

## USA between the Greatest Economic Crisis and Current Economic Crisis

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**Abstract.** American business system might be defined through its decentralized character, a capitalist one, based on private property and free will. Federal authorities' intercession to economy exhibits throughout budgetary and monetary policies strategy. Meantime federal budget gets a constituent referring to investment in cereals. American economic legislation acknowledges government involvement in business practice control, American Government acting as economical increase supervisor.

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The statement built on American industrial prototype emphasizing America as a world leader is being appreciated by majority of specialists as being correct. The assertion hereby is based on U.S.A. present-day condition and this is not only about their economical potential but either about the established democracy, feature that qualifies U.S. as security and constancy pattern.

After Christopher Columbus' discovery of America in 1492, process of land colonization with Europeans has begun and further enhanced during subsequent centuries, especially in 18<sup>th</sup> century, along with capitalist manufacturing relationship development in countries like England, France and Holland.

Comparatively recent history of U. S. A. starts with those 13 English colonies in North America – Massachusetts, Rhode Island, New Hampshire and Connecticut; Central America – Pennsylvania, New York, New Jersey and Delaware; and South America – Virginia, Maryland, North Carolina, South Carolina and Georgia. (Dictionary, 1986).

In 17<sup>th</sup> – 18<sup>th</sup> century, after Holland and French colonies conquest in North America, United Kingdom hereby extends its supremacy and possession on entire Atlantic Ocean coast.

Therefore within English colonies in North America capitalist manufacturing relationship development begins coexisting along with feudal society and even with some issues of slave state on South America haciendas, wherewith economy were associated with slaves work and exploitation.

In 1776 colonies burst forth from parent state (July 4<sup>th</sup>, 1776, Declaration of Independence). Its Majesty Government appreciates as inherent all American colonies pay up their priory approved interest expanses amount. At the same time it prepares again to discuss existing relationship between parent state and colonies. There was a provision regarding exclusivity status where trough commercial relationships between colonies and other countries except parent state was forbidden and it was hereby obligatory to provide a complementary businesses, provision that was long time eluded. Getting back to status herein application practically means entire category of salesmen, ship owners and sailormen bankruptcy that were thriven upon French and Spanish Antilles business. Therefore a considerable part of colonies population was constrained to choose between political connections with England and business relationship with islands, between sacrament of loyalty to the Crown and its interests.

Gradual amplification of disputes between colonies and parent state has culminated with War of Independence concerning English colonies in North America (1775-1783), wherein “Declaration of Independence” was enacted.

The industrial American prototype mentioned at the beginning hereinabove is getting more and more obvious at the beginning of 18<sup>th</sup> century. At that time U.S.A. were definitely capitalizing on waste territory reach in ground and underground natural resources, a constantly increasing population due to natural accession and massive emigrant flow.

In 1787 the U.S.A. Constitution was proclaimed that hereby established capitalist production relationships. Starting with 19<sup>th</sup> century S.U.A. territorial expansion to Western and South part of North-American continent begins. Expansion hereby was realized by means of land purchasing – Louisiana from French in 1803, Florida from Spanish in 1819, Alaska from Russians in 1867. As result of war with Mexico, U.S.A. annexes Texas in 1845 and an important part of Mexican territory in 1846-1848 (New Mexico and California).

In the middle of 18<sup>th</sup> century U. S. A. capital market is consistently extended and U. S. A. are applying to protectionist solutions. Capital resources come from – mainly from England and, in time, Americans were investing in their own capital.

During first half of 19<sup>th</sup> century, American movement dedicated to slavery abolition was getting stronger. Contradiction escalation between South slave state and North capitalist state ended in secession war break out in 1861- 1865 (Civil War). The voidance of war hereby was Abraham Lincoln designation for the presidential position, one of the most important abolitionism initiators.

After Civil War the more developed North area wins and favourable premises for capitalist production relationship are thereby issued including for the rest of American territory. Slavery was officially abolished while the coloured category of people was further discriminated on racial criteria.

