

BOOK REVIEWS

Book Review: *Surprised Again! The COVID Crises and the New Market Bubble*

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Keywords: COVID, business cycle, market bubbles, inflation

<https://doi.org/10.35297/001c.117119>

Quarterly Journal of Austrian Economics

Vol. 27, Issue 1, 2024

The COVID recession in early 2020 rocked the United States economy. Output and the stock market tanked before unprecedented fiscal and monetary policies brought everything roaring back to life. *Surprised Again!* by Mises Institute senior fellow Alex J. Pollock and Howard B. Adler tells this story.

Surprised Again! The Covid Crisis and the New Market Bubble

Alex J. Pollock and Howard B. Adler

Philadelphia: Paul Dry Books, 2022; 224 pp.

The COVID recession in early 2020 rocked the United States economy. Output and the stock market tanked before unprecedented fiscal and monetary policies brought everything roaring back to life. The economy overheated and price inflation, measured by the consumer price index, hit 9 percent in June 2022. Confronted by COVID, the V-shaped recovery, and the highest inflation in forty years, economists and financial markets were, to say the least, taken by surprise.

Surprised Again! The Covid Crisis and the New Market Bubble, by Mises Institute senior fellow Alex J. Pollock and Howard B. Adler, tells this story. It is an important book that everyone interested in the COVID recession (lasting, according to the National Bureau of Economic Research, from February to April 2020) and the current business cycle (April 2020 to a time yet unknown) should read. One of its central lessons is humility: time and again, forecasters fail to anticipate market changes. Reading this book reminds me of what Murray Rothbard (2006, 246) once said: "Every time Establishment economists and financial writers trumpet the existence of a brave new world of permanent boom with no more recessions, I know that a big recession is just around the corner." Pollock and Adler quote a statement made by Federal Reserve chair Janet Yellen in 2017 that supports Rothbard's observation: "Would I say there will never, ever be another financial crisis?"

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Probably that would be going too far. But I do think we are much safer, and I hope it will not be in our lifetimes. And I don't believe it will be." The chairman and CEO of Morgan Stanley made a similar conjecture in 2013: "The probability of [future financial crises] happening again in our lifetime is as close to zero as I can imagine" (4).

The book begins by diving into the panic of 2020, when markets reacted violently to the economic ramifications of harsh government lockdowns and restrictions in response to the new coronavirus (13). The result: a 37 percent fall in the Dow Jones and a 48 percent plunge in the value of bank stocks. Unemployment shot up to 15 percent in April, and gross domestic product (GDP) tumbled 9 percent from the first quarter to the second. The Federal Reserve, Treasury Department, and Congress responded with a laundry list of expansionary fiscal and monetary policies, which chapter 3 concisely lays out and describes.

As we all know by now, the economy unexpectedly responded to this proverbial doping of the horse by rapidly recovering through 2021. GDP increased, unemployment decreased, and seemingly new bubbles appeared in stocks, commercial and residential real estate, cryptocurrencies, and other sectors. Of course, this resurgence coincided with another unanticipated phenomenon: price inflation far above the Fed's 2 percent target, or, as the authors pithily put it, "its self-appointed goal of perpetual inflation—that is, always having 2 percent inflation instead of stable prices" (57). In 2021 and 2022, governments, financial markets, and economic forecasters completely misjudged the persistence and severity of the price increases.

Chapter 6, the longest of the book, focuses on the astounding ups and downs of cryptocurrencies. The price of Bitcoin, for instance, exploded from \$10,000 in October 2020 to \$63,000 in April 2021 before falling back down to \$30,000 a few months later, only to rise to \$67,000 in November before once again falling sharply. These price swings were due to changing expectations about Bitcoin's potential as an investment hedge and its ability to become a generally accepted medium of exchange. The authors devote several pages to Facebook's abortive effort to create Libra, a new cryptocurrency, in 2019 and the preliminary stages of central bank digital currencies (CBDCs) in the years that followed. Regrettably, I am inclined to agree on net with Pollock and Adler's conclusion that "in the end, governments can severely restrict, regulate, tax, or punish cryptocurrency use whenever they decide to. . . . This leads us to conclude that, overall, the long-term success of CBDCs issued by major central banks in competition with cryptocurrencies appears much more likely than the replacement of government fiat currencies by cryptocurrencies" (89–90). The United States requires people to report their cryptocurrency holdings and transactions on

their tax forms. Any restrictions on using cryptocurrencies as money that the US and other governments around the world impose (or will impose) will deter most people and businesses from adopting them.

One of the book's most unique aspects, and one of my favorite parts, is the appendix, entitled "Your Own Update" (195). It consists of a table of various economic data for the dates March 31, 2020 (the COVID panic), February 10, 2022 (when the authors finished the manuscript), May 12, 2022 (when the authors wrote their epilogue), and whatever date the reader completes the book (for me, this was November 22, 2023). I have reproduced this table below and included the statistics for the day I finished *Surprised Again!*

Figure 1. Your own update

	COVID panic (3-31-20)	Manuscript completed (2-10-22)	Epilogue written (5-12-22)	When you read this book (11-22-23)
Inflation Rate (CPI year over year)	2.3 percent	7.5 percent	8.3 percent	3.2 percent
Dow Jones Industrial Ave.	21,219	35,241	31,730	35,273
NASDAQ Composite Index	7,700	14,186	11,371	14,265
3-month Treasury Yield	0.11 percent	0.42 percent	0.97 percent	5.43 percent
10-year Treasury Yield	0.70 percent	2.03 percent	2.82 percent	4.40 percent
30-year Mortgage Interest Rate (Mortgage Bankers Assn.)	3.47 percent	3.83 percent	5.53 percent	7.41 percent
Bitcoin Price	\$6,439	\$43,565	\$29,048	\$37,381
TerraUSD Price	Not yet introduced	\$1.00	\$0.18	\$0.01
Major War?	No	No	Yes	Yes
Total Assets of the Federal Reserve	\$5.3 T	\$8.9 T	\$8.9 T	\$7.8 T

What does this tell us? It reinforces the authors' concluding sentence: "The weather forecast for the financial and economic future always remains the same: 'Foggy'" (194). The year and a half following May 2022 took many people by surprise. The Fed contracted vigorously and interest rates significantly increased. Yet, while inflation sharply fell to 3 percent, stocks and the price of Bitcoin have actually increased (not shown is the harsh decline through 2022). Is this the proverbial soft landing? Markets certainly expect one because of several factors, including the astonishing rise of artificial intelligence technology, which is having a significant positive effect on economic growth. Consequently, investors continue to bid up the prices of financial assets, especially those related to Big Tech. But the attendant high interest rates worry me, especially with regard to commercial real estate. If there is one thing we should know after reading this book, it is that the next financial crisis or turning point in the business cycle will make markets—surprised again!

All in all, *Surprised Again!* is a worthwhile read that the learned student and scholarly researcher will find enlightening. The authors have done a commendable job in their narrative of the COVID crash and the incipient bubbles that have followed.

Submitted: April 18, 2024 CST, Accepted: April 18, 2024 CST



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