

Chapter 32

The Politics of Boom and Bust

1920–1932

We in America today are nearer to the final triumph over poverty than ever before in the history of any land. We have not yet reached the goal—but . . . we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation.

HERBERT HOOVER, 1928

Three Republican presidents—Warren G. Harding, Calvin Coolidge, and Herbert Hoover—steered the nation on the roller-coaster ride of the 1920s, a thrilling ascent from the depths of post-World War I recession to breathtaking heights of prosperity, followed by a terrifying crash into the Great Depression. In a retreat from progressive reform, Republicans sought to serve the public good less by direct government action and more through cooperation with big business. Some corrupt officials served themselves as well, exploiting public resources for personal profit. Meanwhile, the United States retreated from its brief internationalist fling during World War I and resumed with a vengeance its traditional foreign policy of military unpreparedness and political isolationism.

★ The Republican “Old Guard” Returns

Warren G. Harding, inaugurated in 1921, looked presidential. With erect figure, broad shoulders, high forehead, bushy eyebrows, and graying hair, he was one of the best-liked men of his generation. An easygoing, warm-handed backslapper, he exuded graciousness and love of people. So kindly was his nature that he would brush off ants rather than crush them.

Yet the charming, smiling exterior concealed a weak, inept interior. With a mediocre mind, Harding quickly found himself beyond his depth in the presidency. “God! What a job!” was his anguished cry on one occasion.

Harding, like Grant, was unable to detect moral halitosis in his evil associates, and he was soon surrounded by his poker-playing, shirt-sleeved cronies of the “Ohio Gang.” “A good guy,” Harding was “one of the boys.” He hated to hurt people’s feelings, especially those of his friends, by saying no, and designing political leeches capitalized on this weakness. The difference between George Washington and Warren Harding, ran a current quip, was that while Washington could not tell a lie, Harding could not tell a liar. He “was not a bad man,” said one Washington observer. “He was just a slob.”

Candidate Harding, who admitted his scanty mental furnishings, had promised to gather about him the “best minds” of the party. Charles Evans Hughes—masterful, imperious, incisive, brilliant—brought to the position of secretary of state a dominating if somewhat conservative leadership. The new secretary of the Treasury was a lean and elderly Pittsburgh aluminum king, Andrew W. Mellon, multimillionaire collector of the paintings that are now displayed in Washington as his gift to the nation. Chubby-faced Herbert Hoover, famed feeder of the Belgians and wartime food administrator, became secretary of commerce. An energetic businessman and engineer, he raised his second-rate cabinet post to first-rate importance, especially in drumming up foreign trade for U.S. manufacturers.

But the “best minds” of the cabinet were largely offset by two of the worst. Senator Albert B. Fall of New Mexico, a scheming anticonservationist, was appointed secretary of the interior. As guardian of the nation’s natural resources, he resembled the wolf hired

to protect the sheep. Harry M. Daugherty, a small-town lawyer but a big-time crook in the “Ohio Gang,” was supposed to prosecute wrongdoers as attorney general.

★ GOP Reaction at the Throttle

Well-intentioned but weak-willed, Harding was a perfect “front” for enterprising industrialists. A McKinley-style old order settled back into place with a heavy thud at war’s end, crushing the reform seedlings that had sprouted in the progressive era. A nest-feathering crowd moved into Washington and proceeded to hoodwink Harding, whom many regarded as an “amiable boob.”

This new Old Guard hoped to improve on the old business doctrine of *laissez-faire*. Their plea was not simply for government to keep its hands off business, but for government to help guide business along the path to profits. They subtly and effectively achieved their ends by putting the courts and the administrative bureaus into the safekeeping of fellow stand-patters for the duration of the decade.

The Supreme Court was a striking example of this trend. Harding lived less than three years as president, but he appointed four of the nine justices. Several of his choices were or became deep-dyed reactionaries, and they buttressed the dike against popular currents for nearly two decades. Harding’s fortunate choice for chief justice was ex-president Taft, who not only performed his duties ably but surprisingly was more liberal than some of his cautious associates.

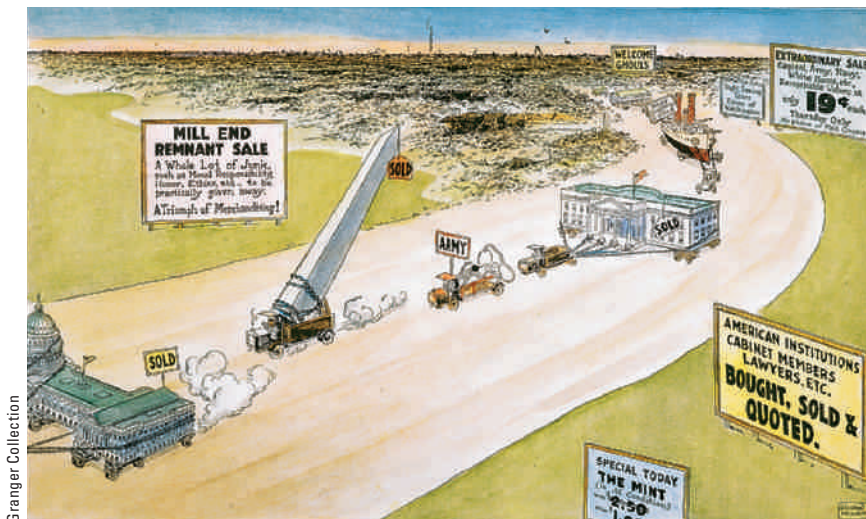
In the first years of the 1920s, the Supreme Court axed progressive legislation. It killed a federal child-labor law, stripped away many of labor’s hard-won gains, and rigidly restricted government intervention in the economy. In the landmark case of ***Adkins v. Children’s Hospital*** (1923), the Court reversed its

Justice Oliver Wendell Holmes (1841–1935), wryly dissenting in the *Adkins* case, said,

“It would need more than the Nineteenth Amendment to convince me that there are no differences between men and women, or that legislation cannot take those differences into account.”

own reasoning in *Muller v. Oregon* (see p. 645), which had declared women to be deserving of special protection in the workplace, and invalidated a minimum-wage law for women. Its strained ruling was that because women now had the vote (Nineteenth Amendment), they were the legal equals of men and could no longer be protected by special legislation. The contradictory premises of the *Muller* and *Adkins* cases framed a debate over gender differences that would continue for the rest of the century: were women sufficiently different from men that they merited special legal and social treatment, or were they effectively equal in the eyes of the law and therefore undeserving of special protections and preferences? (An analogous debate over racial differences haunted affirmative-action policies later in the century.)

