

## Lesson 30

# The Great Depression

Assign either the Primary or the Alternate text to prepare for the lecture.

### Text Book Reading:

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

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

Or have your students research to prepare for the lecture.

### 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

Dates that relate to the lecture and background topics.

### 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 Westminister 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 Ludwig von Mises’ *Theory of Money and Credit*
- 1913 Constitutional Changes
- 1914 The First World War Begins
- 1919 John Maynard Keynes’ *Economic Consequences*
- 1928 Herbert Hoover Is Elected
- 1929 Agricultural and Business Regulation

Single-spaced notes to give an overview of the lesson to offer guidance for taking notes on separate paper. See the other types of syllabus (all included) for outlines that leave room to take notes, and for a rich text format document to use in taking notes on your computer.

### 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
- John Maynard 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

<b>Intrinsic</b>	<b>Kinetic</b>	<b>Speculative</b>
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