

Saving the Depression: A New Look at World War II

by Mark Skousen

The economic boom accompanying World War II is, as Gene Smiley notes, frequently used by Keynesian economists to demonstrate that high federal deficit spending is a cure for a depression.¹ In support of this thesis, Ross M. Robertson declares:

From 1935 on . . . it was evident that output and incomes had risen because of net income injections by the government. Had these income-increasing injections been made more vigorously, from mid-1936 to mid-1938, in spite of fears of a rising national debt shared by most conservatives, the American economy would doubtless have bounded ahead much sooner. Anyone unconvinced on this point has only to look at the budget, income, and production figures for the World War II period.²

Robertson and other fiscalists point to the fact that gross national product more than doubled during World War II, from \$99.7 billion in 1940 to \$211.9 billion in 1945. During this same period, industrial production almost doubled, and durables output increased more than two and a half times. Robertson admits that, “To some extent these gains were illusory because prices rose moderately, many consumer durables disappeared from the market, and the quality of available durables and many nondurables declined.”³ Nevertheless, the sharp decline in unemployment was not illusory. There were 8 million unemployed Americans in 1940. By 1943, there were less than a million, and the figure stayed low for the remainder of the war. (For a summary of figures, see table 1 and figure 6.)

The underlying cause of this economic upswing was, according to advocates, a highly expansionary fiscal policy. Government expenditures rose from \$14 billion in 1940 to a high of nearly \$100 billion by 1944. (See table 2.) Most of the federal spending was war-related. Revenues also rose as the federal government imposed broad-based income taxes on individuals and corporations and an excess profits tax on businesses. The high tax rates were seen by Keynesians as a positive measure to ward off inflationary pressure as

Table 1
GNP, Employment, and Unemployment, 1939–46

	Gross National Product (billion \$)	Employment (millions)	Unemployment (millions)
1939	90.5	45.7	9.5
1940	99.7	47.5	8.1
1941	124.5	50.3	5.6
1942	157.9	53.8	2.7
1943	191.6	54.5	1.1
1944	210.1	54.0	0.7
1945	211.9	52.8	1.0
1946	208.5	55.3	2.3

Source: Series F 47–70, “Gross National Product, by Type of Expenditure, in Current and Constant (1958) Prices: 1929 to 1970.” Series D 1–10, “Labor Force and Its Components: 1900 to 1947.” *Historical Statistics of the United States, Colonial Times to 1970*, U.S. Department of Commerce, 1975.

the country approached full employment and to divert excessive consumption to aid war production. Nevertheless, revenues did not keep up with expenditures, and the net result was a historic level of red ink. The federal deficit was \$6 billion in 1940, rising to \$89 billion by 1944.

Monetary Policy

But Washington’s fiscal policy was not made in a vacuum. Smiley correctly points out that the monetary policy changed in the early 1940s to accommodate increased war expenditures. The Federal Reserve Board adopted an extremely expansionary policy during this period. As table 3 shows, the stock of money, whether measured in terms of M1 or M2, increased approximately 20 percent a year, basically doubling during the war. Figure 7 illustrates such trends as money in circulation, reserve bank credit, gold reserves, and excess reserves. Bank excess reserves, which were at a high level during the Depression, practically disappeared. The Fed’s extremely liberal monetary expansion allowed the growing federal debt to be monetized. Hence, Smiley concludes, “With such an expansionary (or inflationary) monetary policy, economists cannot conclude that it was fiscal policy rather than monetary policy that was the proximate cause of the more rapid recovery.”²⁴

Smiley expresses skepticism about the ability of fiscal and monetary policy to stimulate higher employment and output during the war, although he does not say why. It is clear, in any case, that government policy greatly altered the structure of production from civilian to military use.

