# Calvin Coolidge and the Great Depression

## *A New Assessment*

THOMAS TACOMA

For Calvin Coolidge, the Great Crash of 1929 and the Great Depression were trials of American civilization. Throughout his career, Coolidge believed firmly in the rule of law as civilization's sine qua non, upheld the Constitution of the United States on that basis, and pursued procivilizational policies in economic and international matters. In short, Coolidge took his political ideas from his understanding of the *unchanging* principles of humane civilization. Yet for many of his contemporaries, the Depression seemed to demand a more flexible, pragmatic, and experimental approach to government and the interpretation of the Constitution.

Did Coolidge believe that his ideas needed to be modified to keep up with changing circumstances, or did he believe that the actual course of events vindicated his interpretation of civilization and of American civilization in particular? Did these events undermine or even disprove Coolidge's positions on the rule of law, the Constitution, or the wisdom of obeying economic and spiritual laws even when they appear inconvenient? This article explains Coolidge's worldview and takes up the question of the degree of his responsibility for the Great Crash of 1929 and for the Great Depression that later followed.

First, I look at the major interpretations of the Crash and consider what role Coolidge played in bringing it about. Then I turn to his role in causing the Depression.

**Thomas Tacoma** is assistant professor of history and political science at Blue Mountain College.

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We will see that Coolidge biographers have routinely misinterpreted Coolidge's responsibility in causing the Crash and that he deserves little if any of the blame assigned to him for the Depression.

After establishing Coolidge's general innocence with respect to causing the Crash and Depression, this article examines his thoughts on remedying the economic situation. Coolidge proved an insightful if imperfect student of the primary causes of the Depression and of the secondary factors that exacerbated the situation from 1930 to 1932. This knowledge informed his proposals for addressing the problems of banking crises, unemployment, and poverty. Finally, Coolidge spoke to the meaning of the Depression for his interpretation of American civilization. He never abandoned his view that the United States was highly civilized and was therefore better positioned to weather calamities such as the Depression.

## Interpretations of Coolidge Policies

The dominant historical narrative of the Great Depression in the twentieth century was established by the Progressive historians who celebrated President Franklin Roosevelt's New Deal. This narrative established the New Deal policies as the solution to problems caused by the old "laissez-faire" approach of the Republican administrations in the 1920s. These historians—including Eric F. Goldman (1952), Richard Hofstadter (1955), Arthur M. Schlesinger Jr. (1957), William E. Leuchtenberg (1958), and Donald McCoy (1967)—faulted Coolidge and Herbert Hoover for engaging in reckless deregulation, for encouraging excessive speculation, and for doing nothing to help relieve the misery of unemployment as the Depression settled upon the nation.

More recently, this narrative has been both affirmed and expanded. David M. Kennedy, for example, simply draws on Schlesinger's analysis to build his case in the Pulitzer Prize–winning book *Freedom from Fear* (1999). A more thorough analysis of Coolidge's presidency, Robert Ferrell's book *Presidency of Calvin Coolidge* (1998), argues that Coolidge (*a*) should have seen the signs of trouble coming, especially the problems of overproduction and underconsumption (the idea that American factories were producing more than American consumers could purchase, leading to market disequilibrium, which was followed by a crash and readjustment period) and the dangerous growth of holding companies, and (*b*) should have done something to speak out against excessive speculation and reckless business practices. Most scholars follow Ferrell's view, and it remains the standard textbook interpretation of Coolidge and Republican policies of this era (as in Shi 2019).

A recent biography of Coolidge expands Ferrell's interpretation and finds Coolidge guilty of five economic crimes: (1) that Coolidge should have been more active in regulating the stock market, (2) that Coolidge should not have tolerated the loose lending practices of private American banks, (3) that Coolidge should have campaigned publicly against speculative loans (loans taken out to speculate in stocks),

(4) that Coolidge's fiscal policy of tax cuts was misguided because it encouraged larger wealth inequalities in America and drove additional stock speculation, and (5) that Coolidge should have pursued an international trade policy more favorable to Europe (Greenberg 2006, 146–50). Another biography reiterates these charges and adds one more. Niall Palmer repeats the overproduction/underconsumption thesis and suggests that Coolidge should have been active in rectifying the situation. In a substantive contribution, he notes that Coolidge was in fact aware of the dangerous stock speculation in 1928 and 1929 but concludes that "even had he been philosophically inclined to intervene, he lacked the confidence to challenge the optimistic forecasts of leading economists, such as Professor Irving Fisher of Yale, of Wall Street bankers, and of the administration's own economic policy advisors." This was Coolidge's own fault, Palmer explains, because he had appointed all of these promarket officials to their government positions. When he found himself disagreeing with their ideas, he also discovered he was unable to contend with them (2013, 173).

Other scholars have established a counternarrative, however. These writers, especially Thomas B. Silver (1982), Robert Sobel (1998), and Gene Smiley (2002), have pushed against most of the claims made by Schlesinger and the rest. Silver wrote most directly to the question of Coolidge and the "underconsumption" problem as well as to the supposed connection between the tax cuts of the 1920s and the Depression. He concluded (*a*) that underconsumption was not a problem in the 1920s and (*b*) that the policies and wealth disparities of the 1920s had no causal relationship to the Depression. Robert Sobel, a business historian and leading student of the stock market in the 1920s, has defended Coolidge against claims that his policies led directly to the Crash of 1929 and the Depression. Sobel argues that Coolidge was well aware of the dangers in the market yet was prohibited by law from regulating the stock trading. Finally, Gene Smiley also rejects the underconsumption thesis and the idea that Coolidge's policies caused the Depression. These scholars, collectively with the major studies of the Great Depression written over the past fifty years (for example, Friedman and Schwartz 1963, Eichengreen 1992, and Hall and Ferguson 1998), argue persuasively that Coolidge and the Republican policies of 1923–29 did not cause the Depression. However, the evident confusion on these matters suggests that we ought to take a closer look at the evidence.

