

Lesson 30

The Great Depression

Text Book Reading:

Primary: *Modern Times*, pp. 230-260

Alternate: *Never Give In*, pp. 138-169

Background Topics:

The Federal Reserve; John Maynard Keynes; Ludwig von Mises; Calvin Coolidge; Herbert Hoover; Panic of 1920; New Deal; FDR; Andrew Mellon; Dust Bowl; Smoot-Hawley Act

Timeline:

- 1906: Upton Sinclair published *The Jungle*
- 1912: Ludwig von Mises published *The Theory of Money and Credit*
- 1919: J.M. Keynes published *Economic Consequences*
- 1928: Hoover is elected
- 1929 (10/24): Black Thursday's stock market collapse
- 1930: Smoot-Hawley Tariff imposed

Synopsis:

The history of monetary policy and government regulation is traced from Reconstruction to the Great Depression. Keynesian and Austrian schools of economics are examined through the lens of this history.

February 19

- 1377: Jon Wyclif was summoned to a trial at St. Paul's Cathedral in London.
- 1674: The Treaty of Westminster ceded the American Dutch colonies to the British.
- 1803: Congress accepted Ohio's statehood.
- 1807: Aaron Burr was arrested in Alabama.
- 1846: The Texas state government was installed.
- 1932: William Faulkner completed work on his classic novel, *Light in August*.
- 1935: The Emergency Relief Appropriation Act was introduced into Congress.

"The long economic constriction known as the Great Depression was caused by several factors, natural and man made. But the depth, breadth, and length of that sordid episode of human suffering was entirely the result of government intervention and poor fiscal management--the sort of economic foolishness that inevitably accompanies the machinations of modern elitists." Murray Rothbard

Calamities Multiplied

Before the Collapse

- 1873 The Beginning of the "Long Depression"
- 1887 Interstate Commerce Act
- 1890 Sherman Anti-Trust Act
- 1906 Upton Sinclair's *The Jungle*
- 1907 The Beginning of the "Great Recession"
- 1912 L. Von Mises' *Theory of Money and Credit*
- 1913 Constitutional Changes
- 1914 The First World War Begins
- 1919 J. M. Keynes' *Economic Consequences*
- 1928 Herbert Hoover Is Elected

- 1929 Agricultural and Business Regulation

After the Collapse

1929

- October 24: Black Thursday
- October 25: Blue Rally
- October 29: Black Tuesday

1930

- Drought Turns to Dust on the Plains
- Smoot-Hawley Tariff
- Committee for Unemployment Relief
- J. M. Keynes' *Treatise on Money*

1931

- Interest Rates Raised Twice

1932

- Largest Peacetime Tax Increase
- Largest Peacetime Interest Rate Increase
- Largest Reduction of Business Exemptions

Economics Explained

Communalism: You have two cows. You keep one and give one to your neighbor.

Communism: You have two cows. The government takes them both and then asks you to stand in line for hours in order to receive your “free” subsidy of watered down, spoiled milk.

Fascism: You have two cows. The government takes them and sells you the milk at a premium.

Bureaucratic Liberalism: You have two cows. The government takes them both, shoots one, milks the other, pays you for the milk, and then pours it down the drain.

Democratic Socialism: You have two cows. The government taxes you to the point that you must sell them both in order to support a man in a foreign country who has only one cow which was a gift from your government.

Free-Market Capitalism: You have two cows. You sell one and buy a bull.

Centralized, Multi-National-Corporation-Based Capitalism: You have two cows. You sell one, force the other to produce the milk of four cows and when it dies you write off the depreciation, hire a lobbyist and garner a government subsidy or tax breaks in order to purchase two new cows. The cycle continues.

Economics 101

Intrinsic

Kinetic

Speculative

Rent/Wage	Interest/Profit	Tax/Estate
Land	Labor	Capital
Partnership	Stock	Usury
Trade	Receipt	Fiat

Causes
Money Supply Expansion
Credit Expansion
Overproduction
Crisis of Confidence
Liquidation
Money Supply Shrunk

Effects
Inflationary Boom
Imprudent Investment
Surplus Inventory
Failure of Demand
Credit Contraction
Deflationary Recession

Keynsian Response
Inflate Further
Bail Out Failures
Deficit Spending
Stimulate Consumption
Discourage Savings
Subsidize Unemployment
The Uncle Sam Strategy

Misian Response
Laissez Faire
Liquidate Inefficiencies
Debt Free Development
Stimulate Savings
Discourage Consumption
Encourage Private Initiative
The Grandma Strategy