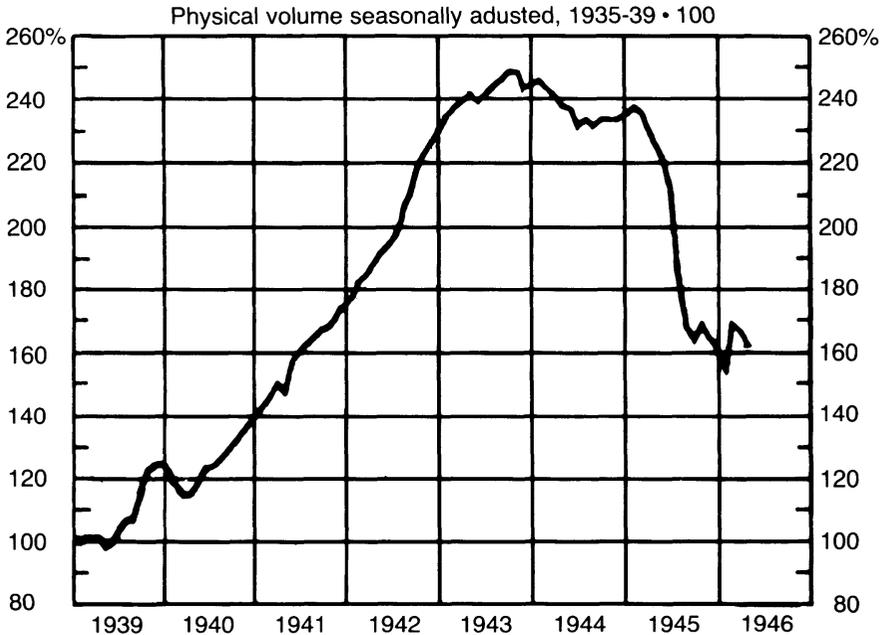


Figure 6. Industrial Production Index, 1939–46

Source: *Federal Reserve Bulletin*, July 1946.

Note: Federal Reserve index. Monthly figures; latest shown are for May 1946.

According to the Austrian business cycle theory (as espoused by Hayek, Mises, and Rothbard), the key to *lasting* recovery from a depression is not to increase government spending or to reflate the money supply. Either policy can only make matters worse in the long run. Instead, government authorities should get out of the way and allow market forces to reestablish a coordinated production process between investment and consumption. The sooner the government adopts an attitude of noninterference with market processes, the more quickly employment, income, and the general economy will recover and return to normalcy. Generally, Austrian economists advocate decreased government spending, lowered wage rates, and reduced tax rates as the most effective road to economic revival.⁵

The objective of these *laissez-faire* policies is to encourage a genuine, stable recovery in the capital markets, which Hayek and other Austrian economists see as the chief focal point of most business cycles. A depression is not usually an evenly spread out *general* depression, but in fact is characterized

Table 2
Government Fiscal Policy, 1939–46
(billion \$)

	<i>Expenditures</i>	<i>National Defense Expenditures</i>	<i>Revenues</i>	<i>Surplus or Deficit</i>
1939	13.3	1.2	11.1	-2.2
1940	14.0	2.2	13.3	-0.7
1941	24.8	13.8	21.0	-3.8
1942	59.6	49.4	28.2	-31.4
1943	88.6	79.7	44.5	-44.1
1944	96.5	87.4	44.7	-51.8
1945	82.3	73.5	42.5	-39.8
1946	27.0	14.7	32.4	+5.4

Source: Series F 552–565, “Sources and Uses of Gross Saving: 1929 to 1970.” Series F 47–70, “Gross National Product.” *Historical Statistics*.

Note: The table includes federal, state, and local financing.

Table 3
Monetary Expansion, 1939–46
(billion \$)

	<i>M1</i>	<i>M2</i>
1939	34.15	49.27
1940	39.65	55.20
1941	46.52	62.51
1942	55.36	71.16
1943	72.24	89.91
1944	85.34	106.82
1945	99.23	126.63
1946	106.46	138.73

Source: Series X 410–419, “Money Stock—Currency, Deposits, Bank Vault Cash, and Gold: 1867 to 1970,” *Historical Statistics*.