Corporations, under Harding, could once more relax and expand. Antitrust laws were often ignored, circumvented, or feebly enforced by friendly prosecutors in the attorney general’s office. The Interstate Commerce Commission, to single out one agency, came to be dominated by men who were personally sympathetic to the managers of the railroads. Harding reactionaries might well have boasted, “We care not what laws the Democrats pass as long as we are permitted to administer them.”



Government for Sale This 1924 cartoon satirizing the corruption of the Harding administration shows the sale of the Capitol, the White House, and even the Washington Monument.

Big industrialists, striving to reduce the rigors of competition, now had a free hand to set up trade associations. Cement manufacturers, for example, would use these agencies to agree upon standardization of products, publicity campaigns, and a united front in dealing with the railroads and labor. Although many of these associations ran counter to the spirit of existing antitrust legislation, their formation was encouraged by Secretary Hoover. His sense of engineering efficiency led him to condemn the waste resulting from cutthroat competition, and his commitment to voluntary cooperation led him to urge businesses to regulate themselves rather than be regulated by big government.

★ The Aftermath of War

Wartime government controls on the economy were swiftly dismantled. The War Industries Board disappeared with almost indecent haste. With its passing, progressive hopes for more government regulation of big business evaporated.

Washington likewise returned the railroads to private management in 1920. Reformers had hoped that wartime government operation of the lines might lead to their permanent nationalization. Instead Congress passed the Esch-Cummins Transportation Act of 1920, which encouraged private consolidation of the railroads and pledged the Interstate Commerce Commission to guarantee their profitability. The new philosophy was not to save the country from the railroads, as in the days of the Populists, but to save the railroads for the country.

The federal government also tried to pull up anchor and get out of the shipping business. The Merchant Marine Act of 1920 authorized the Shipping Board, which controlled about fifteen hundred vessels, to dispose of much of the hastily built wartime fleet at bargain-basement prices. The board operated the remaining vessels without conspicuous success. Under the La Follette Seaman's Act of 1915, American shipping could not thrive in competition with foreigners, who all too often provided their crews with wretched food and starvation wages.

Labor, suddenly deprived of its wartime crutch of friendly government support, limped along badly in the postwar decade. A bloody strike in the steel industry was ruthlessly broken in 1919, partly by exploiting ethnic and racial divisions among the steelworkers and partly by branding the strikers as dangerous “reds.” The Railway Labor Board, a successor body to the wartime labor boards, ordered a wage cut of 12 percent in 1922, provoking a two-month strike. It ended when Attorney General Daugherty, who fully shared Harding's big-business bias, clamped on the strikers one of the most

sweeping injunctions in American history. Unions wilted in this hostile political environment, and membership shriveled by nearly 30 percent between 1920 and 1930.

Needy veterans were among the few nonbusiness groups to reap lasting gains from the war. Congress in 1921 generously created the Veterans Bureau, authorized to operate hospitals and provide vocational rehabilitation for the disabled.

Veterans quickly organized into pressure groups. The American Legion had been founded in Paris in 1919 by Colonel Theodore Roosevelt, Jr. Legionnaires met periodically to renew old hardships and let off steam in good-natured horseplay. The legion soon became distinguished for its militant patriotism, rock-ribbed conservatism, and zealous antiradicalism.

The legion also became notorious for its aggressive lobbying for veterans' benefits. The chief grievance of the former “doughboys” was monetary—they wanted their “dough.” The former servicemen demanded “adjusted compensation” to make up for the wages they had “lost” when they turned in their factory overalls for military uniforms during the Great War.

Critics denounced this demand as a holdup “bonus,” but the millions of veterans deployed heavy political artillery. They browbeat Congress into passing a bonus bill in 1922, which Harding promptly vetoed. Re-forming their lines, the repulsed veterans gathered for a final attack. In 1924 Congress again hoisted the white flag and passed the Adjusted Compensation Act. It gave every former soldier a paid-up insurance policy due in twenty years—adding about \$3.5 billion to the total cost of the war. Penny-pinching Calvin Coolidge sternly vetoed the measure, but Congress overrode him, leaving the veterans with their loot.

★ America Seeks Benefits Without Burdens

Making peace with the fallen foe was the most pressing problem left on Harding's doorstep. The United States, having rejected the Treaty of Versailles, was still technically at war with Germany, Austria, and Hungary nearly three years after the armistice. Peace was finally achieved by lone-wolf tactics. In July 1921 Congress passed a simple joint resolution that declared the war officially ended.

Isolation was enthroned in Washington. The Harding administration, with the Senate “irreconcilables” holding a hatchet over its head, continued to regard the League of Nations as a thing unclean. Harding at first refused even to support the League's world health program. But the new world body was much too important to be completely ignored. “Unofficial observers” were



"I Sympathize Deeply with You, Madam, but I Cannot Associate with You," 1923 President Harding's secretary of state, Charles Evans Hughes, broke the news to a desperate, war-tattered Europe that America was going, and staying, home.

sent to its seat in Geneva, Switzerland, to hang around like detectives shadowing a suspected criminal.

