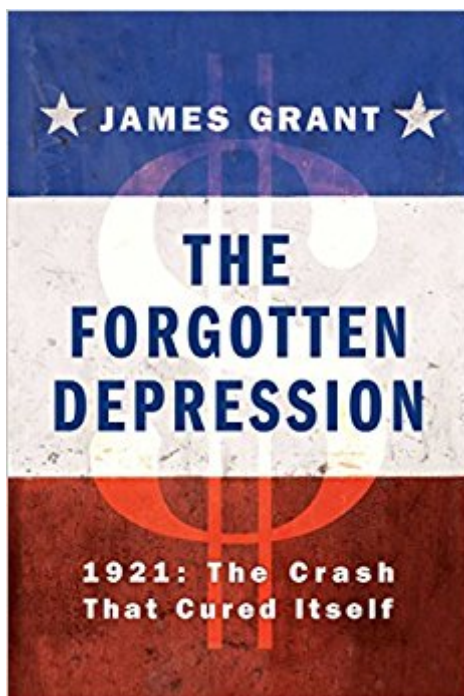


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# The Forgotten Depression: 1921: The Crash That Cured Itself



## Synopsis

By the publisher of the prestigious Grant's Interest Rate Observer, an account of the deep economic slump of 1920-21 that proposes, with respect to federal intervention, "less is more." This is a free-market rejoinder to the Keynesian stimulus applied by Bush and Obama to the 2007-09 recession, in whose aftereffects, Grant asserts, the nation still toils. James Grant tells the story of America's last governmentally-untreated depression; relatively brief and self-correcting, it gave way to the Roaring Twenties. His book appears in the fifth year of a lackluster recovery from the overmedicated downturn of 2007-2009. In 1920-21, Woodrow Wilson and Warren G. Harding met a deep economic slump by seeming to ignore it, implementing policies that most twenty-first century economists would call backward. Confronted with plunging prices, wages, and employment, the government balanced the budget and, through the Federal Reserve, raised interest rates. No "stimulus" was administered, and a powerful, job-filled recovery was under way by late in 1921. In 1929, the economy once again slumped and kept right on slumping as the Hoover administration adopted the very policies that Wilson and Harding had declined to put in place. Grant argues that well-intended federal intervention, notably the White House-led campaign to prop up industrial wages, helped to turn a bad recession into America's worst depression. He offers the experience of the earlier depression for lessons for today and the future. This is a powerful response to the prevailing notion of how to fight recession. The enterprise system is more resilient than even its friends give it credit for being, Grant demonstrates.

## Book Information

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## Customer Reviews

"Mr. Grant is an excellent writer, and *The Forgotten Depression* is a carefully researched history of this dramatic episode. . . . Mr. Grant's chronicle makes difficult economic concepts easy to understand, and it deftly mixes major events with interesting vignettes. . . . People who believe in the inadequacy of the current macroeconomic orthodoxy will find him to be an articulate spokesman." (The Wall Street Journal) • "Learned, beautifully written, and timely." • (Llewellyn H. Rockwell, Jr., Chairman, the Mises Institute) • "Grant engagingly tells the tale of this extraordinary episode, which has been shoved down the memory hole because it doesn't comport with reigning economic orthodoxy." • (Forbes) • "The Forgotten Depression is a loving tribute to laissez-faire . . . Grant pens his tale with a wry humor reminiscent of John Kenneth Galbraith in *The Great Crash*. . . . a timely reminder that our forebears knew of other, more efficacious, remedies to cure financial hangovers than the hair of the dog." • (Reuters) • "A riveting and instructive tale. . . . the depression of 1920-21 has not received the scrutiny it deserves. The instructive lesson of the story is that the federal government • "met the downturn by seeming to ignore it • or by implementing policies that an average 21st century economist would judge disastrous • and the hands-off approach actually worked. . . . Once read, >will be hard to forget." • (Barrons) • "Grant unearths a forgotten depression to pose the iconoclastic argument that the government's best response to economic turmoil is to keep its hands off. A veteran financial writer, Grant handles abstruse issues with a light touch and a sure hand, gleaning wisdom in such unexpected figures as Charles Dawes, first director of the federal budget, and Warren G. Harding." • (Charles Rappleye, author of *Robert Morris and Herbert Hoover, a Biography* (forthcoming)) • "Are markets self-correcting? What, if any, role should government play when the Hidden Hand falters? Even as much of the world struggles through The Great Recession, James Grant offers a libertarian dissent from interventionist dogma. You don't have to agree with Grant's economics to admire the rigor of his thought, the grace of his prose, or the sweep of his argument contrasting what went right in the 1920s, and wrong in the 1930s. This is a true rarity, a first-rate work of history that is as relevant as the morning headlines." • (Richard Norton Smith, author of *On His Own Terms: A Life of Nelson Rockefeller* and *An Uncommon Man: The Triumph of Herbert Hoover*) • "Grant makes a strong case against federal intervention during economic downturns." • (Pittsburgh Tribune Review) • "It is a matter of libertarian faith that the