## Causes of the Stock Market Crash of 1929 and of the Great Depression

To evaluate the claims of Coolidge's guilt or innocence relative to the economic calamities of the late 1920s and 1930s, we must first understand what happened and why. This section presents and analyzes the scholarly interpretations of the Great Crash of 1929. One of the most important questions concerns the relationship between the Crash and the Depression—Indeed, was there a causal link? The enormous number of factors that must be taken into account complicates the narrative, but it is only after we have some grasp of what happened and why that we can begin to estimate the relative impact of Coolidge's ideas on either event.

At the risk of oversimplification, most interpretations of the causes of the Crash of 1929 fall within three main camps. First, there are those who blame some form of "unrestrained capitalism"—a lack of government regulation led to the Crash. Second, there are those who find most fault with government institutions and agencies for creating the conditions for the Crash and then exacerbating it. Third, many scholars hold to the mixed view that seeks to attribute fault for the Crash on various public- and private-sector failings.

The first interpretation finds fault with the laissez-faire, unrestrained capitalism of the 1920s and argues that more government regulation of the market was called for to prevent such problems. Among the earliest to articulate this view were the Marxist and socialist-influenced writers of that era (Barber 1985, 55–58). The intellectual heirs of Karl Marx in the late twentieth and early twenty-first centuries have repeated the claims that government regulation could have prevented the Crash. David Greenberg (2011), for example, maintains that greater federal government oversight of the stock market, especially by the president, could have averted the disaster. A more nuanced version of this view, articulated by Morton Keller (1990), finds fault with the decentralized nature of regulation by the states in a federal republic. According to Keller, the duty to regulate loans and stock speculation belonged to the state governments, which failed due to their lack of knowledge and expertise in economic regulation. In this telling, the Crash was the consequence of clinging to an archaic federal structure: the national government should have assumed more powers of regulatory oversight. Others have resurrected the old socialist objections to American capitalism in the 1920s and have blamed laissez-faire and wealth disparities for the Crash. Norton Garfinkle asserts that the prosperity of the 1920s was not genuine. It was built on consumer credit and increasing debt. Meanwhile, the Republican administrations of the 1920s "saw their mission as one of enabling business to do its job. For government, this meant mainly getting out of the way. Lower taxes. Less regulation. Indeed, virtually no regulation." Republican nonregulation of the economy culminated directly in the Great Depression, in this account, helped along by the Crash, which Garfinkle also explains as a consequence of deregulation (2006, 88–95). Another recent study attributes the Crash to (*a*) the lack of federal regulation by the Republicans in the 1920s, especially of banks, and (*b*) stock brokers' and speculators' reckless, unrestrained greed (Olszowka et al. 2014). In these accounts, Coolidge comes across as incompetent at best, miserly and small-minded at worst.

Conversely, in the second interpretation, many economists have interpreted the Crash of 1929 in light of government mismanagement and government failures. Standing foremost in this school of thought is the monetary interpretation by Milton Friedman and Anna Schwartz (1963) that finds primary fault with the Federal Reserve System. In this telling, mismanagement of the money supply by the experts at the Federal Reserve caused (*a*) the speculative boom on the stock market that eventually burst in the fall of 1929 and (*b*) the deflationary measures that led to the banking crises that caused the Great Depression. Barry Eichengreen (1992) proposes a more international perspective on the monetary crises of the late 1920s and early 1930s, suggesting that European and North American governments' commitment to the gold standard contributed to and exacerbated the era's problems. Another interpretation of the Crash looks to business cycles to explain the end of the speculative boom on Wall Street. Eugene White, for example, argues that government regulations, the expectations of the Hawley-Smoot Tariff, and declining brokers' loans were "minor or irrelevant factors in the crash. Instead, a downturn in the business cycle, made more severe by tight credit, prompted a revision in expectations" that caused the speculative bubble to burst (1990, 78). Gene Smiley notes that even the stock market boom at the end of the 1920s is nearly impossible to explain. He attributes the Crash to the business cycle, pointing to evidence of an economic contraction that began earlier in 1929 and reduced profit expectations. These lower expectations in business slowly filtered into stock speculation until the market crashed in October and November (2002, 10–11).

Given the contradictory accounts regarding Coolidge's involvement or noninvolvement in the economy, scholars have settled on what appears to be a mixed view of the causes of the Great Crash of 1929. These views hold some combination of the following factors: (*a*) international monetary considerations—returning to and preserving the gold standard—led the Federal Reserve to pursue an easy-credit policy that fueled the stock market boom in the mid-1920s; (*b*) the Federal Reserve ended this policy in an effort to curb speculation in 1928, but it did too little and was too late to stop the speculation fever on Wall Street; (*c*) President Coolidge's remarks in early 1929 were misinterpreted as signaling that the market had nothing to worry about; and (*d*) there was a general failure to regulate speculation at the state level, where legal responsibility was actually vested (see Kindleberger 1986). John Kenneth Galbraith actually explained most of these points as early as 1954, though he argued that speculation had created a stock bubble, a claim with which others have disagreed. Other students of the Crash have taken a longer period to come to the same conclusion, but Charles R. Morris has recently summarized the view that market instability was a result of Federal Reserve policies, reckless forms of private speculation, and the regular course of the business cycle. It was not, he argues, a result of stocks being overpriced. That is, there was not a stock bubble, at least not until late summer in 1929. Other factors made the problems worse, such as the fact that 80 percent of lending for stock speculation came from nonbank entities, which were not subject to the same forms of regulation as banks (2017, 110–16).