Note: M1 refers to currency plus demand deposits. M2 is M1 plus time deposits.

by a far greater decline in the capital goods markets compared to the consumer goods industries. Both sectors decline in activity during a depression, but the capital goods industries are hit hardest by far. For example, during 1929–33, personal consumption expenditures declined from \$77 billion to \$46 billion, a 40 percent decline. But capital investments declined more

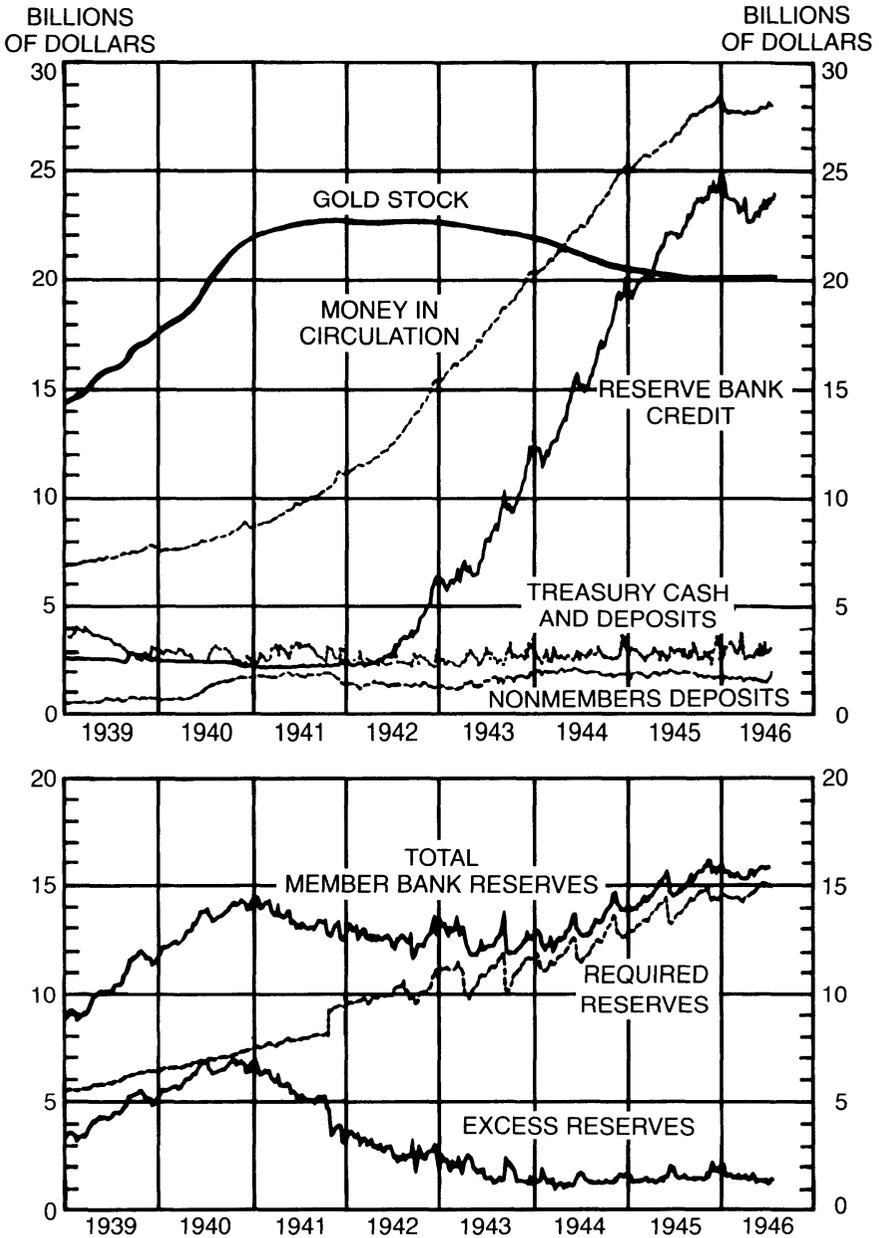


Figure 7. Monetary Trends: Member Bank Reserves and Related Items, 1939-46

Source: *Federal Reserve Bulletin*, August 1946.

Note: Wednesday figures. Latest shown are for July 24, 1946.

steeply, from \$16 billion to \$1.4 billion, a collapse of over 90 percent. In addition, the decline in employment was far greater in the capital goods industries than in the consumer goods industries.⁶

The key to economic recovery, then, is to reestablish a proper balance between capital investment and consumer spending. An artificial credit boom encourages excessive investment in the capital goods market, so that when the economy heads toward depression, the collapse in the capital goods market can be just as extreme as the boom.

