

## Rothbard's America's Great Depression, Chapter 11, Part 1

### The Hoover New Deal of 1932

- Hoover ready for more action at the start of 1932
  - In address to Congress, reviews and promotes his actions so far, oblivious of their negative effects
  - We need MORE!
- 1. Reconstruction Finance Corp. to lend to banks, industry, agricultural credit agencies, local gov'ts  
(More of the same!)
- 2. Broaden eligibility for discounting at the Fed  
(Lower effective interest rates!)
- 3. Create a Home Loan Bank System to revive construction and employment measures  
(Recommended by another of Hoover's Conferences)  
(More make-work for "idle" resources!)
- 4. More aid to Federal Land Banks  
(Federal Land Banks were organizations that provided government-subsidized mortgages on farmland. The mortgages weren't quite normal mortgages, but basically created a bunch of private companies who "relied on the implicit backing of the Federal government for support."  
See my last entry in the References section.)
- 5. A public works administration to coordinate more public works
- 6. To legalize Hoover's immigration restrictions  
(Admission that the executive was acting lawlessly!)
- 7. Weaken "destructive competition" (Rothbard notes this just means "competition") in natural resources
- 8. \$300M in "loans" to states
- 9. Reform bankruptcy laws, weaken protection for creditors  
(The "toxic charity" mindset)
- 10. Protect the railroads
- 11. More share-the-work programs  
(Rothbard covered why this is a bad idea at the end of Ch. 2)

### The Tax Increase

- Hoover wants to combat large deficits
- Revenue Act of 1932 drastically raises taxes
  - Revives wartime excise taxes (hints of War Communism extension in USSR)
  - Sales taxes
  - Taxing some types of stock sales
  - Utilities (telephone, telegraph, radio)
  - Personal income tax and corporate income tax (plus no more small business exemptions!)
  - Estate tax
    - Hoover has fallacious idea that estate tax is "moral," is angry about "millionaire playboys"
    - Estate taxes actually very destructive of capital accumulation
  - Postal rates raised
  - Pushback from some, but not heeded

### Expenditures Versus Economy

- Despite tax increases, revenue falls, deficit continues
- Expenditures fall, but not enough

- Drastic reduction of veterans' loans and grants to state & local gov'ts
- State & local gov'ts cannot maintain public works projects without federal help
- Gov't degradation of private product increases relative to private economy
- An attempt to put out a massive veterans' bonus fails
- National Economy Committee, later National Economy League
  - Vague demands for reduced spending
  - Falls prey to public works fallacy
- Pressure to reduce gov't expenditure rejected by Hoover
  - Bureaucratic hysteria (see p.291's Hoover quote)
  - Rothbard analyzes reduction in services and it's not too bad
  - **Reminiscent of Thomas Sowell's parable of the Department for Life-Saving Medicine for Children and Statues of Benedict Arnold**
- Radicals urge more spending

### Public Works Agitation

- **The addiction is real!**
- Most economists approve, a few give good rebuttals but fall into other fallacies (e.g. inflation)
- William A. Berridge of the Metropolitan Life Insurance Company
  - Public works unproductively occupy labor and capital that are needed to get out of the depression
- Another "bidding war" for public works funding (p. 294)
- Three books in Summer 1932 making cases for public works:
  - See Chase, Coyle, and Soule in references section
- Hoover finally admits some public works aren't working
  - But he continues to believe in "self-liquidating" works, e.g. dams, toll bridges, slum clearance

### The RFC

- Passed in January, given \$500M and authorization to spend \$1.5B
- Socialist chairman Eugene Meyer Jr.
  - **Yes, give a nationalizer the ability to choose winners and losers!**
  - Secret at first, for fear that public would (rightfully) see loans as evidence of trouble
  - Eventually forced to disclose recipients of aid
- RFC loans to banks and railroads, \$1B
- Grift for republicans (Charles Dawes)
- Successor to Dawes is economically illiterate tyrant
  - "Force merchants to buy 33% more goods!"
- Massive subsidies to banks
  - Transfer of wealth from people to banks
- Railroads funded to pay off debts to banks (more subsidies!)
  - Missouri Pacific loaned to pay off bank debts, then goes bankrupt
  - N.b. footnote 16: Missouri Pacific even cooked their books!
  - **Reminiscent of auto industry in 2000s**
- John T. Flynn dissents in articles (see p. 298)
- Hoover demands more loans, to wider industries, faster!
- \$2.3B in credits in 1932! Plus \$1.6B in cash!
  - Banks, railroads to banks, and agriculture (esp. cotton)
  - Very little public works

### Governmental Relief

- Hoover gives ground on direct federal relief grudgingly
- NY Temporary Emergency Relief Administration, \$25M

- Emergency Relief and Construction Act in July
  - 3% loans to states, up to \$300M
- Massive increase in state relief efforts
  - \$33M in 1929 to \$308M in 1932

