

## Rothbard's America's Great Depression, Chapter Seven

### Prelude to Depression: Mr. Hoover and Laissez-Faire

- We're moving into historian territory, rather than economist territory, so we're going to see fewer economic arguments and more historical data
- As mentioned before, the best answer to a depression is laissez-faire
  - Propping up dying businesses leads to postponed liquidation and unsound conditions
  - Keeping wages high leads to mass unemployment
  - Reducing government spending increases investment share of economy and speeds recovery
    - Recall that all government spending is consumption
- There was very little government interference in the depressions/panics of 1819, 1837, 1920
  - However, the tendency to intervene was increasing gradually...
- Hoover's policies were practically the same as the New Deal
  - He intervened massively in the economy by his own admission

### The Development of Hoover's Interventionism: Unemployment

- Hoover used "voluntary" measures: do as we say or we'll force you
  - The "velvet glove on the mailed fist"
- Hoover returned to the U.S. after World War I with European-style Reconstruction ideas in his head
  - Wanted to raise inheritance tax, build dams, regulate the stock market
  - These policies led even to many prominent Democrats supporting him
- He teamed up with union leaders and "forward-thinking" industrialists in 1921
  - Big businesses fell into line, **ostensibly to have a seat at the regulation table**
  - Goal to "reconstruct" America
  - "Ominous seeds"
    - War Finance Corp. revived, \$1M Foreign Trade Financial Corp. formed
    - Capper Grain Futures Act (anti-short-selling)
    - NY rent control, KS Industrial Court, ND socialist experimentation
- September 1921 Conference—300 big names attend
  - Hoover speaks for more active government; combat depressions with public works
  - Could have been worse: A "Federal Labor Reserve Board" was proposed!
  - Lots of municipal bonds floated as a result
  - Otto Tod Mallery, pro-regulation, public works, labor legislation
  - American Association for Labor Legislation (AALL) stacks the deck, fills conference with its members
  - Conference doesn't go away when it ends; turns into 3 research committees and studies in favor of intervention
  - Wesley Mitchell and friends promote "social experimentation"
- Senator Kenyon of Iowa puts forth a bill for public works stabilization of economy, fails
  - Zihlman bill similar
- Climate in favor of intervention building—Silent Cal calls for public works planning to counter depressions in 1925
- Hoover presidency begins
  - Hoover gives his plans to loyal stooges so they can propagate them
  - Underconsumptionists have most sway (see [Chapter 3 part 1](#))
  - Foster, Catchings, and the AFL; *The Road to Plenty*
  - April 1929, \$3 billion proposed plan to end depressions (they didn't see it coming)

### The Development of Hoover's Interventionism: Labor Relations

- 1919-1923, Hoover tried to get AFL and "forward-thinking" industrialists to collaborate

- Wanted unemployment insurance, child labor laws, shorter work days
  - These things sound good but doing them coercively causes problems
- Giant propaganda fight brews
  - Socialists mobilize and promote “social gospel,” using religious leaders to convince people
  - U.S. Steel eventually surrenders
- Railway labor act guarantees collective bargaining
  - Legally required collective bargaining is a huge can of worms; see my video on the topic: <https://marginalnonhermit.com/?p=163>
- The fallacy returns: High wage rates create prosperity
- Committee releases 1929 report, doesn't predict incoming depression (just like in 2006 & 2007)
- As the Great Depression begins, Hoover is ready to apply his “New Economics”

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