Is there any way to accelerate the recovery in the capital markets besides lowering taxes, adjusting wages, and so on? Rothbard offers a provocative remedy: encourage a genuine increase in the propensity to save! This suggestion will appear as anathema to the Keynesians who envision savings as mere “hoarding” and a negative drain from the economic system. However, Austrian economists generally argue that saving by individuals and corporations is the key to reactivating the capital markets and, hence, opening the door to economic revival.

Referring to the transition to recovery in a depression, Murray Rothbard states:

The adjustment consists, as we know, of a return to the desired consumption/savings pattern. Less adjustment is needed, however, if time preferences *themselves* change: i.e., if savings increase and consumption relatively declines. In short, what can help a depression is not more consumption, but, on the contrary, less consumption and more *savings* (and, concomitantly, more investment).⁷

The Impact of Higher Savings Rates

Based on the preceding concept, I wish to add an addition to Smiley’s analysis by proposing another plausible explanation for the economic recovery during World War II. Increased government spending, assisted by an extremely accommodating monetary policy, does not alone explain the economic recovery in the early 1940s. Instead, I suggest that the World War II economic boom was in large part the result of a third major factor, often ignored by most economists. This factor is the unprecedented rise in personal and business saving rates during 1941–45.⁸ The spectacular rise in private savings provided the billions of dollars necessary to support the war, and without this quasi-voluntary stimulus to the capital markets, the world conflict may have been prolonged beyond 1945 and would have had a far more deleterious effect on the U.S. economy. Certainly, interest rates would have been sub-

Table 4
Private Savings in the United States, 1939–46
(billion \$)

	<i>Gross Private Savings</i>	<i>Personal Savings</i>	<i>Gross Business Savings</i>
1939	11.0	2.6	8.4
1940	14.3	3.8	10.5
1941	22.4	11.0	11.4
1942	42.0	27.6	14.5
1943	49.7	33.4	16.3
1944	54.3	37.3	17.1
1945	44.7	29.6	15.1
1946	29.7	15.2	14.5

Source: Series F 552–565, “Sources and Uses of Gross Saving: 1929 to 1970,” *Historical Statistics*.

Note: Gross private savings is equal to total household and business saving. Government saving is not included. Household expenditures on consumer durables, except on residential construction, are not treated as savings. The figure is “gross,” which includes capital consumption allowances for business and depreciation on personal residences.

Totals do not always add up perfectly due to rounding.

stantially higher, making it much more difficult for the Treasury to finance the war.

What took place in the early 1940s is unmistakable. The rate of savings by both individuals and businesses increased to historically unprecedented levels in the United States. Personal savings climbed from \$3.8 billion in 1940 to a high of \$37.3 billion in 1944, an incredible tenfold increase in five years. As a percentage of disposable personal income, the figures for personal savings are even more spectacular, increasing from a meager 5 percent in 1940 to almost 26 percent in 1944. (See table 4 and figure 8.) Such high rates of individual saving have not been observed in the United States before or since World War II, and they have only been approached in percentage terms by Japan in the postwar period.

Business savings also increased during the war, although not as much as personal savings did. Gross business savings (which include undistributed corporate profits, corporate inventory adjustments, and capital consumption allowances) increased from \$10.5 billion in 1940 to a high of \$17.1 billion in 1944. Over all, total household and business savings grew from \$14.3 billion in 1940 to \$54.3 billion by 1944.

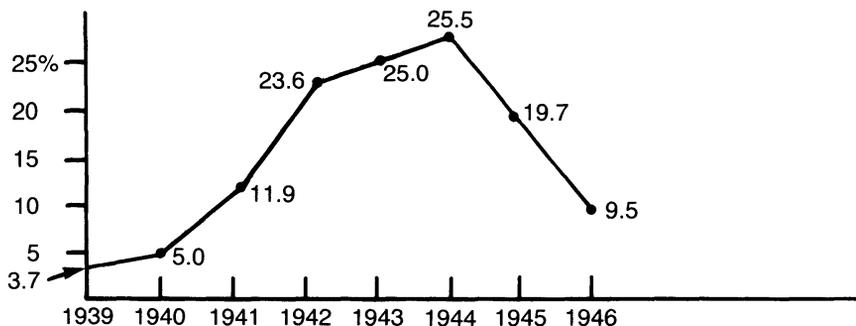


Figure 8. Personal Savings as a Percentage of Disposable Personal Income, 1939–46

Source: Series F 144–162, “Relation of Gross National Product, National Income, and Personal Income and Saving: 1929 to 1970,” *Historical Statistics*.