## References

Ratner, *American Taxation: Its History as a Social Force in Democracy*

[https://books.google.com/books/about/American\\_Taxation.html?id=RwI0AAAAIAAJ](https://books.google.com/books/about/American_Taxation.html?id=RwI0AAAAIAAJ)

Kennedy, *Development of Postal Rates: 1845-1955*

<https://www.jstor.org/stable/3144899>

Kennedy, *Structure and Policy in Postal Rates*

<https://www.jstor.org/stable/1833290>

Warren, *Herbert Hoover and the Great Depression*

[https://archive.org/details/herberthoovergre0000warr\\_f2d0](https://archive.org/details/herberthoovergre0000warr_f2d0)

*Congressional Record* 75

<https://www.govinfo.gov/app/details/GPO-CRECB-1932-pt2-v75/>

Leffingwell, *Causes of Depression*

<https://www.jstor.org/stable/1172700>

Randolph Paul (no, not that Rand Paul!), *Taxation in the United States*

[https://books.google.com/books/about/Taxation\\_in\\_the\\_United\\_States.html?id=2KI1AAAAIAAJ](https://books.google.com/books/about/Taxation_in_the_United_States.html?id=2KI1AAAAIAAJ)

National Economy League, *Brief in Support of Petition of May 4, 1932*

<https://archive.org/details/briefinsupportof00nati/mode/2up>

Beck, *Our Wonderland of Bureaucracy*

<https://archive.org/details/in.ernet.dli.2015.275457>

Haligren, *Seeds of Revolt*

[https://books.google.com/books/about/Seeds\\_of\\_Revolt.html?id=d6wVAAAAMAAJ](https://books.google.com/books/about/Seeds_of_Revolt.html?id=d6wVAAAAMAAJ)

Kendrick, *A Century and a Half of Federal Expenditures*

<https://www.nber.org/books-and-chapters/century-and-half-federal-expenditures>

Kimmel, *Federal Budget and Fiscal Policy, 1789-1958*

<https://archive.org/details/federalbudgetfis0000unse>

*Congressional Record*, with May 16, 1932 broken out in the page

[https://www.govinfo.gov/app/collection/crecb/\\_crecb/Volume%20075%20\(1932\)/GPO-CRECB-1932-pt9-v75](https://www.govinfo.gov/app/collection/crecb/_crecb/Volume%20075%20(1932)/GPO-CRECB-1932-pt9-v75)

Reeve, *Monetary Reform Movements*

<https://archive.org/details/monetaryreformmo0000unse/page/n7/mode/2up>

Dorfman, *The Economic Mind in American Civilization*

<https://mises.org/library/book/economic-mind-american-civilization-1606-1865-volume-one>

Chase, *A New Deal*

[https://babel.hathitrust.org/cgi/pt?id=uc1.\\$b666889&seq=9](https://babel.hathitrust.org/cgi/pt?id=uc1.$b666889&seq=9)

Coyle, *The Irrepressible Conflict; Business vs. Finance*

<https://archive.org/details/irrepressiblecon0000coyl/page/n5/mode/2up>

Soule, *The Planned Society*

<https://archive.org/details/in.ernet.dli.2015.168288>

Chapman, *The Economics of Inflation*

<https://www.degruyter.com/document/doi/10.7312/will93390/html?lang=en>

Anderson, *Economics and the Public Welfare*

<https://archive.org/details/economicpublicw0000ande/page/n3/mode/2up>

Nash, *Herbert Hoover and the Origins of the RFC*

<https://www.jstor.org/stable/1892269>

Flynn, *Inside the RFC*

<https://harpers.org/archive/1933/01/inside-the-r-f-c/>

(archived version of Flynn's article)

<https://archive.ph/gWBeM>

Lundberg, *America's Sixty Families*

<https://archive.org/details/in.ernet.dli.2015.34254/page/n5/mode/2up>

Dewing, *The Financial Policy of Corporations*

<https://archive.org/details/financialpolicyo0002arth/page/n5/mode/2up>

Ebersole, *One Year of the Reconstruction Finance Corporation*

<https://www.jstor.org/stable/1883981>

Abbott, *Public Assistance*

<https://archive.org/details/publicassistance0001edit/page/n3/mode/2up>

Bernstein, *The Lean Years*

[https://archive.org/details/leaneyearshistory0000bern\\_f7p8/page/n5/mode/2up](https://archive.org/details/leaneyearshistory0000bern_f7p8/page/n5/mode/2up)

Geddes, *Trends in Relief Expenditures, 1910-1935*

<https://archive.org/details/trendsinreliefex00gedd>

Finally, a little something on the Federal Land Banks:

<https://www.cambridge.org/core/journals/business-history-review/article/rise-and-fall-of-the-first-governmentsponsored-enterprise-the-federal-land-banks-19161932/034D8666F54365514A0E1851FBFA7FF0>