What does all of this mean? In short, it means that numerous factors drove the stock market growth witnessed in the late 1920s and that equally numerous factors are required to account for the Crash. We will come back to Coolidge's role in this story shortly.

In assessing the blame or innocence assigned to President Coolidge for bringing on the economic depression of the 1930s, we must consider the supposed connection between the Crash and the Depression. Coolidge's term as president ended early in 1929, so if Coolidge is to be held responsible for the Depression in any degree, this is the place to begin. If the Crash did not directly lead to the Depression, those who blame Coolidge for both must turn to other explanations in order to maintain their positions.

The case for a positive link between the Crash and the Depression is best stated by Norton Garfinkle, who makes the case for a more refined version of the overproduction-and-underconsumption thesis of the Depression and for inequalities of wealth as the culprit. He claims that under the pro-corporation policies of Harding, Coolidge, and Hoover, the rich grew richer while the poor remained stuck at the bottom. Garfinkle explains away the growing material prosperity experienced by most Americans during the 1920s by connecting it to credit and debt. That more Americans owned automobiles, radios, vacuums, and refrigerators was not evidence of widespread economic prosperity, according to Garfinkle, for these items were purchased on credit or on installment plans. Indeed, the widespread use of credit was a consequence of successful advertising campaigns: demand was created for products that ordinary families could not afford. Garfinkle concludes that, "[i]n reality, to a degree that almost no one understood at the time, the prosperity of the 1920s was demand-driven, the product of the newly eager, big-spending, big-borrowing American consumer" (2006, 91–94).

According to Garfinkle, the policies of the Roaring Twenties "culminated" in the Great Depression via the Crash of 1929. It worked like this: the stock market crash wiped out the wealth of the uppermost quintile of Americans, thereby destroying their ability to continue purchasing new goods and services. By drastically reducing consumer demand, the Great Crash undercut businesses. Moreover, the Crash shook the certainty in the market among middle-class Americans, reducing their demand as well. This reduction of consumer demand and the end of easy credit spelled the end for manufacture and production of consumer goods, which in turn meant lay-offs and unemployment continuing in a downward spiral that finally bottomed out in 1932–33 (2006, 100–101).

This would be a persuasive narrative of the Depression—indeed, its intuitive appeal has persuaded many—if it were not contradicted by numerous economists' conclusions. Gene Smiley has argued that the prosperity of the 1920s was real, not credit driven. While prices remained stable, real gross national product (GNP) per capita rose from 1921 to 1929, and productivity jumped during this time. Smiley summarizes considerable statistical evidence to back his judgment that "economic growth in the 1920s was *impressive*." He concludes that "the depressed 1930s were not 'retribution' for the exuberant growth of the 1920s" (2004, emphasis added). Alexander Field pinpoints a root cause of this economic growth: the 1920s had the second-highest rate of increase of total factor productivity of any decade in the twentieth century (2011, 155).

Other economists share this view. David Kennedy explains that it is now generally agreed that there is no demonstrable link between the Crash and the Depression:

"[T]he most responsible students of the events of 1929 have been unable to demonstrate an appreciable cause-and-effect linkage between the Crash and the Depression. None assigns to the stock market collapse exclusive responsibility for what followed; most deny it primacy among the many and tangled causes of the decade-long economic slump; some assert it played no role whatsoever" (1999, 39). Kennedy points to the evidence Garfinkle omits, such as the fact that only 3 million Americans owned stock. In a nation of more than 120 million people, this meant only a small percentage was directly harmed by the Crash. Kennedy probably overstates the case. As Christina Romer has pointed out, the greatest direct damage from the Crash came as a result of the uncertainty it caused: "[T]he extreme stock price variability of this period made people temporarily uncertain about the level of future income. This uncertainty in turn caused consumers to postpone purchases of irreversible durable goods" (1990, 602). A slight economic downturn was sure to take place. But a decade-long depression? As Charles Morris has shown, almost no one in 1929 envisioned a long depression coming. Although the business cycle was in a downward swing for some industries, it was on its way up for others: unemployment in 1929 was less than 3 percent, and in 1930 radio and film were experiencing rapid growth, and air travel was just beginning to pick up as an independent industry. Morris concludes that from the point of view of the average American in 1930, "[a] reasonable scenario looked like a modest slowdown to realign the economy, followed by a pickup in the financial markets" (2017, 135). In short, the Great Crash of 1929 did not cause or require the Great Depression to follow as a necessary consequence, and those who would blame Coolidge for causing the Depression are mistaken.