Note: Disposable personal income is after tax.

The Lag in Consumption

At the same time, personal consumption expenditures hardly grew at all during the war. Despite a substantial increase in industrial output, business profits, and personal income, total consumption rose only moderately—from \$70.8 billion in 1940 to \$119.7 billion by 1945. Because of widespread shortages, spending on consumer durables, such as cars and appliances, actually declined significantly during the war. (See table 5.) In per capita real terms, consumer spending was at a virtual standstill.

Clearly, the United States embarked on a course of sacrifice and abstinence, albeit not always by choice, in an all-out effort to end the conflict. Consumption was restrained, savings rose, and military-industrial production and income increased. Similar results occurred in Britain, where private savings rose from 9 percent of personal income in 1939 to 19 percent by 1943. Consumer spending lagged, and war-related industrial production expanded while private capital formation fell.⁹

An overview of the relationship between private surpluses and government deficits in the United States during the war is summarized in table 6. It demonstrates how significantly the Treasury depended on private savings to finance the war.

Table 5
Personal Consumption Expenditures, 1939–46
(billion \$)

	<i>Consumer Spending</i>	<i>Consumer Durable Spending</i>
1939	66.8	6.7
1940	70.8	7.8
1941	80.6	9.6
1942	88.5	6.9
1943	99.3	6.6
1944	108.3	6.7
1945	119.7	8.0
1946	143.4	15.8

Source: Series F 262–286, “Personal Income and Outlay: 1929 to 1970.” Series F 47–70, “Gross National Product.” *Historical Statistics.*

Table 6
Private Surpluses and Federal Deficits,
July 1, 1940–June 30, 1945
(billion \$)

<i>Federal government:</i>	
Federal expenditures	323
Taxes	<u>133</u>
Deficit	190
<i>Private economy:</i>	
Income after taxes	651
Expenditures	<u>469</u>
Surplus	182
Surplus of state and local government	<u>8</u>
	190

Source: *Treasury Bulletin*, December 1945.

Austrian Theory of Economic Growth

The Austrian theory of economic growth suggests that a change in time preference in favor of savings and *future* consumption will result, *ceteris paribus*, in an expansion in the capital goods industries, lower interest rates, and, eventually, an increase in income and consumption.

Although several variables (including government spending, monetary inflation, and tax rates) changed during World War II, it is remarkable how economic trends followed this Austrian scenario. Consumer spending was retarded and the rate of savings was expanded. While interest rates did not decline nominally, they remained remarkably stable in the face of massive federal borrowing, monetary expansion, and price inflation. Prime corporate bonds yielded between 2.54 percent and 2.66 percent from 1941 to 1946, practically no change. Yields on long-term U.S. bonds varied little, from 1.95 percent to 2.48 percent. In essence, the Treasury was able to finance the war at 2½ percent without much difficulty. Short-term interest rates (3 months or less) were less than 1 percent. In short, real interest rates may well have declined during the war. They certainly could not have stayed low without the high level of private savings.¹⁰

According to Austrian theory, increased savings and lower interest rates will, other things being equal, precipitate an expansion of raw commodities and capital-intensive industries. That, indeed, occurred during World War II. New funds from private savings and increased taxes were used to divert labor and industrial production from producing goods and services for civilian use (such as cars, appliances, residential housing, and education) to military materiel and supplies (such as tanks, munitions, and ships), which generally involved capital-intensive heavy industry.