At the end 19<sup>th</sup> century S.U.A. become most important industrial power worldwide. After Paris Peace Accord that conclude the war between Spain and America that lasted since April to December 1898, U.S.A. adjunct Philippines, Puerto Rico, Guam and extend their control on Cuba, Hawaii islands and Panama Channel. In 1899 S. U. A. gives out “Open Door” policy in China.

At the end of 19<sup>th</sup> century, in fully territorial expansion, U. S. A. was experiencing a real economical bloom. American economy count on efficient economic capital and labour forces application throughout production standardization and its massive realization thanks to improved working process and production activity organization.

Between Andrew Johnson age (15.04.1865 – 03.03.1869) and Thomas Woodrow Wilson (04.03.1913 – 03.03.1921), American society has changed dramatically. Industrialization, capital inflow has brought to group of interest formation which ambitions and methods determine the emergency of public security agents’ intervention. Classic liberalism machine adjusting individuals’ relationship wasn’t any more enough; respect for society free inner spirit thereby involves its reconstruction.

In 1913 U.S.A. were in power of approximately 36% of global industrial production. Since 1895 U.S.A. are starting to export much more through the medium of American enterprises. American export is mainly based on capital direct investments.

In April 1917 U.S.A. joins Entente in the First World War. American productive power and capital affluence enable United States to play a decisive role within first world conflagration.

Before 1914 America was already quoted as World fourth leader of capital exportation.

Therefore an entire range of factors has contributed to the decision of war declaration against Germany according to American Congress resolution of April 6<sup>th</sup>, in 1914. Protection of loans provided by allies in the famous American banks, neutral states defence, agitation induced by Germany in Central America, traditional affinity for France and England, United States generous idealism, their proneness for democratic institutions, had counted differently when taking decision hereby. Due to huge production capacity and capital overflow America will play an ultimate role in the First World War by lending to its allies (which are transformed in American goods purchasing)

In early '20's after war a period of prosperity begins. After a transient crisis United States are investing in motive industries, driving industries, chemistry and electricity products. Entire America is getting involved in a real thrift race. Americans become pioneers of science work organization. The American engineer Frederick W. Taylor (1856 - 1915) concerned about raising worker’s efficiency has created a new discipline, the science

management, wherewith forecasting and labour coordination were understood as production process priorities. Process thereby was required to be divided in distinct operational sections hereby eliminating "time wastes" within mechanic routine which is augmenting productivity. Thus, Taylor System appears. Henry Ford invents band conveyer. This one together with other American techniques: labour division, standardization, capital centralization, specialization, juxtapose each one's effects generating one of the accumulating processes that pertain to economical development. "Profile as matter of fact belong and is being maintained by sustaining business growth itself", explains Ford. Ford's opinions regarding labour wages that start dominating entirely modify relationship between owners and employees. Compensation increase, their way of causing injuries to the companies, is actually provided for their interest: purchasing potential increases and so the worker becomes consumer.

New industries branches, especially car building and cinematography are standing ahead of economical breakthrough. Administration applies with no fervor the antitrust rules. Republicans agree their liberal orthodoxy and also to the general society opinion which sees prosperity as liberalism consequence. Politics surrenders in front of economy: deflation, budgetary reduction, revenue relief, and any governmental control cancellation, insure favourable circumstances for economical development. Isolationism and liberalism, there are the two basic principles of republican administration. The fabulous prosperity is the argument of politics hereby correctness.

Economical World Recession that burst out in 1928 in Wall Street covers the whole world and obviously USA wherein, at the end of crisis herby in 1933 ended by registering 17 millions of jobless personnel.

Particularly when we talk about economical recession, we understand the state of business activity deficiency, a breach, and dramatic change of economical process, materialized by deceleration, stagnation or business activity comedown. There are several types of crises like violent crisis as the one of 1929- 1933, slow ones, dead-alive like biologic anaemia. Some of economical recessions might localize only within one single national economy or few national economies, others put together all those hereinabove characterized by feature of world economical crisis.

