Rothbard's *America's Great Depression*, Chapter 12

The Close of the Hoover Term

- Hoover remains convinced his policies helped
  - "Do something" fallacy with regard to markets
- Higher tariffs to "protect agriculture" (while destroying the export market)
- Hoover calls his credit expansion protection of the gold standard
  - Compared to fiat proposals, maybe? Levered to hell still isn't fiat
- The Home Loan Bank system made more credit expansion and avoided necessary liquidation
- Reconstruction Finance Corp. made more loans to banks, states, agriculture, public works
- Work spreading avoids unemployment by increasing underemployment and inefficiency
- Public works and publicly funded construction projects
- Maintaining wage rates, the "highest real wages in the world"
  - Ignores link to unemployment (as Rand might say, "blank-out")
- Wiping out profits messed up economic signals and prolonged depression
- After 3 years of Hoover's "benevolence," most people are worse off than ever
  - Savior fallacy + self-aggrandizement?
- Public confidence in the dollar is shaken, Hoover reveals fiat money proposals have been going on in secret
- Hoover sets the stage for even more intervention while warning of more radical Democrat ideas (see p. 323)
- Avoided fascist Swope plan (just wait for FDR's National Recovery Administration!)

The Attack on Property Rights: The Final Currency Failure

- Concerted attack on creditors from federal and state governments
- Foreclosures discouraged and courts often refused to enforce them
- Debt moratoria and a halt to liquidation sales at auction (WI, IA, MN, NB, SD)
- Dark rumors about FDR's advisors regarding monetary policy
  - Triggers gold "hoarding," foreign and domestic
  - Worth noting that the hoarded gold would be stolen by FDR soon!
- February 1933, just before FDR inaugurated: massive deflation
  - Gold stock down $173M, money in circulation up $900M *in one month!*
  - Uncontrolled reserves drop $1.089B, controlled reserve inflation can't keep pace at $785M
  - Money supply drops sharply
  - 4000 bank failures, mostly in Q1 of 1933! $3.6B in deposits! (previous numbers on p. 304)
  - Rothbard emphasizes: People were claiming their own rightful property!
  - Bank "holidays" lead to a scramble and more "holidays"
- Banknotes are money-substitutes, revealed when confidence wanes
- (p. 327) Laws rammed through to avoid panic and prevent the public from knowing what was happening! Every state has bank holidays by Mar. 4
- Cautious, solvent banks *forced* into holiday (recall forced bailouts in Great Recession)
- FDR closes all banks from Mar. 6 – 13!
  - Makes threats against "gold hoarders"
- Two paths from there:
  1. Laissez-faire and hard money
  2. More intervention forever
  - Guess which one they picked...
  - Hoover *not* laissez-faire, mainly complains FDR didn't cooperate between election day and inauguration
  - The push for a fiat system grows...

Wages Hours, and Employment During the Depression

- Massive production drops over Hoover's term (mid-1929-early 1933)
  - Industrial production 114 to 54
  - 25% unemployment
  - GNP down nearly 50%
  - Business construction $8.7B to $1.4B
  - Durable manufacturing 140 to 32
  - Construction contracts down 90%
  - Value of building permits down 94%
  - Durable goods industry employment 10M to 4M
  - Stocks down 76%
  - Consumption hurt less, department store sales down less than 50%
  - Non-durable manufacturing 94 to 66
  - Consumer goods industry employment 15M to 13M
  - Wholesale down 30%
  - Money supply down by 1/6th
  - Total wage rate drop only 23%--better than wholesale rates!
- Sol Shaviro study
  - Unpublished dissertation, can't find online
  - Wage rates hold up monetarily until 2nd half of 1931
  - Monetary (but not real) decrease after that
  - Keynesians warn falling wages will cause faster drops in prices, but this doesn't happen
  - Businessmen convinced and cajoled into keeping money rates up
  - People penalized by ability and subsidized by (voluntarily assumed) need
  - Hours worked fall while wage rates stay high
  - Actual wages fall because of fewer hours of work per person
- Real profits negative from 1932-1933
- Progressive tenet of paying income to employees, not to profits followed during this time
- Unions stickify wages
  - The Keynesian solution to sticky wages, inflation, turns this localized, market-solvable problem into a systemic government-led problem!
- Sharework policies exacerbate unemployment (see p. 335)
  - Industries doing the most work-sharing are the most distressed

Conclusion: The Lessons of Mr. Hoover's Record

- Quick and decisive government action
- Laissez-faire thrown out the window
- By Progressive standards, Hoover should have been successful, but he actually left office defeated
  - And primed the office for further monetary fraud by FDR!
- Government inflation generates the boom-bust cycle
- Hoover was ***NOT*** laissez-faire
- The guilt for the Great Depression lies at the feet of politicians, bureaucrats, and "enlightened" economists—not the market

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