The net effect, as Austrian economists might predict, was an economic boom, primarily in the capital goods industries. Production of machinery quadrupled. Transportation equipment production increased sevenfold. During 1940–44, production of electrical energy jumped from 180 billion kilowatt-hours to 278 billion, a 55 percent increase. Steel output increased from 67 billion tons to 90 billion tons. Aluminum products rose from 573 million pounds to 2,204 million. Increased national manufacturing plant capacity—floor space, tools, and equipment—grew by 30 percent. Billions of dollars were spent on military and technological research and development by government laboratories, universities, and industry.¹¹ Table 7 shows industrial growth by sector.

Employment in these capital goods industries increased at a rapid pace and brought millions of previously idle workers back to work. Unemployment, which was highest in the capital-producing sectors during the Depression, was sharply reduced to less than 1 million by 1943. Unionization and demands for higher wages, referred to by Smiley, were no longer a deterrent to employment.

It is estimated that half of industrial production went toward the war effort, half toward civilian use. The federal government was directly responsible for a great deal of military production. It spent \$30 billion for buildings, tools, and ships, and another \$60 billion for food, shelter, clothing, and services for the armed forces. At the end of the war, the United States owned 90

Table 7
Industrial Growth by Selected Sectors, 1939–46
(billion \$)

	<i>Agriculture</i>	<i>Mining</i>	<i>Construction</i>	<i>Manufacturing</i>	<i>Transportation</i>
1939	6.0	1.6	2.3	18.1	4.6
1940	6.1	1.9	2.6	22.5	5.0
1941	8.4	2.4	4.2	33.2	6.3
1942	12.2	2.6	6.5	45.4	8.6
1943	14.4	2.8	5.5	58.3	10.8
1944	14.5	3.0	4.1	60.3	11.2
1945	15.2	2.8	4.3	52.2	10.5
1946	18.2	3.0	6.5	49.1	10.3

Source: Series F 226–237, “National Income by Industrial Origin, in Current Prices: 1929 to 1970,” *Historical Statistics*.

Table 8
Private Investment Activity, 1939–46
(billion \$)

	<i>Gross Private Domestic Investment</i>	<i>Producers’ Durable Equipment</i>
1939	9.3	4.0
1940	13.1	5.3
1941	17.9	6.6
1942	9.8	4.1
1943	5.7	3.7
1944	7.1	5.0
1945	10.6	7.3
1946	30.6	10.2

Source: Series F 47–70, “Gross National Product,” *Historical Statistics*.

percent of the synthetic rubber plants, aircraft, magnesium, and ships; 70 percent of aluminum capacity; and 50 percent of machine-tool buildings. The government was responsible for building plants that produced steel, high-octane gasoline, and chemicals as well as 3,800 miles of oil pipelines to carry petroleum to the east coast.¹²

But private industry and individual savings played a pivotal role in the war effort. The war required new industrial plants, alterations in existing plants, and new tools and equipment. Often, these changes were paid for by private companies, taking advantage of rapid depreciation write-offs on their

corporate tax returns and profitable government contracts. Private enterprise was also responsible for fulfilling nongovernment consumer demand throughout the war, and performed an admirable job, considering the bottlenecks and restrictions that were created by rationing, price controls, and other forms of government intervention. Nongovernment GNP grew from \$85.7 billion in 1940 to 129.9 billion in 1945, hobbled by a lack of private capital expenditures. Nongovernment industrial output fell by 7 percent. Residential construction and automobile production for personal use were minimal throughout the war. Gross private domestic investment stagnated during the early 1940s, declining from \$17.9 billion in 1941 to \$7.1 billion in 1944. (See table 8.)

Combined Effect of Increased Savings and Bank Credit

I am not suggesting that personal and business savings and investment were the sole impetus to the economic recovery in the early 1940s. The massive increase in government spending and the money supply also contributed to the economic boom, however artificial and short-term they were compared to the benefits of increased private savings. As Hayek and other Austrians have emphasized, bank credit expansion can have the same short-term effects on the economic structure as an increase in private savings: lower real interest rates and a temporal expansion of the capital-goods industries relative to consumption. In fact, James A. Estey in his book, *Business Cycles*, argues that the use of expanded bank credit to produce armaments in World War II is an example of Hayek's thesis on the effects of monetary inflation, as long as war goods are treated as "capital."¹³

In short, the economic boom in World War II was ignited by two powerful forces working in tandem—an expansionary government policy and a dramatic increase in private savings. Which trend had the greatest effect on economic activity is difficult to ascertain. Suffice it to say that both factors were sufficiently large not to be ignored.

