



1970s Economy

Disaster Strikes



How Did We Get Here?

- Johnson increased spending for Great Society Programs in the 60s
 - Spending increased, taxes did not, creating a ***deficit***
- By the 1970s, this spending caused ***inflation*** aka items become more expensive, but the dollar remains the same
- The embargo of oil by Organization of the Petroleum Exporting Countries (OPEC) didn't help.



Capitalism Changes the Economy

- It becomes cheaper to make items overseas
 - The U.S. imports more, factories close, jobs are lost
- This causes **stagflation**:
inflation+ high unemployment=disaster



Gold Standard

- To combat stagflation, Nixon takes the U.S. off the Gold Standard
- This means American money only works because people believe it does.



The Carter Administration

- Stagflation remained through Nixon's and Ford's presidencies. Carter tried to help.

High Unemployment	Inflation
Increased spending and cut taxes	Reduce money supply and raise interest rates
Greater Deficit	Did not work

Carter and the Middle East

- Carter felt the U.S. was too dependent on foreign oil; wanted energy independence
 - Deregulated the oil industry
- Another oil shortage occurred in 1979
 - Middle East unstable
- Gave speech in which American public felt blamed for economic problems
- Economic problems in 70s not solved