Starting with 1929, United States get through the worst economical crisis ever in their history. Between 1929 and 1933 industrial production is reduced to the half and unemployed personnel quota reach up to 24%, which means approximately 17 millions, agrarian crisis gets worst, prices collapse and inflation fighting policies worsen the situation even more.

The whole situation was created as a result of stock exchange accident. In 1929, October 21<sup>st</sup> in Wall Street, billions of titles are displayed to be sold with no buyer in the end. In October 23<sup>rd</sup>, other 6 millions titles are meant to be sold with no purchaser as well. On October 24<sup>th</sup> stock shares are still decreasing. Quasi 13 millions of titles are discharged on market being hardly placed. Shares continue to decrease and market is being overrun by

approximately 16 millions of titles. In ten days, period called “black decade”, millions of titles are changing holders registering up to 50% loss. The global value of shares quoted at Wall Street being estimated at 89 million dollars on September

1st, goes down to 71 million dollars which means a global depreciation of 20%. In American Economy everything leans on landing. Landing makes things move on as for consumption, either for production. For an economy so addicted to landing a financial crisis might be associated with a hard attack. Industrial plants are watching their treasury melt away; banks being no more able to satisfy all requests blow up one by one thereby generating lots of companies’ insolvency. The ones that succeeded to keep their doors open slow down the activity and dismiss a significant part of employed personnel. The more people remain jobless, the fewer consumers are in the end. Stocks are cropping up and cash-in is dramatically reduced resulting in other bankruptcies.

**The Great Economic Crisis** or **Great Depression** has been characterized by a spectacular comedown of world economic activity. The first crisis features were observed since 1928.

Prelude to major economic depression in United States is usually associated with Tuesday stock exchange breakdown (Black Tuesday) in 1929, October 29<sup>th</sup>. Economic crisis had crushing effects especially in high industrialized countries which economies were mostly built on charge stock exports. Worldwide businesses fell sharply as well as personal income, budgetary income and business profit. Countries all over the world suffered the consequences of crisis hereby especially those depending of basic industry. Building activity was practically stopped. Countrified have suffered because of 40- 60% agrarian products prices decay. Mining and forest exploitation probably had experienced havoc of decrease where through request has tided away whether miners or woodcutters reemployment alternatives were absolutely reduced.

The great economic depression has ended at different times among countries worldwide. Most of them have elaborated recovering programs passing through several political reformations pushing them to right or left wing. Societies built on liberal democracy stepped out of depression completely used-up and such dictators as Adolf Hitler, Iosif Vissarionovici Stalin or Benito Mussolini have come in charge of most powerful states thereby preparing necessary background for 1939 Second World War break out.

Economic crisis was an indicator of general depression of world economy: Production and industrial prices crushed down, agrarian slough being a kind of dormant at the end of First World War emphasized and international business get confused.

Unemployment, poverty, social antagonism has increased. Economic recession reached dimensions of a universal catastrophe. The only state that remained untouched was USSR.

In September 20<sup>th</sup> 1931, British Government has severely decided to give up on gold standard, inside of imperia protective policies are being applied and preferential tariffs are being introduced. In France, from 154 blast furnaces only 90 were kept into service in

1931. In textile French industry recession has hereby collapsed production much seriously than in 1913: 35% for silk production in 1913, 60% for cotton production, 75% for wool. Approximately 28% of workers become jobless. French peasantry has been affected as well because of crisis effects so that their earnings have fined down to the half thereby equally increasing bank indebtedness. Even aloof Japan didn't succeed avoiding crisis tentacles in fully economical bloom. Therefore, in December 1931, being suffocated by the severe depression Japan has abandoned gold standard, thereby the Yen become floating currency loosing 57% value just in a year.

The Romanian economy experienced a real tragedy, small but so gifted," Latin race" born at Near East gates, with uproarious political and economical life. Prices of wheat were falling down; production was subsiding, people were getting poor and poor. The sacrifice crossroads were been accessed, no place to work at, no cash, no food, thoughts were in a mess, furrows were getting more and more obvious.