Harding could not completely turn his back on the outside world, especially the Middle East, where a sharp rivalry developed between America and Britain for oil-drilling concessions. Remembering that the Allies had floated to victory on a flood of oil, experts recognized that liquid "black gold" would be as necessary as blood in the battles of tomorrow. Secretary Hughes eventually secured for American oil companies the right to share in the exploitation of the sandy region's oil riches.

Disarmament was one international issue on which Harding, after much indecision, finally seized

the initiative. He was prodded by businesspeople unwilling to dig deeper into their pockets for money to finance the ambitious naval building program started during the war. A deadly contest was shaping up with Britain and Japan, which watched with alarm as the oceans filled with American vessels. Britain still commanded the world's largest navy, but the clatter of American riveters proclaimed that the United States would soon overtake it.

Public agitation in America, fed by these worries, brought about the headline-making Washington "Disarmament" Conference in 1921–1922. Invitations went to all the major naval powers—except Bolshevik Russia, whose government the United States refused officially to recognize. The double agenda included naval disarmament and the situation in the Far East.

At the outset Secretary Hughes startled the delegates, who were expecting the usual diplomatic fence-straddling, with a comprehensive, concrete plan for declaring a ten-year "holiday" on the construction of battleships and even for scrapping some of the huge dreadnoughts already built. He proposed that the scaled-down navies of America and Britain should enjoy parity in battleships and aircraft carriers, with Japan on the small end of a 5:5:3 ratio. This arrangement sounded to the sensitive Japanese ambassador like "Rolls-Royce, Rolls-Royce, Ford."

Complex bargaining followed in the wake of Hughes's proposals. The Five-Power Naval Treaty of 1922 embodied Hughes's ideas on ship ratios, but only after face-saving compensation was offered to the insecure Japanese (see Figure 32.1). The British and Americans both conceded that they would refrain from fortifying their Far Eastern possessions, including the Philippines. The Japanese were not subjected to such restraints in their possessions. In addition, a Four-Power Treaty replaced the twenty-year-old Anglo-Japanese alliance. The new pact bound Britain, Japan, France, and the United States to preserve the status quo in the Pacific—another concession to the jumpy Japanese. Finally, the Washington Conference gave chaotic China—"the Sick Man of the Far East"—a shot in the arm with the **Nine-Power Treaty** of 1922, whose

	Battleships		Battleship Tonnage		Aircraft Carrier Tonnage
U.S.	18	<div></div>	525,000	<div></div>	135,000
Britain	22	<div></div>	525,000	<div></div>	135,000
Japan	10	<div></div>	315,000	<div></div>	81,000
France	7	<div></div>	175,000	<div></div>	60,000
Italy	6	<div></div>	175,000	<div></div>	60,000

FIGURE 32.1 Limits Imposed by Washington Conference, 1921–1922 The pledge of the British and Americans to refrain from fortifying their Far Eastern possessions, while Japan was allowed to fortify its possessions, was the key to the naval-limitation treaty. The United States and Great Britain thus won a temporary victory but later paid a horrendous price when they had to dislodge the well-entrenched Japanese from the Pacific in World War II.

signatories agreed to nail wide-open the Open Door in China.

When the final gavel banged, the Hardingites boasted with much fanfare—and some justification—of their globe-shaking achievement in disarmament. But their satisfaction was somewhat illusory. No restrictions had been placed on small warships, and the other powers churned ahead with the construction of cruisers, destroyers, and submarines, while penny-pinching Uncle Sam lagged dangerously behind. Congress also pointedly declared that it was making no commitment to the use of armed force or any kind of joint action when it ratified the Four-Power Treaty. These reservations, in effect, rendered the treaty a dead letter. Ominously, the American people seemed content to rely for their security on words and wishful thinking rather than on weapons and hardheaded realism.

A similar sentimentalism welled up later in the decade, when Americans clamored for the “outlawry of war.” The conviction spread that if quarreling nations would only take the pledge to foreswear war as an instrument of national policy, swords could be beaten into plowshares. Calvin Coolidge’s secretary of state, Frank B. Kellogg, who later won the Nobel Peace Prize for his role, was lukewarm about the idea. But after petitions bearing more than 2 million signatures cascaded into Washington, he signed with the French foreign minister in 1928 the famed **Kellogg-Briand Pact**. Officially known as the Pact of Paris, it was ultimately ratified by sixty-two nations.

This new parchment peace was delusory in the extreme. Defensive wars were still permitted, and what scheming aggressor could not cook up an excuse of self-defense? Lacking both muscles and teeth, the pact was a diplomatic derelict—and virtually useless in a show-down. Yet it accurately—and dangerously—reflected the American mind in the 1920s, which was all too willing to be lulled into a false sense of security. This mood took even deeper hold in the ostrich-like neutralism of the 1930s.

★ Hiking the Tariff Higher

A comparable lack of realism afflicted foreign economic policy in the 1920s. Businesspeople, shortsightedly obsessed with the dazzling prospects in the prosperous home market, sought to keep that market to themselves by flinging up insurmountable tariff walls around the United States. They were spurred into action by their fear of a flood of cheap goods from recovering Europe, especially during the brief but sharp recession of 1920–1921.

In 1922 Congress passed the comprehensive **Fordney-McCumber Tariff Law**. Glib lobbyists once more descended upon Washington and helped

boost schedules from the average of 27 percent under Wilson’s Underwood Tariff of 1913 to an average of 38.5 percent, which was almost as high as Taft’s Payne-Aldrich Tariff of 1909. (See the Appendix.) Duties on farm produce were increased, and the principle was proclaimed that the general rates were designed to equalize the cost of American and foreign production. A promising degree of flexibility was introduced for the first time, when the president was authorized, with the advice of the fact-finding Tariff Commission, to reduce or increase duties by as much as 50 percent.

