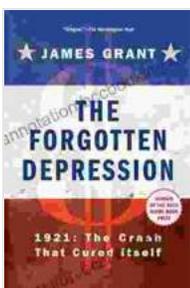
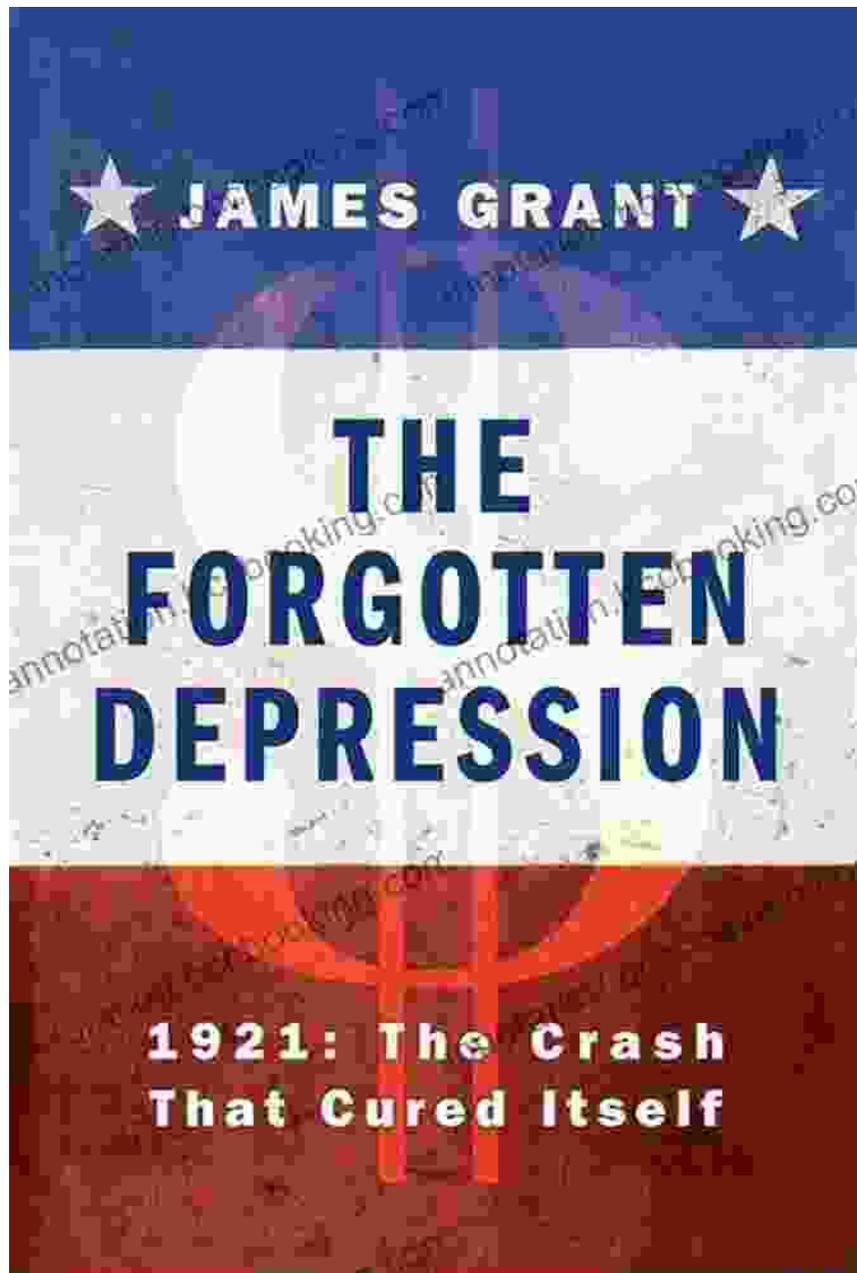


# **Unveiling the Hidden History: The Forgotten Depression of 1921 – A Self-Healing Economic Crisis**

In the annals of economic history, the Great Depression of the 1930s looms large, casting a long shadow over its predecessors. However, hidden within the depths of history lies another economic downturn: the Forgotten Depression of 1921. This lesser-known crisis offers valuable insights into the resilience of the American economy and the enduring power of self-correction.



## The Forgotten Depression: 1921: The Crash That Cured Itself by James Grant

★★★★☆ 4.5 out of 5

Language : English  
File size : 20768 KB  
Text-to-Speech : Enabled  
Screen Reader : Supported  
Enhanced typesetting : Enabled  
X-Ray : Enabled

Word Wise : Enabled  
Print length : 273 pages



## **The Economic Storm of 1921**

The end of World War I brought a surge of economic activity in the United States. War production had stimulated industries, and consumers were eager to spend the savings they had accumulated during the conflict. However, this postwar boom was short-lived.

By 1920, inflation had begun to erode the value of money, and the Federal Reserve took action by raising interest rates. This action cooled the economy and led to a sharp decline in prices. The ensuing deflation caused many businesses to fail and unemployment to soar.

## **The U.S. Economy's Resilience**

Unlike the Great Depression of the 1930s, the Forgotten Depression did not result in a complete collapse of the economy. Businesses and individuals quickly adjusted to the new economic reality.

Companies cut costs, streamlined operations, and sought out new markets. Workers accepted lower wages and found alternative sources of income. The government, under the leadership of President Warren G. Harding, took a largely hands-off approach, allowing the market to correct itself.

## **The Power of Self-Correction**

The Forgotten Depression serves as a prime example of the self-correcting nature of the free market. In the absence of government intervention,

businesses and individuals responded to changing economic conditions with innovation and flexibility.

Companies that were unable to adapt to the new environment failed, while those that embraced efficiency and innovation thrived. The crisis ultimately led to a more sustainable and resilient economy.

## **Lessons for Today**

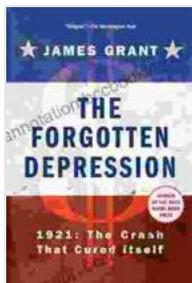
The Forgotten Depression offers valuable lessons for policymakers and economists today. It demonstrates that economic downturns are an inevitable part of the business cycle and that they can be overcome through a combination of market forces and individual adaptability.

While the government may play a role in mitigating the effects of economic crises, it is essential to allow the market to function as freely as possible. By fostering competition, encouraging innovation, and allowing businesses to fail, we can create an economic environment that is more resilient to future shocks.

The Forgotten Depression of 1921 is a reminder that economic downturns are not necessarily disasters. They can be periods of necessary adjustment and renewal. By understanding the lessons of the past, we can better prepare for the economic challenges that lie ahead.

In his book "The Forgotten Depression 1921: The Crash That Cured Itself," Charles Calomiris provides a fascinating account of this often-overlooked economic downturn and its profound implications for our understanding of economic crises. This deeply researched and engaging work sheds new

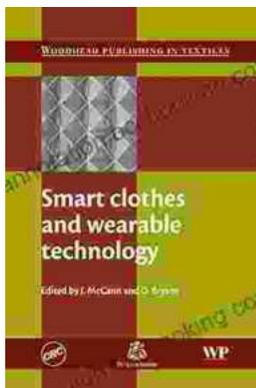
light on a pivotal chapter in American economic history and offers valuable insights for today's policymakers and economists.



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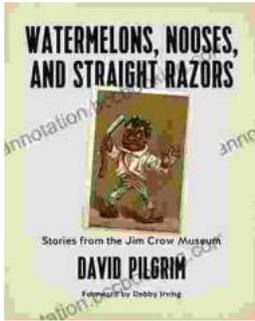
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