Economic powers were applying empiric methods to escape imminent disaster. Rising prices was the main objective in order to stimulate manufacturers to afford recycling, etc. Wheat was burned out and famine is installed. It was cold outside and earth coal was inhumed. People were walking around barely dressed while some of wholesale stores were burst with product. Unfortunately the results were insignificant.

Under Franklin D. Roosevelt's command, ales in 1932, astonishing the browns of liberalism, federal State interferes economy to set on the capitalism machine by means of innovative policy history recalls under the name of "New Deal". First issued provision which is being also the most debatable was National Industrial Recovery Act (NIRA) since 1933. With provision hereby government suspend antitrust rules encouraging concentration among manufacturers and setting up loyal competition, prices, wages codes, etc. Social action thereby shall be amplified Social Security Act in 1935 by creating redundancy payment and establishing federal retirement system.

Farmers bargain away as well because of agrarian product currency downturn, therefore they are sinking in enormous depts. According to Agricultural Adjustment Act (AAA, issued May 12<sup>th</sup>, 1933) and other enacted laws the agrarian landing bringing agriculturalists to reduce overstock production trough grant-in-aid system directly related to tillage land. Long term landing with small rate of interest and inflation that still continue is helping them to retrieve. Between 1933 and 1939 the minimum farmer income is almost rising to double.

Due to increasing intervention of Government to economy New Deal Policy has encouraged the interventionist and equable neo capitalism occurrence that shall restore industry new age of development.

Broadly, New Deal seek for State importance for American economy improvement, State support of under-privileged social categories, protection of banks perceived as strong and those financially viable thereafter, credit reconsideration, product launching. All the

objectives hereinabove were oriented to 1929 crisis consequences abolition and USA economic rehabilitation.

All social and economic solutions approved by Government and American Congress during New Deal application were presented to the American public audience even by President Roosevelt himself, as during his long speeches when travelling across America, either by direct mailing to the radio transmissions listeners starting with March 12<sup>th</sup>, in 1933, called “conversations to the fire”.

New Deal brought to huge governmental projects launching, as for example construction of hydropower stations, barrages, highways, bridges, residential districts, tourist areas, real estate settlement. The realization of hereinabove conducted to large number of jobless people reemployment starting with 1937, industrial and agrarian production and social insurance system formation.

At the beginning of Second World War USA pronounce for neutral position whether sustaining Great Britain and forces that declared against Fascism. After Pearl Harbour Japanese attack (December 7<sup>th</sup>, 1941) USA moves in against Axe’s Forces, fighting on Pacific, North Africa and Europe active service.

For SUA, period between 1945- 1970 signifies a large amount of investments, industrial and agrarian production development and efficiency increase. Thereafter compensation augmentation become possible that hereby carries along purchasing potential increase. Companies are hereby accounting substantial earnings which facilitates investments and modernization of producing system. Thus the American prototype could be identified wherewith offer is constantly augmenting satisfying ascendancy quotation.

On economical development background American dollar has achieved the notoriety of main currency at international level. During inter-war epoch USA continue to provide its traditional isolating policy whether the Second World War and especially when “iron curtain” appears, USA was constrained to enforce military and political power – free world leader. As per economic situation USA take the responsibility of capitalist and democratic Occident restitution. Marshall Plan issued in 1948 underlain European rebuilding and Europe revival as global economic power. Besides, after the war United States were the only ones able to support such economical effort. USA owns important gold purveyance valuable at 20 billion dollars, almost more than a half of global amount.

American economic development pattern persist influencing global economy between 1940 -1960.

A report of American Institution published in 1989 was counting following features of American Economy supremacy:

- United States local market dimensions which were eight times larger than the largest one among the rest of countries;
- Technological domination;

- American workers super qualification against the other developed countries;
- The best capital for each employee;
- American Manager Ship excellence over others being considered the best ones worldwide.

