

Rothbard's America's Great Depression Study Guide, Chapter 10, "1931—"The Tragic Year"

- "The Tragic Year" is from *Economics and the Public Welfare*, by Anderson
- Economic crisis in Europe
 - Austrian bank goes first
 - France calls Austrian debts
 - Europe falls off gold standard
 - England drops off gold Sept. 20, two days after assuring the Netherlands they wouldn't
 - They probably warned the U.S., too (secret visits)
 - U.S. loans money to European banks, left holding the bag

The American Monetary Picture

- Production down, unemployment up
- Producers' goods hit much harder than consumers'
 - Recall this is what Austrian theory predicts
- More inflation in controlled reserves outpaced by uncontrolled contraction
 - Money in circulation skyrockets, trust in banks is low
 - Gold reserves peak and begin to fall
- Federal Reserve lowers rediscount rates, yet still criticized for "tight" policy

The Fiscal Burden of Government

- GNP, GPP falling, government growing
 - Look at how small these catastrophic numbers appear today!
- Transfer payments (mostly loans to veterans), and grants to state & local governments balloon

Public Works and Wage Rates

- Emergency Committee for Employment recommends more public works
- "Enlightened self-interest" = do stupid things and wait for a bailout
- "Bidding war" for public work allocations (p. 265)
- Hoover stops leasing Federal forests for logging
- More committees and conferences... experts justify even more state power
- State-based efforts: CA, PA, MD, MA, MI (Michigan highways a famous boondoggle)
 - Pressure to perform labor "by hand" fallacy... Recall Milton Friedman's "why aren't they digging with spoons" comment

Maintaining Wage Rates

- Prices continue to fall, wages hold steady
 - Wages "of prosperity" largely maintained, although unemployment is rising
 - Oakwood notes prices and costs are related, and that falling prices must precipitate falling costs or businesses will fail
- Wage rates begin to drop in autumn 1931
 - U.S. Steel attacked for violating 1929 pledge; Ford drops wages in 1932

Immigration Restrictions

- Hoover urges Congress to curb immigration and fails

Voluntary Relief

- Hoover resists direct government relief at federal level, calls for voluntary organizations (e.g. the Red Cross) to step up
 - State and local relief large, however
 - Continued federal aid to farmers
- Many understand relief perpetuates unemployment, but resistance is flagging

Hoover in the Last Quarter of 1931

- Hoover begins to waver on voluntary relief

- Changes out Emergency Committee for Employment to President's Organization on Unemployment Relief (wants credit?)
- More stupid attacks on short-selling
- Another conference, this one on home building/ownership
- Hoover ignores more advice to let liquidation happen
 - New government lending agency, "quasi-'voluntary'"
 - Bullies banks and insurance companies into support
 - Mortgage foreclosure moratorium on farms
 - Throwing more money at foundering banks
 - More loans and more propping up, another conference
- Dec. 21: highly unusual Presidential Committee on Public Works *condemns* public works, demands balanced budget and readjustment... ignored.

The Spread of Collectivist Ideas in the Business World

- More Swope planning (precursor to National Recovery Admin.)
 - Chamber of Commerce supports
 - Organizing via council, "coordinating" production and consumption, etc.
 - "intelligently planned business structure"
 - Force individualists to follow the herd
- Huge list of names and calls for more central planning
- Dean Wallace B. Donham of Harvard School of Business (laughably) cites USSR
 - **Worth noting that at this point, the Soviet "New Economic Plan" had been tried and abandoned as a horrible failure in 1928**
- Bernard Baruch suggests a "Supreme Court of Industry"
- Hoover resists the Swope plan and other collectivization plans
 - However, his rhetoric shifts. Now lots of "cooperation" and "elimination of waste" talk
- AFL's Emergency Unemployment Program in October
 - Give industries "quotas of jobs" to fill
 - More PR to stay in school, to discriminate against women w/ husbands who have jobs, etc.
- States compel cartelization in oil industry
 - National Guard enforces closures of oil wells in OK, TX
 - "conservation" and proration laws in CA, TX, KS, OK
 - Oil tariffs
 - If it's about "conservation," why stop imports? Transparently bad cover story
 - Hoover cancels drilling permits
- Sets the stage for the "Hoover New Deal" in 1932

References

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(FYI, Rothbard cites a bunch of defunct journals and magazines in this chapter that are practically impossible to find outside of university library archives these days, but I did my best.)

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