## Coolidge's Role in Stock Market Regulation?

One appropriate conclusion to draw from all of this is that the market crashed for reasons outside the control of any single individual. Whether market cycles turned down, the Federal Reserve mismanaged interest rates in an attempt to preserve the gold standard internationally, what Coolidge called a "gambling mentality" took hold on Wall Street, or inept regulators caused problems at the state level, no individual could have intervened at just the right moment to prevent the turbulence. Widespread financial instability in international affairs and decentralized structures of economic regulation in domestic affairs removed the Crash beyond the reach even of the president of the United States. However, Coolidge was not inactive in the face of what he viewed as dangerous stock speculation. He was far from being the laissez-faire president he has been made out to be. This assertion flies in the face of claims by Coolidge's biographers, such as David Greenberg, who assert that Coolidge should have been more active in influencing Federal Reserve policy: "A more forceful campaign against the speculative loans, including words from the president, might have helped check the practice, but neither the Fed nor Coolidge—already eying retirement—saw fit to intervene" (2006, 148).

A more accurate account of Coolidge's time in office suggests that the reality was the opposite: President Coolidge paid close attention to the market and to the actions of the Federal Reserve. His actual economic teaching, his public comments on the economy, and his actions behind the scenes demonstrated that he sought to promote healthy economic behavior and to discourage recklessness. As Thomas Silver points out, Coolidge was not in fact a laissez-faire politician (1982, 88–89).

First, Coolidge's economic thought as a whole stands in sharp relief against the economics of stock speculation. As an exponent of "constructive economy" in government, Coolidge defended his programs as responsible while vetoing bills that embraced what he described as the "politics of expediency" (Coolidge 1929b, 68–69). Almost all of his public speeches implicitly criticized reckless speculation and irresponsible business activity because, for Coolidge, responsible self-government in public and private affairs was a key element of civilized life. Beginning early in his presidency, he used the platform of his office to direct businesses toward healthy practices. He explained that private enterprise could succeed only if the public welfare were held supreme (Coolidge 1924, 349). Clarifying that remark later on, he stated that true business rests upon the law of service (Coolidge 1926b, 320). The Law of Service, as Coolidge understood it, embraced an entire philosophy of duty and sacrifice that he derived from his mentor Charles Garman (Van Til 2015, 98–99). Although Coolidge did in fact praise the new system of installment buying for consumer goods, he also warned that it could be overdone, just as any form of credit could be abused (Coolidge 1964, 129).

More to the point, Coolidge regularly warned that economic depression could come at any time if the people of the United States used their wealth for the wrong ends. Prosperity was not the result of fortune and chance. It was a result of favorable conditions pursued by governments and sustained by the people, and to maintain the high degree of prosperity in the United States was no easy task. He kept before himself and before the American people through his speeches the example of the great civilizations of the ancient world and the tendency of popular governments to "throw away self-restraint and self-control and adopt laws which, being without sound economic foundation, bring on such a financial distress as to result in want, misery, disorder, and the dissolution of society" (Coolidge 1926b, 362).

The notion of Coolidge as a promoter of business needs to be balanced with an understanding of his advocacy of responsible business practices. In his Annual Address to Congress in 1925, Coolidge explained that if the people allowed themselves to be dominated by selfishness and a passion for speculation, a depression was not far away. He observed, "We are reaching into an era of great general prosperity. It will continue only so long as we shall use it properly." He asserted that "[i]f the people are dominated by selfishness, seeking immediate riches by nonproductive speculation and by wasteful quarreling over the returns from industry, they will be confronted by the inevitable results of depression and privation" (Coolidge 1925). As he explained again in a speech to advertising agencies in October 1926, a materialistic pursuit of profit would lead necessarily to economic calamity: "So long as our economic activities can be maintained on the standard of competition in service, we are safe. If they ever degenerate into a mere selfish scramble for rewards, we are lost" (Coolidge 1926a). Even in Coolidge's famous "[the] chief business of the American people is business" speech, he explained that, "[o]f course, the accumulation of wealth cannot be justified as the chief end of existence." Instead, "[i]t is only those who do not understand our people, who believe that our national life is entirely absorbed by material motives" (Coolidge 1926b, 188, 190). In June 1928, Coolidge warned against the abuse of prosperity, especially against extravagance and speculation, referring to the growing speculative activity as an "adverse tendency" that "contributes nothing to the sum of our national wealth." Rarely if ever is Coolidge quoted by his detractors saying, as he did in this speech, that "[p]rosperity is only an instrument to be used, not a deity to be worshiped" (Coolidge 1928a). Then in October 1928, Coolidge commended prosperity to the American people while also reminding them that improved spiritual life was their proper goal: "We are not seeking an increased material welfare that leads to materialism; we are seeking an increased devotion of duty that leads to spiritual life" (Coolidge 1928b).

Contrary to the established narrative, Coolidge repeated these themes to the end of his presidency. In his Annual Message to Congress in 1928, he warned Americans against the temptations of prosperity and of sinking into selfishness and profligacy. The nation was now wealthier than any people in history, but here there was need for caution: "[H]aving reached this position [of prosperity and peace], we should not fail to comprehend that it can easily be lost. It needs more effort for its support than the less exalted places of the world." He pointed out that the United States was being tested by its wealth: "Peace and prosperity are not finalities; they are only methods. It is too easy under their influence for a nation to become selfish and degenerate. This test has come to the United States" (Coolidge 1928c). Nearing the end of his presidency in January 1929, Coolidge repeated that the danger of economic contraction, of a recession or a depression, was always with the nation. There was no escaping the economic laws that governed prosperity and recession. Coolidge warned, even as the stock market began soaring, that "the margin between prosperity and depression is always very small," and, consequently, the great need was for caution and responsible behavior (Coolidge 1929a). These statements were not simply caveats in Coolidge's speeches. To the contrary, this issue held his attention throughout his public career.