Presidents Harding and Coolidge, true to their big-industry sympathies, were far more friendly to tariff increases than to reductions. In six years they authorized thirty-two upward changes, including on their list vital commodities like dairy products, chemicals, and pig iron. During the same period, the White House ordered only five reductions. These included mill feed and such trifling items as bobwhite quail, paintbrush handles, phenol, and cresylic acid.

The high-tariff course thus charted by the Republican regimes set off an ominous chain reaction. European producers felt the squeeze, for the American tariff walls prolonged their postwar chaos. An impoverished Europe needed to sell its manufactured goods to the United States, particularly if it hoped to achieve economic recovery and to pay its huge war debt to Washington. America needed to give foreign nations a chance to make a profit from it so that they could buy its manufactured articles and repay debts. International trade, Americans were slow to learn, is a two-way street. In general, they could not sell to others in quantity unless they bought from them in quantity—or lent them more U.S. dollars.

Erecting tariff walls was a game that two could play. The American example spurred European nations, throughout the feverish 1920s, to pile up higher barriers themselves. These artificial obstacles were doubly bad: they hurt not only American-made goods but the products of European countries as well. The whole vicious circle further deepened the international economic distress, providing one more rung on the ladder by which Adolf Hitler scrambled to power.

★ The Stench of Scandal

The loose morality and get-rich-quickism of the Harding era manifested themselves spectacularly in a series of scandals.

Early in 1923 Colonel Charles R. Forbes, onetime deserter from the army, was caught with his hand in the till and resigned as head of the Veterans Bureau. An appointee of the gullible Harding, he and his accomplices looted the government to the tune of about \$200 million, chiefly in connection with the building of



Washington Officials Trying to Outpace the Teapot Dome Scandal, ca. 1922

veterans' hospitals. He was sentenced to two years in a federal penitentiary.

Most shocking of all was the **Teapot Dome scandal**, an affair that involved priceless naval oil reserves at Teapot Dome (Wyoming) and Elk Hills (California). In 1921 the slippery secretary of the interior, Albert B. Fall, induced his careless colleague, the secretary of the navy, to transfer these valuable properties to the Interior Department. Harding indiscreetly signed the secret order. Fall then quietly leased the lands to oilmen Harry F. Sinclair and Edward L. Doheny, but not until he had received a bribe ("loan") of \$100,000 from Doheny and about three times that amount in all from Sinclair.

Teapot Dome, no tempest in a teapot, finally came to a whistling boil. Details of the crooked transaction gradually began to leak out in March 1923, two years after Harding took office. Fall, Sinclair, and Doheny were indicted the next year, but the case dragged through the courts until 1929. Finally Fall was found guilty of taking a bribe and was sentenced to one year in jail. By a curious quirk of justice, the two bribe givers were acquitted while the bribe taker was convicted, although Sinclair served several months in jail for having "shadowed" jurors and for refusing to testify before a Senate committee.

The oily smudge from Teapot Dome polluted the prestige of the Washington government. Right-thinking citizens wondered what was going on when public officials could sell out the nation's vital resources, especially those reserved for the U.S. Navy. The acquittal of Sinclair and Doheny undermined faith in the courts, while giving further currency to the cynical sayings "You can't

put a million dollars in jail" and "In America everyone is assumed guilty until proven rich."

Still more scandals erupted. Persistent reports as to the underhanded doings of Attorney General Daugherty prompted a Senate investigation in 1924 of the illegal sale of pardons and liquor permits. Forced to resign, the accused official was tried in 1927 but was released after a jury twice failed to agree. During the trial Daugherty hid behind the trousers of the now-dead Harding by implying that persistent probing might uncover crookedness in the White House.

Harding was mercifully spared the full revelation of these iniquities, though his worst suspicions were aroused. While news of the scandals was beginning to break, he embarked upon a speechmaking tour across the country all the way to Alaska. On the return trip, he died in San Francisco, on August 2, 1923, of pneumonia and thrombosis. His death may have been hastened by a broken heart resulting from the disloyalty of designing friends. Mourning millions, not yet fully aware of the graft in Washington, expressed genuine sorrow.

The brutal fact is that Harding was not a strong enough man for the presidency—as he himself privately admitted. Such was his weakness that he tolerated people and conditions that subjected the Republic to its worst disgrace since the days of President Grant.

★ "Silent Cal" Coolidge

News of Harding's death was sped to Vice President Coolidge, then visiting at his father's New England farmhouse. By the light of two kerosene lamps, the elder Coolidge, a justice of the peace, used the old family Bible to administer the presidential oath to his son.

This homespun setting was symbolic of Coolidge. Quite unlike Harding, the stern-faced Vermonter, with his thin nose and tightly set lips, embodied the New England virtues of honesty, morality, industry, and frugality. As a youth, his father reported, he seemed to get more sap out of a maple tree than did any of the other boys. Practicing a rigid economy in both money and words, "Silent Cal" came to be known in Washington conversational circles for his brilliant flashes of silence. His dour, serious visage prompted the acid observation that he had been "weaned on a pickle."

Coolidge seemed to be a crystallization of the commonplace. Painfully shy, he was blessed with only mediocre powers of leadership. He would occasionally display a dry wit in private, but his speeches, delivered in a nasal New England twang, were invariably boring. A staunch apostle of the status quo, he was no knight in armor riding forth to tilt at wrongs. His only horse, in fact, was an electric-powered steed on which he took his exercise. True to Republican philosophy, he became

Calvin Coolidge, Gentleman Angler

Coolidge “was a real conservative, a fundamentalist in religion, in the economic and social order, and in fishing,” said his successor, Herbert Hoover, who had a fly fisherman’s disdain for Coolidge’s bait-fishing tactics—and for his predecessor’s laissez-faire politics as well.



