1930
- Public expenditures had temporarily bumped up markets
- People thought their worries were over in early 1930
- Worth emphasizing: "early 1930" was **no more than eight months** into a depression that lasted **ten years** by conventional accounts
- More positive PR from leaders and more public works

More Inflation
- December 1929: Federal reserve claims to want laissez-faire and liquidation of malinvestments
  - It actually went in a strong "easy money" direction in early 1930
  - Rediscount rate down, more permissive on acceptances, etc.
- Massive increase in reserves is counteracted by contractions of shaky banks
  - This was led by the NY Federal Reserve Bank and George Harrison, its head
  - Bank failures blunted their efforts to inflate out of depression

The Smoot-Hawley Tariff
- Hoover maintains the fallacious view that tariffs help farmers
  - Actually, this hurts them by cutting them off from foreign markets
- Hoover signs the Smoot-Hawley Tariff Act
  - It was broadly opposed by economists, bankers, and other leaders
  - But supported by Progressives, farm organizations, and the AFL
- Created the highest tariff rates in U.S. history
  - Encouraged a worldwide resurgence of protectionism
- There was also a small, failed effort to put protectionist policies on silver

Hoover in the Second Half of 1930
- Production, prices, foreign trade, and employment continue to decline
- Hoover tries to weaken bankruptcy laws (again, propping up unsound businesses)
- Massive merchant shipping construction boom due to subsidies (and timed to coincide with huge tariffs!)
- Immigration ban from a State Dep't press announcement, defying Congressional refusal
  - Rothbard likens this to "curing" a surplus by banning the sale of the good
- PR campaign to encourage young people to return to school in the fall and avoid seeking employment
- Conference held to widen home ownership and prop up bad mortgages (familiar...)
- Hoover pats himself on the back for his plans in October, but these plans aggravated the depression in the coming years
  - Recall Bastiat's words on the seen and the unseen
- Hoover hypothesizes that scarce credit and credit being absorbed by speculators was the problem
- Wages being held up contributed to increasing unemployment
- Employers not permitted to discharge their least productive employees
- Government threatens the stock exchange to curtail short-selling
- Emergency Committee for Employment formed; advises building of dams and other public works
  - Head member Edward Bernays, the guy who wrote *Propaganda*
- Second annual message in December: production falling but consumption steady (a good combo for politicians but bad for the economy!)
- H. Parker Willis and Joseph Stagg Lawrence sound the alarm
- Also, Albert H. Wiggin, chairman of board of Chase Nat'l Bank speaks out

- Tariff negative effects from 1924-1929 were blunted due to mass of foreign bond purchases
- Consumption is outpacing production! Danger!
- Reminders of 1921 lessons about letting prices and wages fall to end depression
- He was unheeded (along with Willis and Lawrence)

The Public Works Agitation
- Bad advice from many economists lead to Employment Stabilization Act & Board
  - More public works!
- Senator Robert Wagner's awful argument
  - Gov't takes responsibility for foreign trade via tariffs, money via Federal Reserve…
  - Why not take responsibility for employment, too?
  - Pushes Wagner Bill for *even more* public works
- Additional requests/advice for public works from Emergency Committee for Public Works, Gerard Swope of General Electric, Emergency Committee for Employment

The Fiscal Burden of Government
- Why is government spending added naively to GDP? Gov't expenditures hurt the economy
- Rothbard proposes Gross Private Product (GPP)
- Government fiscal burden increased in 1930, rather than decreased, making things worse
- On the bright side, taxes fell from 1929-1930, but expenditures rose, giving gov't a bigger piece of the pie, especially at state and local levels

<u>References</u>

Note: I was unable to get access to issues of *The Commercial and Financial Chronicle* for 1930 and 1931 referenced by Rothbard. The only places I could find evidence they might exist was in university libraries, and even finding discrete entries for the issues in question was impossible...

Anderson, *Economics and the Public Welfare*
https://archive.org/details/economicspublicw0000ande/page/n3/mode/2up

Hoover, *The Memoirs of Herbert Hoover*
https://archive.org/details/memoirsofherbert0002hoov

Fahey, *Tariff Barriers and Business Depression*
https://www.jstor.org/stable/1172703

Taussig, *The Tariff Act of 1930*
https://www.jstor.org/stable/1882525

Taussig, *The Tariff, 1929-30*
https://www.jstor.org/stable/1885247

Divine, *American Immigration Policy, 1924-1952*
https://archive.org/details/americanimmigrat0000divi/page/n7/mode/2up

Bernstein, *The Lean Years*
https://archive.org/details/leanyearshistory0000bern_f7p8/page/n5/mode/2up

Warren, *Herbert Hoover and the Great Depression*
https://archive.org/details/herberthoovergre0000warr_f2d0

History of the Employment Stabilization Act of 1931
https://budgetcounsel.com/wp-content/uploads/2016/10/1945-07-30-rept-banking-committee-related-to-s-380.pdf

Reeve, *Monetary Reform Movements; Recent Plans and Panaceas*
https://archive.org/details/monetaryreformmo0000unse/page/n7/mode/2up

Hearings Before the Committee on the Judiciary, House of Representatives on S. 3059...
(Rothbard cites a Senate hearing but I think he was talking about this...)
https://archive.org/details/unemploymentinun00unit/page/14/mode/2up

Dorfman, *The Economic Mind in American Civilization*
https://mises.org/library/book/economic-mind-american-civilization-1606-1865-volume-one

Loth, *Swope of G.E.*
https://archive.org/details/swopeofgestoryof00loth/page/n5/mode/2up

Ratner, *American Taxation: Its History as a Social Force in Democracy*
https://books.google.com/books/about/American_Taxation.html?id=RwI0AAAAIAAJ