

Amity Shlaes. *The Forgotten Man: A New History of the Great Depression*. New York: Harper Perennial, 2007. Pp. 468. Paper \$15.95.

Amity Shlaes, a Senior Fellow in Political Economics at the Council on Foreign Relations, proposes a different view of government intervention in stemming the economic distress caused by the Great Depression than offered by historians who argue that the New Deal improved American life and saved capitalism. Shlaes uses a well-researched combination of economic data, media reports, and government records to demonstrate that despite a massive enlargement of federal government regulation, taxation, and spending that there was no real economic improvement. Shlaes contends that Hoover and Roosevelt, both underestimating the underlying strength of the American economy, did more harm than good through artificially attempting to create a recovery that would have occurred years earlier.

Shlaes blames the Hoover administration for aggravating the effects of the stock market crash by encouraging business and unions to expand overall employment by converting full-time workers to a part time workforce, which decreased wages for most families, further accelerating the decline in spending. Congress raised tariffs to protect American jobs, which curtailed exports as a trade war erupted. Increased federal spending on infrastructure had no effect on the rising unemployment. Roosevelt won handily in 1932 promising change with a balanced budget, but under the guidance of Keynesian trained economists he embarked on a “pump-priming” expansion of federal spending, accompanied by extensive regulation and taxation of business. Shlaes contends that some New Deal programs did create temporary work but also had the unintended consequence of harming many businesses unable to compete with new services provided by the government projects. Shlaes further argues that new labor laws strengthening unions at the time of a challenging business cycle raised wages for a few workers but did not lead to increased hiring. The banking reforms and new Wall Street regulations discouraged risk taking by entrepreneurs. The Agricultural Adjustment Bureau futilely encouraged farmers to slaughter livestock, dump milk, and burn crops in an attempt to raise prices for consumers unable to afford them.

Shlaes dramatically recounts the suicide death of a thirteen-year-old boy in the autumn of 1937 to avoid remaining a burden to his family in the opening of a chapter to illustrate the potential impact of failed economic policies. The boy’s death occurred during the second wave of significant unemployment when businesses faced a cash flow crisis created by new Social Security taxes, increased corporate taxes, and a lack of available credit. Businesses therefore shed employees at the first sign of a new downturn. As the stock market plunged the government blamed corporate and Wall Street greed.

Shlaes hails public resistance to failed New Deal policies. Business leaders such as Wendell Wilkie, forced to sell his utility company to Tennessee Valley Authority, gained notoriety as a public advocate against the further growth of the government. Butchers were the unlikely plaintiffs in the United States Supreme Court case striking down the byzantine regulations of the National Recovery Act. Rural communities without circulating currency and no remaining local banks united to create their own local barter currencies. Alcoholics whose spirits and hopes were crushed by the Great Depression formed Alcoholics Anonymous to find sobriety through group self-help.

Shlaes concludes that given the economic knowledge of their time both Hoover and Roosevelt may have had little choice but to pursue the policies they did to prevent the rise of fascism or communism. However, she posits that the real “forgotten man” of the Great Depression was not Roosevelt’s unemployed worker, but instead the small businessman who faithfully worked hard, paid increased taxes to finance New Deal experiments, received no public benefits, with many praying each day for an end to the national nightmare.

Unresolved issues of the proper scope of government intervention in the American economy exist to this day as evidenced by the vitriolic public discourse about the measures taken by both the Bush and Obama administrations in managing the financial crisis beginning in 2008 and the Great Recession that followed. *The Forgotten Man* adds to our historical understanding of government intervention in the Great Depression and possibly a way to evaluate current government responses to the most recent crisis.

Robert Bates