AP/Wide World

the “high priest of the great god Business.” He believed that “the man who builds a factory builds a temple” and that “the man who works there worships there.”

The hands-off temperament of “Cautious Cal” Coolidge suited the times perfectly. His thrifty nature caused him to sympathize fully with Secretary of the Treasury Mellon’s efforts to reduce both taxes and debts. No foe of industrial bigness, he let business have its head. “Coolidge luck” held during his five and a half prosperity-blessed years.

Ever a profile in caution, Coolidge slowly gave the Harding regime a badly needed moral fumigation. Teapot Dome had scalded the Republican party badly, but so transparently honest was the vinegary Vermonter that the scandalous oil did not rub off on him. The public, though at first shocked by the scandal, quickly simmered down, and an alarming tendency developed in certain quarters to excuse some of the wrongdoers on the grounds that “they had gotten away with it.” Some critics even condemned the government prosecutors for continuing to rock the boat. America’s moral sensibility was evidently being dulled by prosperity.

★ Frustrated Farmers

Sun-bronzed farmers were caught squarely in a boom-or-bust cycle in the postwar decade. While the fighting had raged, they had raked in money hand over gnarled

fist; by the spring of 1920, the price of wheat had shot up to an incredible \$3 a bushel. But peace brought an end to government-guaranteed high prices and to massive purchases by other nations, as foreign production reentered the stream of world commerce.

Machines also threatened to plow the farmers under an avalanche of their own overabundant crops. The gasoline-engine tractor was working a revolution on American farms. This steel mule was to cultivation and sowing what the McCormick reaper was to harvesting. Blue-denimed farmers no longer had to plod after the horse-drawn plow with high-footed gait. They could sit erect on their chugging mechanized chariots and turn under and harrow many acres in a single day. They could grow bigger crops on larger areas, using fewer horses and hired hands. The wartime boom had encouraged them to bring vast new tracts under cultivation, especially in the “wheat belt” of the upper Midwest. But such improved efficiency and expanded agricultural acreage helped to pile up more price-dampening surpluses. A withering depression swept through agricultural districts in the 1920s, when one farm in four was sold for debt or taxes. As a plaintive song of the period ran,

*No use talkin', any man's beat,
With 'leven-cent cotton and forty-cent meat.*

Schemes abounded for bringing relief to the hard-pressed farmers. A bipartisan “farm bloc” from the



Mechanizing Agriculture Just as the automobile replaced the horse on city streets, so did the gas-engine tractor replace horses and mules on the nation's farms in the 1920s. American farmers owned ten times more tractors in 1930 than they did in 1920. The smoke-belching tractors bolstered productivity but also increased the farmers' debt burden, as the Great Depression made tragically clear.

agricultural states coalesced in Congress in 1921 and succeeded in driving through some helpful laws. Noteworthy was the Capper-Volstead Act, which exempted farmers' marketing cooperatives from antitrust prosecution. The farm bloc's favorite proposal was the **McNary-Haugen Bill**, pushed energetically from 1924 to 1928. It sought to keep agricultural prices high by authorizing the government to buy up surpluses and sell them abroad. Government losses were to be made up by a special tax on the farmers. Congress twice passed the bill, but frugal Coolidge twice vetoed it. Farm prices stayed down, and farmers' political temperatures stayed high, reaching a fever pitch in the election of 1924.

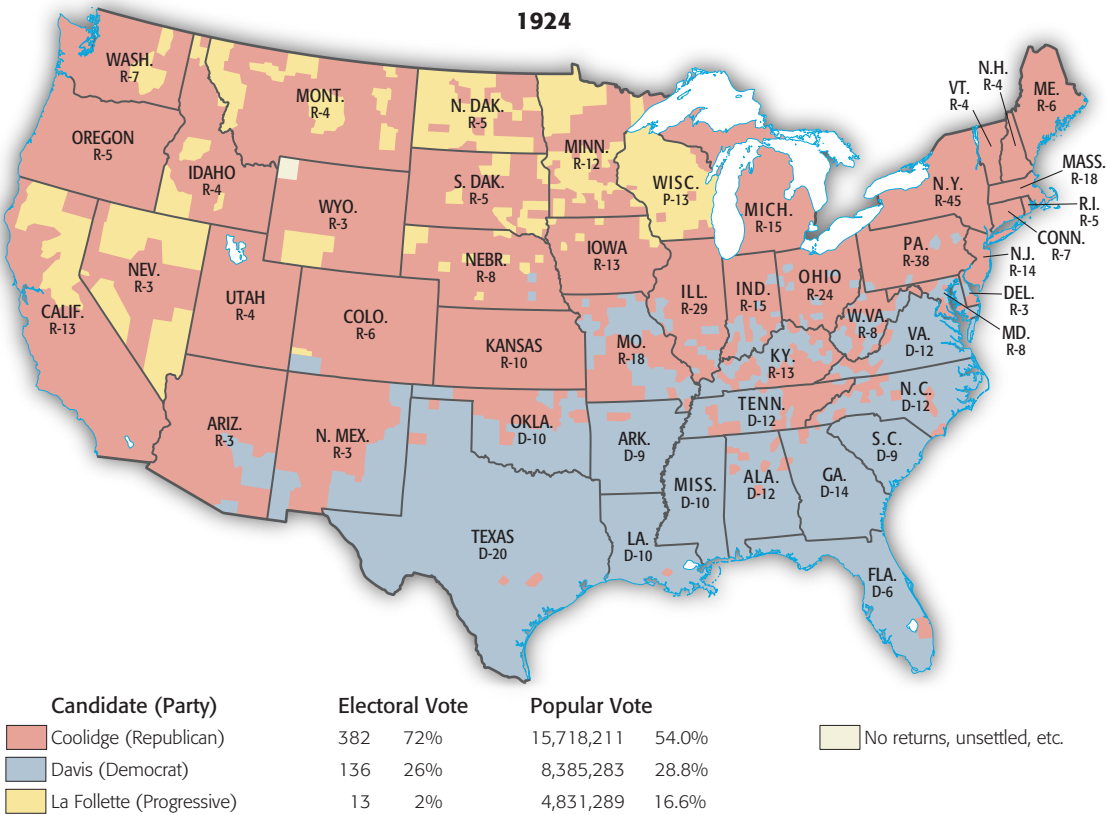
✧ A Three-Way Race for the White House in 1924