American prototype ebb-away started to be felt in the middle of '60, when American economy registers several segmental consecutive depressions. The most serious were affecting iron and steel industry, textile industry, consumer's goods industry and nautical industry. Automotive industry looses in front of Japanese engineers. Foreign companies are providing direct investments in United States. American enterprises set their criticism as against competition accusing them of disloyal practices, either against federal authorities thereby condemning them for not obtaining appropriate protectionist solutions and for overgrown taxes or budgetary deficit that call forth raised rates of interest causing unfavourable effects on entire economy.

USA economical power has been doubled by its military potential. USA takes upon oneself political and military control of few areas all over the world. Middle East, South East of Asia, Latin America, all them are thereby declared areas of strategic interest for United States.

USSR and European communism downfall brought to non-symmetrical world construction wherein USA has yet remains the only global power. Its role of Universal Solder supported by American economy open up being contested not only by terrorist community and countries willing to become global economical powers either.

At the beginning of 1970, during long travel by car, from the Eastern Atlantic to Western Pacific and from Niagara Waterfall in North to the South islands „Florida Keys”, yearly, new highways and improved main roads quality could be noticed. It is possible to drive hundred miles not hearing a „rumble-tumble”, issued by a car passing over a pot hole or a crack between bottom plates (driving on the oldest USA highway called “US 1” (dated from 17<sup>th</sup> century under name of „Boston mail road”) even the road hereby turns into a ultramodern highway as it might be observed. Driving on their amazing roads („highways, superhighways, turnpikes, parkways, country roads, scenic roads”) you could admire how accurately, soil less and how much work is being provided in America.

In the eighties, transnational companies were holding a third part of industrial production, more than a half of export trade. American transnational companies' product and provided services value at that time goes up to 350 billion dollars. Speaking of percentage, American companies were representing in 1999, 71, 8% in the amount of 50 leading transnational companies worldwide. Providing direct investments overseas, the great American companies are getting huge profits particularly finding the ways of charge stock resources control. American companies attend consumption on high level markets exclusively in areas of raw material production. Therewith American companies are further implementing the American business activity forecasting and management



prototype and newest high tech efficiency and productivity equipment. Economy globalization result in American transnational companies' development. Nowadays they are identified as great economical power and a real binder of American economy worldwide that might be detected even over the national borders. The American secret of success rest in enormous amounts granted for research and development as by private companies and federal authorities as well. Another key of success is being defined by education level and number of employees in research area. Science and technologic revolution started in United States. However the majority of Nobel Prize holders in science are Americans. High level of used technology in American industry decides giant percentage of labour forces distributed for service departments (73,2%) comparing to 24,1% for industry and 2,7% for agriculture.

## **Conclusion**

The end of '80 records the second great transformation of American capitalism and industry. Finding themselves in the position of being threaten by foreign competition, American companies launched a transformational program where trough federal state is an ally that has concentrated its entire diplomatic power for their support in order to reduce business supremacy.

High productivity level proper for American economy allows United State to absorb giant capital flow and export American financial resources all over the world especially in Europe either. Jean- Jaques Servan Schreiber was appreciating that in 80' "third industrial power after united States and USSR could certainly be, not Europe, but American industry in Europe". The observation hereby might be applied especially today, 1989<sup>th</sup> European communism cave in allowing American companies to extend on immense market.

American economy is now at full expansion. In 90<sup>th</sup>, economic development is supported by advanced technology, low inflation, employment availability, decreased inoccupation. USA promotes a new business concept related to output factors global productivity, concept that lean on efficiency in combining employees work with research investments and newest technologies of American economy. Though USA remains the core of international system as economic and military power, economical globalization offers the opportunity for many other world powers to under-achieve and rival USA so that its single super-power is being already impeached.

The '90<sup>th</sup> signifies modernization age. In circumstances hereby the famous American enterprises have gotten global significance, many of them proceeding simultaneously on the tree topmost world markets: United States, Europe and South East.

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