In addition, Coolidge was well aware of the dangers facing the stock market. He heeded the public warnings sounded by economists such as William Z. Ripley of Harvard University. Ripley had written a long article for the *Atlantic Monthly* in 1926 arguing that the condition of holding companies and the stock exchange was growing dangerous: "[L]ax state incorporation laws and the growth of holding companies, especially in public utilities, were concentrating power on Wall Street" (Sobel 1998, 361, summarizing Ripley's argument). Coolidge took this warning to heart and met with Ripley in the White House for several hours. He later explained to the press that Ripley had told him that he "didn't think that there was anything that Federal legislation could do in relation to the subjects that he discussed in the magazine. All of this is being done under the authority of state corporation laws. It isn't interstate commerce, and there is difficulty for that reason in reaching it by Federal legislation" (Coolidge 1964, 130). Later that year Coolidge noted to the press that he was aware of another article by Ripley that explained the danger to more than 20 million security holders in the United States, who were in need of adequate safeguards for their investments (securities include bonds, so the 20 million here are distinct from the 3 million Americans who owned stocks mentioned earlier). Coolidge explained that any "remedial legislation or action" that might be taken on these security holders' behalf would necessarily fall to the state governments. Nevertheless, he wanted to "give some more thought and study" to the problem in order "to see where the line should be drawn and what action ought to be taken by the states and what might properly be done by the Federal Trade Commission." Coolidge commended the example of the regulations maintained in Massachusetts, "where the state law is adequate and proper and you get the result that Professor Ripley wishes to have" (Coolidge 1964, 132, 134).

Coolidge's critics have claimed that Coolidge was crippled by "an archaic constitutional interpretation, namely, that only states, since they issued the charters of incorporation, could regulate corporations" (editors Howard Quint and Robert Ferrell in Coolidge 1964, 113, section introduction). They conveniently ignore that Coolidge and Ripley's interpretation stood perfectly in accordance with the text of the Constitution as interpreted by the Supreme Court at that time. The critics are guilty of an anachronism: there was no reason why Coolidge or anyone else should have been thinking in terms of post-1936 interpretations of federal regulative powers. Coolidge himself was thinking in terms of Supreme Court rulings on the limits of the federal government's power to regulate commerce. He explained to the press,

> Whatever power [the federal government] has would be under the Interstate Commerce [Clause] to the Constitution. That is a broad power, but that relates generally to a commodity after it has been produced. I think the Court has decided that the mining of coal in and of itself was not interstate commerce, but after the coal is brought up on top of the ground and started to be shipped away then it becomes interstate commerce and the Federal Government has jurisdiction over it. (Coolidge 1964, 134)

Coolidge referred to the line of Court precedent drawing on cases such as *U.S. v. E.C. Knight Co.* (156 U.S. 1 [1895]) and remaining substantially unchanged through *Carter v. Carter Coal Company* (298 U.S. 238 [1936]) about the definition of interstate commerce. He knew the constitutional and legal grounds on which his presidential powers were based. Coolidge, vindicator of the independence of the judiciary and upholder of the rule of law, could not act contrary to the law and the courts.

But Coolidge was not wholly passive regarding federal regulation. In a later article, he explained that he was aware in the winter of 1928–29 that there was too much speculation taking place on the market. He wrote a few years later that at the time "I was alarmed at it and kept in contact with the Federal Reserve Board." He continued: "I understood they [the Fed Board members] were using their influence quietly, as was necessary, to check speculation, and for that reason they favored raising the interest rates, which had to be done carefully to avoid injuring nonspeculative business. This action had some effect in the early spring, but in the summer of 1929 a fresh wave of speculation started" (Coolidge 1932b, 4). The Progressive theory behind the Federal Reserve System was that it should be entirely independent of the political branches of government. It is to be run by the experts, whose knowledge guarantees the wisdom of their decisions and whose insulation from politics keep them free of partisanship (see Moreno 2017, 73–74). Coolidge respected the law, and he explained that he did not try to meddle in the Federal Reserve Board's business (Coolidge 1964, 135). His actions therefore indicated how seriously he treated the danger of stock speculation.

On the whole, Coolidge was more involved in promoting a sound economy in the United States than most scholars have observed. From public pronouncements on the nature of healthy business practices to explanations that economic depression was a real danger facing the United States, from having meetings with economists over stock market regulations to contacting the Federal Reserve Board over his fears that over-speculation had become a problem, Coolidge was active in seeking to prevent the American economy from overheating.

## Coolidge's Remedies for Economic Depression

In the political thought of Calvin Coolidge, the Great Crash of 1929 and the Great Depression must be understood as tests of the vitality of American civilization. Coolidge in fact demonstrated a surprisingly nuanced, if incomplete, understanding of what had caused the Depression. In his many writings during the early years of the economic downturn, he continued to explain what he believed the government should and should not do to relieve the distress. The best remedy would be for the federal government to take a consistent line and stick to it, for market uncertainty was the greatest hindrance to recovery. Yet the more important fact for Coolidge was that America promised to weather the economic catastrophe on better terms than almost every other nation on earth. He took this promise to be a sign of the strength of American civilization under its constitution.

Coolidge did not believe that the American government was primarily responsible for causing or for relieving the Depression. He pointed instead to numerous international factors as the chief causes of the economic downturn. But he also acknowledged the negative role played by the U.S. government in preventing economic recovery.