Self-satisfied Republicans, chanting "Keep Cool and Keep Coolidge," nominated "Silent Cal" for the presidency at their convention in Cleveland in the simmering summer of 1924. Squabbling Democrats had more difficulty choosing a candidate when they met in New York's sweltering Madison Square Garden. Reflecting many of the cultural tensions of the decade, the party was hopelessly split between "wets" and "drys," urbanites and farmers, Fundamentalists and Modernists, northern liberals and southern stand-patters, immigrants and old-stock Americans. In one symptomatic spasm of discord, the conventioners failed by just one vote to pass a resolution condemning the Ku Klux Klan.

Deadlocked for an unprecedented 102 ballots, the convention at last turned wearily, sweatily, and unenthusiastically to John W. Davis. A wealthy corporation lawyer connected with the Wall Street banking house of J. P. Morgan and Company, the polished nominee was no less conservative than cautious Calvin Coolidge.

The field was now wide-open for a liberal candidate. The white-pompadoured Senator Robert ("Fighting Bob") La Follette from Wisconsin, perennial aspirant to the presidency and now sixty-nine years of age, sprang forward to lead a new Progressive party. He gained the endorsement of the American Federation of Labor and enjoyed the support of the shrinking Socialist party, but his major constituency was made up of the price-pinched farmers. La Follette's new Progressive party, fielding only a presidential ticket, with no candidates for local office, was a head without a body. It proved to be only a shadow of the robust Progressive coalition of prewar days. Its platform called for government ownership of railroads and relief for farmers, lashed out at monopoly and antilabor injunctions, and urged a constitutional amendment to limit the Supreme Court's power to invalidate laws passed by Congress.

La Follette turned in a respectable showing, polling nearly 5 million votes. But "Cautious Cal" and the oil-smeared Republicans slipped easily back into office, overwhelming Davis, 15,718,211 to 8,385,283. The electoral count stood at 382 for Coolidge, 136 for Davis, and 13 for La Follette, all from his home state of Wisconsin (see Map 32.1). As the so-called conscience of the callous 1920s, La Follette injected a badly needed liberal tonic into a decade drugged on prosperity. But



MAP 32.1 Presidential Election of 1924 (showing popular vote by county) Note the concentration of La Follette’s votes in the old Populist strongholds of the Midwest and the mountain states. His ticket did especially well in the grain-growing districts battered by the postwar slump in agricultural prices. © Cengage Learning

times were too good for too many for his reforming message to carry the day.

★ Foreign-Policy Flounderings

Isolation continued to reign in the Coolidge era. Despite presidential proddings, the Senate proved unwilling to allow America to adhere to the World Court—the judicial arm of the still-suspect League of Nations. Coolidge only halfheartedly—and unsuccessfully—pursued further naval disarmament after the loudly trumpeted agreements worked out at the Washington Conference in 1922.

A glaring exception to the United States’ inward-looking indifference to the outside world was the armed interventionism in the Caribbean and Central America. American troops were withdrawn (after an eight-year stay) from the Dominican Republic in 1924, but they remained in Haiti from 1914 to 1934. President Coolidge in 1925 briefly removed American bayonets from troubled Nicaragua, where they had glinted

intermittently since 1909, but in 1926 he sent them back, five thousand strong, and they stayed until 1933. American oil companies clamored for a military expedition to Mexico in 1926 when the Mexican government began to assert its sovereignty over oil resources. Coolidge kept cool and defused the Mexican crisis with some skillful diplomatic negotiating. But his mailed-fist tactics elsewhere bred sore resentments south of the Rio Grande, where angry critics loudly assailed “*yanqui imperialism*.”

Overshadowing all other foreign-policy problems in the 1920s was the knotty issue of international debts, a complicated tangle of private loans, Allied war debts, and German reparations payments (see Figure 32.2). Almost overnight, World War I had reversed the international financial position of the United States. In 1914 America had been a debtor nation to the sum of about \$4 billion; by 1922 it had become a creditor nation to the sum of about \$16 billion. The almighty dollar rivaled the pound sterling as the financial giant of the world. American investors loaned some \$10 billion to foreigners in the 1920s, though even this huge river

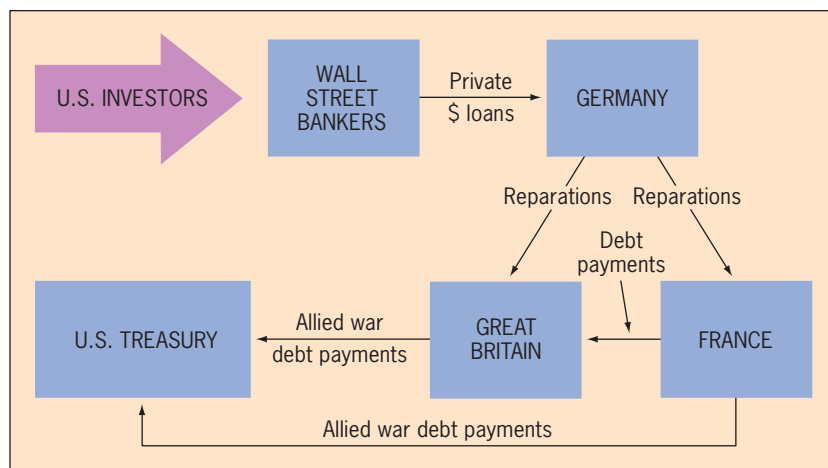


FIGURE 32.2 Aspects of the Financial Merry-go-round, 1921–1933 Great Britain, with a debt of over \$4 billion owed to the U.S. Treasury, had a huge stake in proposals for inter-Allied debt cancellation, but France’s stake was even larger. Less prosperous than Britain in the 1920s and more battered by the war, which had been fought on its soil, France owed nearly \$3.5 billion to the United States and additional billions to Britain.

