Commento a *The Great Depression* di Lionel Robbins

di Murray N. Rothbard

Lionel Robbins's *The Great Depression* (Macmillan, 1934) is one of the great economic works of our time. Its greatness lies not so much in originality of economic thought, as in the application of the best economic thought to the explanation of the cataclysmic phenomena of the Great Depression. This is unquestionably the best work published on the Great Depression.

At the time that Robbins wrote this work, he was perhaps the second most eminent follower of Ludwig von Mises (Hayek being the first). To his work, Robbins brought a clarity and polish of style that I believe to be unequalled among any economists, past or present. Robbins is the premier economic stylist.

In this brief, clear, but extremely meaty book, Robbins sets forth first the Misesian theory of business cycles, and then applies it to the events of the 1920s and 1930s. We see how bank credit expansion in the United States, Great Britain, and other countries (in Britain generated because of the rigid wage structure caused by unions and the unemployment insurance system, as well as a return to the gold standard at too high a par; and in the United States generated by a desire to inflate in order to help Britain as well as an absurd devotion to the ideal of a stable price level) drove the civilized world into a great depression.

Then Robbins shows how the various nations took measures to counteract and cushion the depression that could only make it worse: propping up unsound, shaky business positions; inflating credit; expanding public works; keeping up wage rates (e.g., Hoover and his White House conferences) — all things that prolonged the necessary depression adjustments, and profoundly aggravated the catastrophe. Robbins is particularly bitter about the wave of tariffs, exchange controls, quotas, etc. that prolonged crises, set nation against nation, and fragmented the international division of labor.

And this is not all. Robbins also sets the European scene in the context of the disruptions of the largely free market brought about by World War I; the statization, unionization, and cartelization of the economy that the war brought about; the dislocation of industrial investment and agricultural overproduction brought about by war demand, etc. And above all, the gold standard of pre–World War I, that truly international money, was disrupted and never really brought back again. Robbins shows the tragedy of this, and defends the gold standard vigorously against charges that it "broke down" in 1929. He shows that the US inflation in 1927 and 1928 when it was *losing* gold, and Britain's cavalierly going off gold when its bank discount rate was as low 4.5%, was in flagrant violation of the "rules" of the gold standard (as was Britain's persistent inflationism in the 1920s).

Robbins also has excellent sections demonstrating the Misesian point that one intervention leads inexorably to another intervention or else repeal of the original policy. He also has a critique of the idea of central planning *and* a fine summation of the Misesian demonstration that socialist economies cannot calculate. Almost every important relevant point is touched upon and handled in unexceptionable fashion. Thus, Robbins, touching on the monopoly question, shows that the only really important monopolies are those created and fostered by governments. He has not the time for a rigorous demonstration of this, but his *apercus* are important, stimulating, and sound. Robbins sums up his book in this superb passage:

It has been the object … to show that if recovery is to be maintained and future progress assured, there must be a more or less complete reversal of contemporary tendencies of governmental regulation of enterprise. The aim of governmental policy in regard to industry must be to create a field in which the forces of enterprise and the disposal of resources are once more allowed to be governed by the market.

But what is this but the restoration of capitalism? And is not the restoration of capitalism the restoration of the causes of depression?

If the analysis of this essay is correct, the answer is unequivocal. The conditions of recovery which have been stated do indeed involve the restoration of what has been called capitalism. But the slump was not due to these conditions. On the contrary, it was due to their negation. It was due to monetary mismanagement and State intervention operating in a milieu in which the essential strength of capitalism had already been sapped by war and by policy. Ever since the outbreak of war in 1914, the whole tendency of policy has been away from that system, which in spite of the persistence of feudal obstacles and the unprecedented multiplication of the people, produced that enormous increase of wealth per head…. Whether that increase will be resumed, or whether, after perhaps some recovery, we shall be plunged anew into depression and the chaos of planning and restrictionism — that is the issue which depends on our willingness to reverse this tendency.

The Great Depression, in short, is a brilliant work that should be read by every economist. It is not at all outdated. It deserves the widest possible distribution, and would be indeed a fitting companion to Hazlitt's *The Fallacies of the New Economics* — that refutation of the other great explanation of the Depression — the Keynesian.