Causes of the Increase in Private Savings

What factors led to the dramatic increase in private savings rates during World War II? As Friedman and Schwartz point out, the increase in income in the early 1940s does not sufficiently explain savings rates exceeding 20 percent.¹⁴ There are several alternative explanations.

First, there was a lack of consumer spending options. Personal income rose substantially in 1941–45, but new consumer durables, such as auto-

mobiles, appliances, and housing, were not generally available. There were also shortages and rationing in food, clothing, and other nondurables. In this sense, individuals had little choice but to engage in a form of “compulsory savings.”

Second, the public responded significantly to patriotic appeals to buy U.S. savings bonds and other government securities. Over \$156 billion worth of government war bonds were sold to corporations, banks, insurance companies, and individuals. Still, U.S. savings bonds were not the only alternative plan for investors; while approximately 30 to 40 percent of individual savings went toward the buying of government securities, the rest was invested in savings accounts via commercial banks, savings and loan associations, and life insurance cash reserves. All of these private alternatives showed a substantial increase during 1941–45.

Friedman and Schwartz do not feel that the high savings rate was caused entirely by the patriotic appeal to buy war bonds:

The recurrent bond campaigns with their appeal to patriotism may have contributed also to the high rate of savings, but we are inclined to be skeptical that they had much effect on the amount of savings. If they had an effect, it was probably on the form in which savings were held—more in government securities relative to other assets.¹⁵

Third, many Americans held the view that prices would decline after the conflict, as had happened in the past. Withholding spendable funds made sense in expectation of lower prices.

When the war came to an end, the purchase of government savings bonds declined, and so did the overall savings rate. Private industry could once again return to the production of consumer goods and services in response to unsuppressed consumer demand. The structure of production shifted back from a command economy to a free economy. The resultant decline in GNP was temporary, however. The postwar decline in individual savings was offset by a massive rise in private capital formation and investment as well as consumer spending. Gross private domestic investment jumped from \$10.6 billion in 1945 to \$30.6 billion in 1946 in an effort to meet the burgeoning demands for increased consumption.

A Genuine Economic Recovery: Fact or Myth?

Ultimately, the question must be asked, did the war boom amount to a genuine economic recovery? Normally, under peacetime conditions, a rise in business investment and personal savings would lead to an economic recovery and higher standard of living. However, in the case of World War II, a

large part of the money set aside by individuals and business went toward the production of war goods, which had little value when hostilities ceased. In essence, the United States and other nations engaged in massive “capital consumption.” As economic historian Robert R. Russel concludes, \$230 billion—equal to two years of national income—were spent on “goods and articles shot away, sunk in the sea, or abandoned to rust in the jungles of New Guinea, or paid out in wages and salaries to members of the armed forces for their military services.”¹⁶

Seymour Harris looks at capital consumption in another way.

In the war period gross private investment amounted to but \$29 billion, although gross private savings amounted to \$195 billion. The \$29 billion were but two-thirds of the business depreciation charges. In other words, the country was living on capital. By using only a small part of gross private savings, business thus enabled government to finance \$165 billion of deficits out of private and business savings that otherwise would have been used primarily for private investment.

In 1946–49, the picture was entirely different. Gross private investment at \$151 billion exceeded gross private savings by \$23 billion, and was three times as great as business depreciation charges. Personal savings accounted for an even smaller percentage of private investment than in 1936–39; and around \$23 billion of the private investment were offset by savings (surpluses) of government.¹⁷

According to national wealth statistics compiled by the U.S. Department of Commerce, there was virtually no change in national wealth in real terms from 1941 to 1945. Based on 1947–49 prices, the nation’s wealth amounted to \$748.4 billion in 1939. In 1945, it was \$763.7 billion. But in per capita terms, the national standard of living appears to have declined.¹⁸