of money could not fully refloat the war-shelled world economy. Americans, bewitched by lucrative investment opportunities in their domestic economy, did not lend nearly so large a fraction of their national income overseas as had the British in the prewar period.

The key knot in the debt tangle was the \$10 billion that the U.S. Treasury had loaned to the Allies during and immediately after the war. Uncle Sam held their IOUs—and he wanted to be paid. The Allies, in turn, protested that the demand for repayment was grossly unfair. The French and the British pointed out, with much justice, that they had held up a wall of flesh and bone against the common foe until America the Unready had finally entered the fray. America, they argued, should write off its loans as war costs, just as the Allies had been tragically forced to write off the lives of millions of young men. The debtors also complained that the real effect of their borrowed dollars had been to fuel the boom in the already roaring wartime economy in America, where nearly all their purchases had been made. And the final straw, protested the Europeans, was that America’s postwar tariff walls made it almost impossible for them to sell their goods to earn the dollars to pay their debts.

★ Unraveling the Debt Knot

America’s tightfisted insistence on getting its money back helped to harden the hearts of the Allies against conquered Germany. The French and the British demanded that the Germans make enormous reparations payments, totaling some \$32 billion, as compensation for war-inflicted damages. The Allies hoped to settle their debts to the United States with the money received from Germany. The French, seeking to extort lagging reparations payments, sent troops into Germany’s industrialized Ruhr Valley in 1923.

Berlin responded by permitting its currency to inflate astronomically. At one point in October 1923, a loaf of bread cost 480 million marks, or about \$120 million in preinflation money. German society teetered on the brink of mad anarchy, and the whole international house of financial cards threatened to flutter down in colossal chaos.

Sensible statesmen now urged that war debts and reparations alike be drastically scaled down or even canceled outright. But to Americans such proposals smacked of “welshing” on a debt. “We went across, but they won’t come across,” cried a prominent politician. Scroogelike, Calvin Coolidge turned aside suggestions of debt cancellation with a typically terse question: “They hired the money, didn’t they?” The Washington administration proved especially unrealistic in its dogged insistence that there was no connection whatever between debts and reparations.

Reality finally dawned in the **Dawes Plan** of 1924. Negotiated largely by Charles Dawes, about to be nominated as Coolidge’s running mate, it rescheduled German reparations payments and opened the way for further American private loans to Germany. The whole financial cycle now became still more complicated, as U.S. bankers loaned money to Germany, Germany paid reparations to France and Britain, and the former Allies paid war debts to the United States. Clearly the source of this monetary merry-go-round was the flowing well of American credit. When that well dried up after the great crash in 1929, the jungle of international finance quickly turned into a desert. President Herbert Hoover declared a one-year debt moratorium in 1931, and before long all the debtors had defaulted—except “honest little Finland,” which struggled along making payments until the last of its debt was discharged in 1976.

The United States never did get its money, but it harvested a bumper crop of ill will. Irate French crowds on occasion attacked American tourists, and



The Granger Collection, New York

A German Woman Burns Near-worthless Paper Currency for Cooking Fuel, 1923 The memory of the hyper-inflation of the 1920s haunted Germans well into the twenty-first century.

throughout Europe Uncle Sam was caricatured as Uncle Shylock, greedily whetting his knife for the last pound of Allied flesh. The bad taste left in American mouths by the whole sorry episode contributed powerfully to the storm-cellar neutrality legislation passed by Congress in the 1930s.

★ The Triumph of Herbert Hoover, 1928

Poker-faced Calvin Coolidge, the tight-lipped “Sphinx of the Potomac,” bowed out of the 1928 presidential race when he announced, “I do not choose to run.” His logical successor was super-Secretary (of Commerce) Herbert Hoover, unpopular with the political bosses but the much-admired darling of the masses, who asked, “Hoo but Hoover?” He was nominated on a platform that clucked contentedly over both prosperity and prohibition.

Still-squabbling Democrats nominated Alfred E. Smith, four-time governor of New York and one of the most colorful personalities in American politics. He was a wisecracking, glad-handing liberal who suffered from several fatal political handicaps. “Al(cohol)” Smith was soakingly and drippingly “wet” at a time when the country was still devoted to the “noble experiment” of prohibition. To a nation that had only recently moved to the city, native New Yorker Smith seemed too abrasively urban. He was a Roman Catholic in an overwhelmingly Protestant—and unfortunately prejudiced—land. Many dry, rural, and Fundamentalist Democrats gagged on his candidacy, and they saddled the wet Smith with a dry running mate and a dry platform. Jauntily sporting a brown derby and a big cigar, Smith, “the Happy Warrior,” tried to carry alcohol on one shoulder and water on the other. But his effort was doomed from the start.

Radio figured prominently in this campaign for the first time, and it helped Hoover more than Smith. The New Yorker had more personal sparkle, but he could not project it through the radio (which in his Lower East Side twang he pronounced “radd-dee-o,” grating on the ears of many listeners). Iowa-born Hoover, with his double-breasted dignity, came out of the microphone better than he went in. Decrying un-American “socialism” and preaching “rugged individualism,” he sounded both grassrootish and statesmanlike.

