

tration then stepped in with disastrous meddling—tax increases, high tariffs, and lectures on big business’s civic responsibility to keep purchasing power up by not reducing wages. The Federal Reserve System, established in 1913 to prevent economic recessions by giving the nation an “elastic” currency, failed miserably. The result was that a bad cold turned into severe pneumonia.

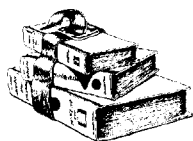
Hoover was crushed in the 1932 election, which put FDR in the White House. Smiley’s dissection of the many New Deal programs is devastating. He points out, for example, that the National Recovery Administration merely cartelized businesses, with the biggest firms dominating the creation of the “codes of competition” for their own benefit. Also, the beginning of the Social Security system in 1936 hit business, and ultimately workers, with new taxes just at the time the economy was starting to recover.

In 1938 the economy suffered a severe contraction, thanks to more federal intervention and bungling: the wave of strikes unleashed by organized labor following the Supreme Court’s cave-in on the clearly unconstitutional National Labor Relations Act, and the Fed’s deflationary policy, which, Smiley shows, reduced the money supply by 5.7 percent in 1937.

The author’s conclusion: “What failed in the 1930s were governments, in their eagerness to direct economic activity to achieve political ends—ends that were often contradictory.”

Rethinking the Great Depression is an excellent work for all who wish to correctly understand this terrible chapter in American history. □

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The Pity of It All: A History of Jews in Germany, 1743–1933

by Amos Elon

Metropolitan Books • 2002 • 446 pages
• \$30.00 hardcover; \$15.00 paperback

Reviewed by Richard M. Ebeling

The ideological and then political triumph of liberalism in the eighteenth and nineteenth centuries ushered in a momentous period in human history. It ended the reign of absolute monarchs; it freed commerce and industry from the shackles of mercantilist regulations and controls; it heralded a new era of representative government and civil liberties. Freedom of the press and of speech, religion, and association became the hallmarks of an epoch that increasingly came to view individual liberty as the cornerstone of a humane, peaceful, and prosperous society.

Few groups benefited as much from the ascendancy of political and economic liberalism as the Jews in central and eastern Europe. Since the Middle Ages they had been confined to ghettos, often prohibited from owning and working land, and restricted from pursuing a wide variety of professions and trades. Severe limits were placed on their ability to live and work in capital cities such as Berlin and Vienna. They were burdened with special taxes, including marriage and birth taxes. Except for a small handful of privileged financiers and merchants who served the special interests of kings and princes, most Jews in central and eastern Europe were poor peddlers and traders who wandered the countryside earning meager livings.

Amos Elon’s *The Pity of It All* is a sweeping history of the Jews in Germany from the middle of the eighteenth century to Hitler’s rise to power in 1933. Their liberation began with a new awakening of self-improvement through what was called *Bildung* in German, or the refinement of the individual’s character through literature, philosophy, the arts, and the sciences. By this method they would rise above the cultural backwardness that prevailed throughout much of the Jewish

community at that time, and at the same time they would fully integrate themselves into the best of German society. They would become Germans who happened to be of a Jewish heritage, rather than outsiders—Jews who happened to live in Germany.

Elon tells this story of cultural assimilation through the lives of leading Jewish figures, such as Moses Mendelssohn, the great proponent of reform and change within the Jewish community, and Heinrich Heine, one of the great poets and essayists in German literature. He details the lives and ideas of the many of the leading Jewish advocates of political and social liberty, and the prominent roles they played in the advancement of constitutionalism and liberal revolution in the 1840s and 1850s.

The tensions and doubts within the German Jewish community are also emphasized, as many Jews struggled with the issue of maintaining their Jewish faith or converting to one of the Christian denominations—a pressure felt by many because of legal and political restrictions that continued to close some doors of advancement, especially in government and the military, to non-Christians. There were also the tensions around the issue of what continued to make someone a Jew if he had abandoned Judaism and chose a secular life and a nonreligious code of morality.

The elimination of practically all legal, civil, and economic restrictions on Jews by the 1860s stimulated a huge burst of creativity and cultural contribution from them for the remainder of the nineteenth century and into the early decades of the twentieth century. In music, the arts and sciences, industry and commerce, literature and journalism, as well as in politics, the Jewish contribution was of a magnitude far greater than the number of Jews in Germany, which had never exceeded 1 percent of the country's population. Liberalism's freeing of the political chains binding them resulted in the German Jewish Prometheus ascending to unimagined heights of achievement, redounding to the benefit of the greater German society and the world as a whole.

Jewish successes and contributions to such

a varied number of walks of life aroused envy, resentment, and fear among other Germans who were less successful in the market and cultural competition of a more open society. Failure and disappointment, dislike of change and innovation, the collectivist sentiments that still surrounded much of German culture and thinking, and the need to find scapegoats to explain away unfulfilled personal ambitions all resulted in a growing acceptance of anti-Semitic arguments and rationalizations for any supposed "shortcomings" of non-Jewish Germans.

But the "Jewish problem" could not be "solved" in a liberal climate of freedom and open competition. So the rising tide of militarism, state socialism, interventionism, and welfare statism in late-nineteenth- and early-twentieth-century Germany was reinforced and supported by those who wished to close the doors of the marketplace and the cultural arena to their Jewish competitors. The "final solution" to this "problem" was found in the death camps. □

Richard Ebeling is the president of FEE.

The Voluntary City: Choice, Community, and Civil Society

edited by David T. Beito,
Peter Gordon, and Alexander Tabarrok

University of Michigan Press • 2002 • 462
pages • \$65.00 hardcover; \$24.95 paperback

Reviewed by William L. Anderson

Since the late 1960s the typical picture of the U.S. city is that of a virtual cesspool of crime, poverty, and drug abuse. I remember a magazine cover of a smog-enclosed metropolis with the headline, "Our Sick, Sick Cities." The late Sen. Hubert H. Humphrey of Minnesota regularly gave speeches in which he called for a "Marshall Plan to rebuild our cities," and his theme has resonated with the public and the political classes ever since.

While libertarians often focus on the statist excesses of Congress, many cities in this country have gone beyond even the most