Coolidge observed that the international banking situation was crumbling. He explained in his daily syndicated column "Calvin Coolidge Says" (which ran during 1930 and 1931) that "[t]he immediate crisis has arisen from trying to make a good many governments, of which Germany is the particular example, assume larger financial burdens than their people can bear. The result was general economic disturbance." He added that "[b]ack of all these difficulties lies the World War" (Coolidge 1972, 312). Later investigations have confirmed the accuracy of Coolidge's view. Barry Eichengreen, in his examination of the international financial factors behind the Depression, concludes that "[t]he roots of the problem lay in World War I—the war created imbalances in the pattern of international settlements that persisted throughout the 1920s. Those imbalances greatly intensified the strains on the international monetary system" (1992, 392). The international banking situation had never fully stabilized. Efforts to return to the gold standard met with limited success in some nations, such as Great Britain, but financial shocks and banking volatility on the continent reverberated across Europe and the Atlantic. Germany, France, and Austria remained at or near the heart of the difficulties: the failure of a major Austrian bank led to a crisis in central Europe, then in Germany, then in Britain, and it eventually resulted in bank panics that drove the United States into the Depression in the fall of 1931 (Morris 2017, 203–34; see also Kindleberger 1986).

Coolidge explained that several international factors beyond simply banking lay behind the Depression. After the Crash of 1929, the market began to recover. A global decline in agriculture prices, however, was poorly timed. He added:

> In the late fall of 1930 world agricultural prices were thrown into another violent decline by the dumping from Russia. In the spring of 1931 the economic condition of Austria and Germany broke down. Their governments and their banks were unable to meet their obligations. Because they were borrowers of considerable money from our banks, this resulted in something of a bank panic in the United States. People began drawing out their deposits until the estimated hoarding reached $1,500,000,000.00. Meantime the disaster in Germany caused other European countries to start withdrawing their foreign balances. The Bank of England had such large losses of gold that that country was forced off the gold standard in the latter part of September. Heavy withdrawals were being made from the United States. Europe was filled with rumors that we could not maintain our gold standard. Consequently credit became contracted and banks were failing by the hundreds. Because of the decrease in the volume of business, the revenues of the Government decreased, causing a large deficit, which brought further alarm both at home and abroad, and further liquidation. All these adverse circumstances, through their effect on industry, commerce, and agriculture, resulted in a constant increase of the number of unemployed in this country. (Coolidge 1932b, 4)

Coolidge understood most of the causes of the Depression in terms similar to those understood by later scholars. He concluded, "It will be observed that all these causes of depression, with the exception of the early speculation, had their origin outside the United States, where they were entirely beyond the control of our Government" (Coolidge 1932b, 4).

Policies pursued by the U.S. government under President Hoover, however, have been faulted with causing the Depression. More specifically, Hoover is criticized for signing the Hawley-Smoot Tariff into law in 1930. Some economic historians (e.g., Burton Folsom Jr. [2008] and Lawrence W. Reed [2011]) argue that the Depression was due in large part to the protective tariff. Yet Coolidge disagreed that the tariff was to blame. He was a protectionist and had always defended the Republicans' high-tariff policy. He explained that the American home market was "[t]he greatest asset of our whole economic system in its effect upon commerce, agriculture, industry, the wage earner and the farmer, and practically all our producers and distributors" (Coolidge 1932b, 69). He believed that without the tariff the United States would be worse off, for it would be subject to further dumping of products from European nations with low-wage factory workers. Coolidge might have pointed out, as he would about later policies, that the lengthy debate over the upward tariff revision had a negative effect on business confidence, but, as a loyal Republican, Coolidge believed that whatever his private opinions may be, it was his duty to support President Hoover in public (Coolidge 1931).

At any rate, Coolidge had the economic calculus to support his conclusions: the decline in dutiable imports and duty-free imports had been the same. If importation of products affected by the tariff had dropped by the same amount as products not affected by the tariff, could the tariff have caused the recession? Coolidge believed not, explaining that the "general decline of our foreign trade was therefore independent of our tariff rates but due to the diminished purchasing capacity at home and abroad" (1932b, 69). Here again, scholars have demonstrated the accuracy of Coolidge's interpretation. Econometric calculations have shown that the relative impact of Hawley-Smoot in 1930 was minimal (Irwin 1998, 333). Further, as David Kennedy (1999) has pointed out, the United States had already had a protective tariff: Fordney-McCumber of 1922. A slight upward revision of an already high tariff seems an unlikely culprit for a decade-long depression.

However, Coolidge believed that there was some blame for the recession to lay domestically at the feet of the federal government. Anticipating Robert Higgs's (1997) regime-uncertainty argument, Coolidge believed the problem was in the uncertainty in the business situation created by an active Congress and president. In other words, President Hoover's progressive approach to social ills was a major source of economic difficulties. Assuming that the government was competent to regulate and manage every aspect of business life meant that it intruded into the business affairs of all Americans. The long sessions of Congress caused men and women with capital to refrain from investing it in new projects until they could be sure that federal regulations were not going to strangle their investments. These factors did not originally cause the economic contraction, according to Coolidge, but they did make it worse. He wrote in July 1930 that "[b]usiness can stand anything better than uncertainty. A bad situation it can write off and then start anew, but when confronted by the unknown it can only remain inactive" (in Coolidge 1972, 12). Coolidge repeated this warning some weeks later, stating that "we have the peculiar spectacle of business being in chronic fear of the government. A great apprehension is felt about the action of Congress and more or less about the attitude of the executive and regulatory departments" (Coolidge 1972, 30). Regulatory (or regime) uncertainty was certainly a factor in the Great Depression.

