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Jason E. Taylor, *Deconstructing the Monolith: The Microeconomics of the National Industrial Recovery Act*, University of Chicago Press, 2019, 224 pp. $33.00 Hardcover

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Abstract. After two years of languished recovery, additional measures were needed, and within six weeks of early 1933, policy makers armed with modern economic theory developed a plan to restructure the US economy and combat the worsening Great Depression. In *Reconstructing the Monolith*, Jason Taylor synthesizes his and other scholar's research to address the National Industrial Recovery Act.
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The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.
John Maynard Keynes

Book review

As the United States and international economies slipped into recession in late 1929 and early 1930, prevailing economic wisdom held that markets cleared, and short-term disruptions were temporary. However, as time passed and the economy sank deeper into crisis, this was no ordinary recession, and either the economy was prone to long-term disruptions or mis-directed policy prevented it from returning to trend. Like most of the Roosevelt administration's policy prescriptions, recommendations were for government to intervene with stimulus. However, after languished recovery, additional measures were needed. Within the first six weeks of early 1933—Roosevelt's first 100 days—policy came to focus on demand, and it was insufficient consumer spending that prevented economic recovery. When Roosevelt took office, the US abandoned the Gold Standard, and a plethora of fiscal policies were implemented. With decreased demand for labor, firms had an excess of willing workers from which to select, prices were too low, and workers lacked bargaining power with capital owners. Even collusive behavior that advocated price fixing was preferable to the economic downturn, and

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decreasing pricesand wages failed to operate the way that classical economists indicated was part of the natural correction process that allowed the economy to return to long-run growth. Something was awry. It is against this backdrop in his book *Deconstructing the Monolith* that Jason Taylor synthesizes his and other scholar's research to address the National Industrial Recovery Act and the Great Depression.

To some policy makers, the solution was wage and price supports, and work sharing. Henry Ford's five dollars a day pay-scheme provided a practical example that it was insufficient consumer spending that prevented recovery. The solution was simple: boost worker wages and shorten work weeks. Allow workers greater bargaining power with capital, and allow collusion in both input and output markets to boost prices. It was these economic policies that on June 16th, 1933that the Roosevelt Administration rolled-out the National Industrial Recovery Act (NIRA) as a policy response to answer the malaise befallen the US and international economies.

The National Industrial Recovery Act of 1933 was a law passed during the Great Depression that allowed the President to regulate wages and prices to facilitate economic recovery. There were two main sections of the law. First, the Act committed the government to industrial recovery, gave trade unions greater rights in contract negotiations, increased worker wages, allowed industries to establish fair competition codes, regulated the price of refined petroleum products, and permitted work standard regulations. Second, the NIRA established the Public Works Administration. Enacted in June 1933, the law was initially met with considerable fan-fair as President Roosevelt's economic package to restore confidence and economic growth. However, because of increased labor market regulations, participating in the program was expensive for firms. Nonetheless, firms that participated in the program were allowed to display the "Blue Eagle" emblem, which signaled to consumers that a firm participated in the NIRA and gave consumers greater motivation to shop and spend at participating establishments, a clear form of market power. What the NIRA took from firms in higher labor costs, it increased prices at participating NIRA firms and advertised to the public to appeal to social goodwill. Frustrated with the NIRA's slow recovery, Roosevelt implemented the President's Reemployment Agreement (PRA) that complemented the NIRA to reduce work weeks and spread work across existing workers. The PRA established the maximum number of hours in a work week and minimum pay standards. However, as the Act was fully implemented, initial enthusiasm abated, and there was a considerable inability to enforce NIRA standards. On May 27th, 1935, as the law was set to expire, the Supreme Court intervened and declared the NIRA unconstitutional in *Schechter Poultry Corp. v. United States.*

There are two general views regarding the NIRA and PRA's overall effectiveness. Among social historians, the NIRA and PRA were successful in stimulating aggregate demand and pulling the economy out of economic crisis. Among many neo-classical economists, it was government's interference that prolonged and worsened the Great Depression. Taylor summarizes these two views and illustrates that after heterogeneity is accounted for, the NIRA and PRA were complex, nevertheless, effective in bringing about economic recovery. He mostly agrees with the neoclassical economic interpretation that the NIRA and PRA's labor and collusive provisions were, in general, an impediment to economic recovery. Nonetheless, he also agrees with the social historian's view that the NIRA had a positive affect through demand expectations during the program's initial days of recovery. He goes on to reconcile the two positions to show that rather than being mutually exclusive, after heterogeneity is accounted for, both views provide important insight about the NIRA's macroeconomic impact. Both views must account for the NIRA's heterogeneous impact on industry during the period under study.

Like macroeconomic policy debates, debates about the effects of the NIRA and Roosevelt's policy effects in bringing the US contraction to an end are polarized. Where many social historians hold that Roosevelt's policies were beneficial in pulling the US economy out of contraction, Lee Ohanian and Tim Cole lead the neo-classical counter-offensive to show that it was Roosevelt's policies, the NIRA, and President's Recovery Act (PRA) that held the economy back from recovering more quickly than it did. Nonetheless, Jason Taylor makes a more sophisticated approach that there was considerable heterogeneity that makes aggregating policy effects from the NIRA and NPA difficult that cannot be hastily categorized as holding the economy back and had both simulative and contractionary effects.

Since the Great Depression, prevailing macroeconomic theories are evaluated to their success in explaining the 1930s. Neo-classical macroeconomic theory has led the loyal opposition to Keynesian economics, and Milton Friedman and Robert Lucas were early policy critics of demand-side management. During the immediate aftermath of the initial contraction, Friedman—along with the other Chicago School economists—supported early government spending programs (Ebenstein, 2015, p.71). However, Friedman's support waned with empirical evidence. His 1964 work with Anna Swartz deeply criticized the prevailing Keynesian consensus that activist demand management inherent in the NIRA was the reason for the recovery (Freidman & Swartz, 1965). Lucas similarly criticized Keynesian policies on theoretical grounds.

Jason Taylor has written a masterful summary of the history and debates surrounding the National Industrial Recovery Act (NIRA), the Presidents Reemployment Agreement (PRA), and academic economists' debates regarding policy effectiveness. Applied microeconomists interested in practical examples of government-sponsored market power and economic historians are well served by his effort.

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