

Oscar Freidel, *Franklin D. Roosevelt: Launching the New Deal*, (1973) ch. 19.

Peter Temin, *Lessons from the Great Depression*, MIT Press, 1992, 87-101.