Certainly, millions of idle workers were put back to work, but hundreds of thousands died or were wounded on the battlefield. Employment during the war was not particularly easy. The average work week rose 20 percent in manufacturing, construction, and mining, and many key employees, especially engineers, had to work weary 14-hour days, 7 days a week. Taxes increase dramatically and permanently. The standard of living declined during this time, despite higher incomes, as Americans gave up many of the pleasures of life. Construction of private housing, automobiles, and appliances came to a standstill. Sugar, coffee, meat, and other food products were often in short supply and, despite price controls and rationing, prices still rose an average 30 percent during the war. Businesspeople were fined and jailed for violating price control and rationing regulations.¹⁹ The only clear winner in the war was the government, which never fully relinquished its power and size after the war. As Randolph Bourne aptly states, “War is the health of the state.”

In sum, we must not conclude that war is “good” for the economy or, in a more generic sense, that increased government spending or monetary inflation is the countercyclical cure for a depression. Ultimately, economic malaise can only be permanently overcome by a noninterventionist policy, by freeing the human spirit, and by adopting a long-range time horizon through the virtues of thrift, hard work, entrepreneurship, and capital formation. Regarding the World War II case, Stuart Chase said it best in 1946: “The conclusion here is not that chronic warfare is the cure for chronic depression, but a more hopeful one. People must have a *goal* to stir them to activity; something big to do, to make sacrifices for. Then their latent powers really come out.”²⁰

Notes

1. Gene Smiley, “Appendix: The Early 1940s Recovery,” in his article, “Some Austrian Perspectives on Keynesian Fiscal Policy and the Recovery in the Thirties,” *Review of Austrian Economics*, 1:167.

2. Ross M. Robertson, *History of the American Economy*, 3rd ed. (New York: Harcourt Brace Jovanovich, 1973), p. 709.

3. *Ibid.*

4. Smiley, *op. cit.*, p. 167.

5. On the ill effects of reflation, see Frederich A. Hayek, *Monetary Theory and the Trade Cycle* (New York: Augustus M. Kelley, 1975 [1933]), pp. 19–23. On increased government spending as a countercyclical measure, see Ludwig von Mises, *Human Action*, 3rd ed. (Chicago: Henry Regnery, 1963), pp. 798–99. On reducing taxes, wages, etc., during a depression, see Murray N. Rothbard, *America’s Great Depression*, 3rd ed. (Kansas City, Kans.: Sheed and Ward, 1975), pp. 25–29.

6. Series F 47-70, “Gross National Product,” *Historical Statistics of the United States*. For a general discussion of the volatility of the capital markets in a business cycle, see James A. Estey, *Business Cycles*, 2nd ed. (New York: Prentice-Hall, 1950), pp. 228–48.

7. Rothbard, *op. cit.*, p. 24.

8. The only economists I know who have commented on the high rate of savings during World War II are Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton, N.J.: Princeton University Press, 1963), pp. 559–60; and Seymour E. Harris, *The Economics of Mobilization and Inflation* (New York: W.W. Norton, 1951), pp. 162–67.

9. “British White Paper on War Finance,” *Federal Reserve Bulletin*, July 1946, pp. 723–48.

10. Sidney Homer, *A History of Interest Rates*, 2nd ed. (Rutgers, N.J.: Rutgers University Press, 1977), pp. 356–57.

11. Robert R. Russel, *A History of the American Economy* (New York: Appleton-Century-Crofts, 1964), p. 578.

12. *Ibid.*, p. 568.

13. Estey, op. cit., pp. 239–40.
14. Friedman and Schwartz, op. cit., p. 559.
15. Ibid. See also “A National Survey of Liquid Assets,” *Federal Reserve Bulletin*, July–August 1946.
16. Russel, op. cit., pp. 578–79.
17. Seymour Harris, op. cit., p. 164.
18. Series F 446-469, “National Wealth, by Type of Asset, in 1929 and 1947–49 Prices: 1850 to 1958,” *Historical Statistics*, op. cit.
19. A short review of the war burdens in the United States can be found in Harold G. Vatter, *The U.S. Economy in World War II* (New York: Columbia University Press, 1985), pp. 138–42.
20. Stuart Chase, *For This We Fought* (New York: Twentieth Century Fund, 1946), p. 49.

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