Great Depression was prolonged rather than alleviated by Keynesian economic policy, and Grant's intent is clear: The invisible hand reigns supreme, the market knows what's good, and government meddling usually ends badly. . . . interesting reading indeed. (Kirkus Reviews)"[An] amusing economic history of the Progressive Era." (Publishers Weekly) "Mr. Grant's history lesson is one that all lawmakers could take to heart." (Washington Times) "Grant has written an elegant history of the 1920-1921 depression." (Robert Samuelson The Washington Post)

James Grant is the founder of Grant's Interest Rate Observer, a leading journal on financial markets, which he has published since 1983. He is the author of seven books covering both financial history and biography. Grant's journalism has been featured in Financial Times, The Wall Street Journal, and Foreign Affairs. He has appeared on 60 Minutes, Jim Lehrer's News Hour, and CBS Evening News.

Grant's powerful prose through an economy of words allow him to paint the picture of an economy from a century ago through a masterful use of historical commodity and securities prices. His portrayal of the dynamic responses to changing prices by self interested, profit-seeking actors elegantly proves his case with every turn of the page. It echoes theory originally proffered by Adam Smith and Frederick Hayek. By highlighting the efficacy of macro-policy free response to a depression, the country experienced its briefest economic contraction since then.

Jim Grant is a well known financial analyst. I did not know he was an author. Nice quick read that uses a real world historical example to discuss the business cycle. Beware of those who say "this time it's different".

Excellent history with knowledge very pertinent to today's fiat currencies and central bank economies.

This is a must read for any one interested in history and economics.

We as a nation forget what we do right. We forget that it is the 50 states that make the nation and not just what happens in DC. There is not one factory in DC, nor a farm field, let alone an oil well, or a shipyard or anything else that makes America the great experiment that it is. The 50 states are what

makes America great and that forgotten piece of paper we know as The Constitution. If DC were to fall off the earth I doubt "we the people" would notice the loss of "they the politicians" because we would all be too busy making stuff, selling stuff, inventing stuff, fixing stuff. But we do need failure of such to reaffirm what we do do right.

A fascinating account of the early 1920s and impeccably and cleverly written!

If you care to go further than repeating platitudes in wrestling with contemporary social and governance issues, here is an excellent work to remind us that the past is prologue. Simpler tax codes with lower rates can often result in higher revenues. Less intervention in a crisis can sometimes be more effective than concerted "corrective" action, and literally save taxpayers trillions of dollars at the same time. For those citizens open to honest discourse and investigation regarding government oversight of the national economy, this book is a "must read."

When Jim Grant speaks I listen. I spent 40 years ,in every imaginable position on Wall Street. Most investors don't even know his name, let alone ,his work. His Research Letter carries a high price tag but is well worth it, The Forgotten Depression is not a casual read, but a lesson that plays well into today's very complex investment universe. The bottom line is Grant is one smart dude and worth paying attention to. Most people were not around in that era, I was. Lessons are to be learned from the past.

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