Understanding the true causes of the Great Depression was the key to finding solutions to the downturn. Coolidge believed that the real cure would come with time and by allowing for economic laws to operate—"time and natural readjustment are the only complete remedies for business recovery," he explained (Coolidge 1972, 42). First, he believed that the federal government should take and stand on a consistent policy for recovery. Second, though only half-heartedly, he endorsed the relief measures pursued by Herbert Hoover. He believed that ultimately, the solutions to economic depressions depended on the people of the United States.

Coolidge did not think that the actions of the U.S. government had caused the Depression. He thought that the solution to economic depression could be found only with the people. Yet he believed the federal government could do something to help improve the situation. If government-created uncertainty was the problem, then government-promoted stability was the solution. He wrote, "We have had too much government action, with attendant publicity, proposing to cure human illness which no government can cure and too much public opposition when there was nothing to oppose. The people want from both parties an effective and quiet conduct of public affairs" (Coolidge 1972, 116). He believed that further adjustments to tax rates or even public discussions proposing an upward revision of taxes would continue to have a deleterious effect on business confidence. Leave businesses free and unencumbered, he argued, and the economic depression would begin to be relieved. The best way to start was for Congress to realize that it ought not to be meddlesome. An efficient Congress was one of the best cures for economic instability. In addition, Coolidge affirmed the wisdom of the policies he had pursued as president (Shlaes 2013). Lower taxes and a more efficient, thrifty government would also encourage prosperity. That policy had worked the wonders seen in the period 1921–28, and he believed the experience had proved that the policy could help prosperity return after an economic depression like that experienced in 1920–21 (Coolidge 1972, 140).

However, Coolidge did not take the extreme line for recovery attributed to Secretary of the Treasury Andrew W. Mellon, who preached to President Hoover that he should do nothing and allow the market to correct itself (Garraty 1986, 32–33). Coolidge in fact mostly agreed with Mellon, but at least in public he defended Hoover's policies as generally beneficial. This illustrates the tension within Coolidge's mind between supporting his party as a loyal Republican and his duty to support good policy. At any rate, he agreed in public with Hoover that temporary relief for the needy was justifiable. Echoing a concern he had voiced many times during his public career, he explained in 1931 that deforestation was a problem and that if the federal government were going to go into the business of providing unemployment relief through jobs programs, paying people to plant trees at least yielded worthwhile results (1972, 204). When the international financial world crumbled, Hoover sought to strengthen American banks against panics by creating the National Credit Corporation and then the Reconstruction Finance Corporation (both of which were given massive loans to distribute to banks with low reserves in order to keep them from closing). Coolidge praised Hoover's actions: "The prompt action of the President was effective and finally brought an end to the abnormal bank failures, enabled our financial institutions to meet the unprecedented demand of Europe for our gold and reestablished confidence at home and abroad in our ability to maintain the gold standard and in the general stability and soundness of our banking system" (Coolidge 1932a, 6). Though Coolidge was on record criticizing the new "socialistic notions" practiced in the early 1930s (qtd. in Johnson 2013, 241–42), he voiced public approval of what the Hoover administration did to relieve poverty and distress.

As to the problems of unemployment, poverty, and hunger that resulted from the economic downturn, Coolidge looked mainly to the nation's private resources. He believed that state and local governments bore much of the burden to relieve their misfortunate citizens. This had long been his policy in Massachusetts politics. Here Coolidge found much to criticize in the state, city, and township governments, however, for they had spent unwisely during the prosperous years and found their resources rapidly depleted when hard times came. But private charity's ability to provide for the needs of those hardest hit by disaster, especially in the many states affected by the drought in 1930 (the beginnings of the Dust Bowl), proved the vitality of the American economic order. That more than $10 million were raised to provide food and clothing for people in multiple states, even while the whole nation suffered through an economic contraction, was also a demonstration of the nation's spiritual power. Coolidge wrote that it was proof that, "[l]eft alone without the paralyzing interposition of the government, the people have a better opportunity for progress, prosperity, and happiness than can ever be secured from any official bureau" (Coolidge 1972, 233). Private aid, provided for on the basis of a sound economic foundation, could cover the nation's needs.

## The Great Depression as a Trial of American Civilization

If the social organization of the United States ranked highest among civilized nations, as Coolidge believed it did, what did the Crash and the Depression mean about America? Did these events prove, as some believed, that American capitalism was a hollow shell, ready to collapse in on itself at the slightest push? In his waning years, this was one of the most important questions Coolidge addressed. He had been educated to think of the United States as part of a story about the rising progress of civilization, about bringing a great nation of the world under the rule of law, and about progress toward higher and better self-government. The world had changed, and the international order in which the United States had held a leading position had once again dissolved. When he reflected on the global situation, the crises in banking and agriculture, in trade and government debt, he saw little cause for optimism. Yet he still held tight to the lesson taught by his college mentor, Professor Charles Garman of Amherst College: man's spiritual nature provides reason for hope.

The stock market crash did not shake Coolidge's faith in America. It was instead the Depression's depth and length as well as its global scope that forced him to reckon with the meaning of American civilization. He argued that the events of the Depression proved that the American system of economics and government was sound. The American people remained more comfortable under their own system and following their own way of life than they would have been under any other (Coolidge 1932a, 9). In a larger sense, Coolidge read the Depression as a confirmation of what he had been teaching all along: the higher degree of interdependence in the modern world meant that the whole structure was more fragile and more dependent on every part working in harmony with the rest. The economic calamities of 1929 and 1930 only revealed more clearly the need for mental and moral power of the highest caliber to keep civilization in order (Coolidge 1972, 192). Indeed, as he restated in the fall of 1932, Americans needed only to compare their lot with the leading nations of Europe to see how fortunate they were. "Nearly everything is relative," he explained. "Before we decide that all efforts to relieve our domestic situation have been failures, it will be helpful to compare our own situation with some of the rest of the world. England, Germany, France, Belgium and Italy have suspended payment on their international governmental debts for one year, with much uncertainty as to when they will return" (Coolidge 1932b, 68). Other nations had failed to meet their international obligations, and some had spiraled downward into revolutions and revolt, but the United States carried on and maintained the highest credit of any nation in the world (Coolidge 1932b). Coolidge, of course, did not live to see the Depression deepen into 1933 or beyond. Nor did he grasp the connection between the gold standard and the international scope of the Depression (see Irwin 2012). But in the early years of the economic downturn, he saw American success in the face of conditions that were bringing down foreign governments. He took this success to be a vindication of American civilization.

Coolidge's daily columns were replete with his wisdom for understanding these times of struggle. Wealth was not the meaning of life, and vast earthly riches were not the measure of the human spirit. He noted that "[o]ur economic depression does not prove our system unsound, but only indicates that we need more mental and moral power to keep all parts in harmonious relationship." The problems of the previous two years had been caused by forgetting that truth, he concluded: "[M]en cannot escape from the command that they shall earn their bread by the sweat of their brow. We cannot for long reap when we have not sown. We cannot hold what we do not pay for. The law of service cannot be evaded or repealed." But this was no cause for rejecting American civilization entirely, he added, for it was not "yet in the power of man under any system of government he can adopt or any organization of society he can form to make this a perfect world" (Coolidge 1972, 192, 159). Coolidge's answer to the Depression was to return to spiritual and theological truths. The U.S. Constitution had never promised to relieve the nation from the consequences of sin and the Fall.

Coolidge also addressed the question of whether American civilization would endure. "We find," he wrote, "considerable discussion of whether democracy is not proving a failure." In Europe and elsewhere, authoritarian governments were growing in prominence, leading some Americans to believe that democracy had failed. Coolidge reminded them that "[n]o informed student of human affairs ever expected that democracy would be a sovereign remedy for all the ills with which mortals are beset." Democracy was not a cure for the human condition. Rather, "[s]elf-government is the expression of one of the strongest and most logical aspirations of human nature"—it is human nature writ large. Coolidge argued that democracy would prevail in the end "because it is everlastingly right" (Coolidge 1972, 178). His confidence in the moral power of the people sustained him. Ignorance and selfishness had prevented the success of the American system; growth in "social and religious grace" was the answer (Coolidge 1972, 292). He returned time and again to his confidence in human nature, writing that "[t]he people of the world have a reserve moral power which cannot be ignored in estimating the action they will take in emergencies." Although governments may pursue reckless plans and lead the world down the path to ruin, all was not yet lost. "Before we conclude that the orderly processes of government are to be entirely broken down, that the business of the world is prostrated beyond recovery," he wrote, "it is necessary to consider this recuperative power of the people themselves." It was the "unconquerable impulse of human nature to improve, produce, and progress" that would help American civilization find its way (Coolidge 1972, 194, 244).

## Conclusion

The Great Crash of 1929 and the Great Depression were times of testing for the civilization Americans had built up under their constitution. Coolidge understood both events in these terms. Could the citizens of the nation, working privately and through their city, state, and federal governments, cope with economic catastrophes of greater magnitude than the world had ever seen? Was the American constitutional structure still relevant in such a world? Coolidge thought so.

Many scholars have blamed Coolidge and his ideas and policies for bringing on the Great Crash as well as for directly or indirectly causing the Great Depression. However, more recent scholarship and more careful study of these events has indicated that Coolidge bore little blame, if any at all, for causing the Depression. Moreover, he was much more active in seeking to prevent stock market speculation than has hitherto been recognized. Indeed, both events must be understood in their international setting, downstream of World War I. The financial instability of the leading nations of Europe and their unsteady attempts to recover led American banking leaders to pursue easy credit policies that helped to fuel the stock market boom. Major bank failures in Europe also drove the liquidity crises that followed—bank runs and panics, depletion of gold reserves, and bank closures that caused millions of Americans to lose their deposits. Coolidge also understood that these international factors were beyond the control of any individual in the American government or of the government as a whole.

Coolidge also believed that the U.S. government could take certain actions to relieve the economic depression. When businesses were afraid of what their government was going to do, when they were unsure of what new regulations were coming out of Congress, capital was effectively paralyzed. A civilization built on capital would come to a grinding halt until Congress and the president could recognize that the best course of action was to work efficiently, quietly, and economically. Government did not create wealth in the first place, so its duty was simply to create the conditions in which private citizens could pursue prosperity for themselves. This had been Coolidge's policy in the 1920s, and he believed it would work again in the 1930s. More reflectively, Coolidge believed that the catastrophes the nation had experienced were only temporary. He had confidence in the people and in their spiritual capacity to overcome the challenges they faced. Under a good constitution, they had cultivated the proper spirit and laid the foundations for lasting success. This preparation left them better suited than all other peoples of the world to meet the challenges of economic contraction. Democracy and capitalism had not been found wanting. America's constitutional republic was still proving itself sound.

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