Chubby-faced, ruddy-complexioned Herbert Hoover, with his painfully high starched collar, was a living example of the American success story and an intriguing mixture of two centuries. As a poor orphan boy who had worked his way through Stanford University, he had absorbed the nineteenth-century copybook maxims of industry, thrift, and self-reliance. As a fabulously successful mining engineer and a brilliant businessman, he had honed to a high degree the efficiency doctrines of the progressive era.

A small-town boy from Iowa and Oregon, he had traveled and worked abroad extensively. Long years of self-imposed exile had deepened his determination, abundantly supported by national tradition, to avoid foreign entanglements. His experiences abroad had further strengthened his faith in American individualism, free enterprise, and small government.

With his unshaken dignity and Quaker restraint, Hoover was a far cry from the typical backslapping politician. Though a citizen of the world and laden with international honors, he was quite shy, standoffish, and stiff. Personally colorless in public, he had been accustomed during much of his life to giving orders to subordinates and not to soliciting votes. Never before elected to public office, he was thin-skinned in the face of criticism, and he did not adapt readily to the necessary give-and-take of political accommodation.

His real power lay in his integrity, his humanitarianism, his passion for assembling the facts, his efficiency, his talents for administration, and his ability to inspire loyalty in close associates. They called him “the Chief.”

As befitted America’s newly mechanized civilization, Hoover was the ideal businessperson’s candidate. A self-made millionaire, he recoiled from anything suggesting socialism, paternalism, or “planned economy.” Yet as secretary of commerce, he had exhibited some progressive instincts. He endorsed labor unions and supported federal regulation of the new radio broadcasting industry. He even flirted for a time with the idea of government-owned radio, similar to the British Broadcasting Corporation (BBC).

As bands blared Smith’s theme song, “The Sidewalks of New York,” the campaign sank into the sewers beneath the sidewalks. Despite the best efforts of Hoover and Smith, below-the-belt tactics were employed to a disgusting degree by lower-level campaigners. Religious bigotry raised its hideous head over Smith’s Catholicism. An irresponsible whispering

campaign claimed that “A Vote for Al Smith Is a Vote for the Pope” and that the White House, under Smith, would become a branch of the Vatican—complete with “Rum, Romanism, and Ruin.” Hoover’s attempts to quash such rumors were in vain.

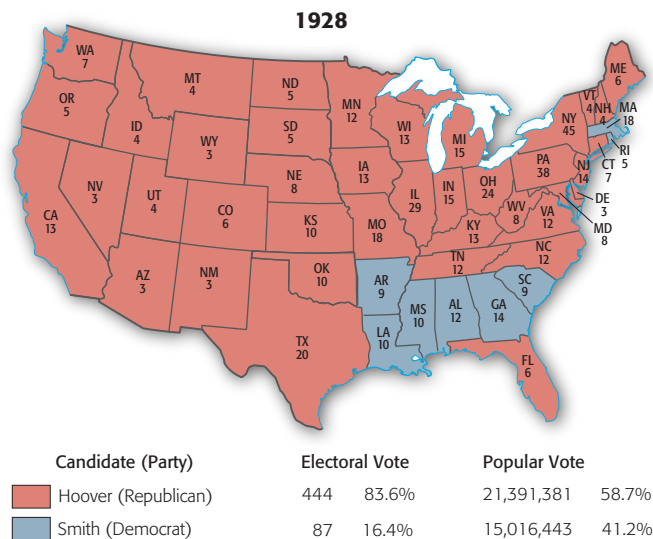
The proverbially solid South—“100 percent American” and a stronghold of Protestant Ku Klux Klanism—shied away from “city slicker” Al Smith. It might have accepted a Catholic, or a wet, or the descendant of Irish grandparents, or an urbanite. But a concoction of Catholicism, wettism, foreignism, and liberalism brewed on the sidewalks of New York was too bitter a dose for southern stomachs. Smith’s theme song was a constant and rasping reminder that his upbringing had not been convincingly American.

Hoover triumphed in a landslide. He bagged 21,391,993 popular votes to 15,016,169 for his embittered opponent, while rolling up an electoral count of 444 to 87. A huge Republican majority was returned to the House of Representatives. Tens of thousands of dry southern Democrats—“Hoovercrats”—rebelled against Al Smith, and Hoover proved to be the first Republican candidate in fifty-two years, except for Harding’s Tennessee victory in 1920, to carry a state that had seceded. He swept five states of the former Confederacy, as well as all of the Border States (see Map 32.2).



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Herbert Hoover on the Road “Whistle-stop” campaigns, with candidates speaking from the rear platforms of trains, were a standard feature of American politics before the advent of television. Herbert Hoover here greets a crowd in Newark, New Jersey, during the 1928 campaign.



MAP 32.2 Presidential Election of 1928 (with electoral vote by state) Smith, despite his defeat, managed to poll almost as many votes as the victorious Coolidge had in 1924. By attracting to the party an immense urban or “sidewalk” vote, the breezy New Yorker foreshadowed Roosevelt’s New Deal victory in 1932, when the Democrats patched together the solid South and the urban North. A cruel joke had the Catholic Smith cabling the Pope a single word after the election: “Unpack.” © Cengage Learning

★ President Hoover's First Moves

Prosperity in the late 1920s smiled broadly as the Hoover years began. Soaring stocks on the bull market continued to defy the laws of financial gravitation. But two immense groups of citizens were not getting their share of the riches flowing from the national cornucopia: the unorganized wage earners and especially the disorganized farmers.

Hoover's administration, in line with its philosophy of promoting self-help, responded to the outcry of the wounded farmers with legislative aspirin. The **Agricultural Marketing Act**, passed by Congress in June 1929, was designed to help the farmers help themselves, largely through producers' cooperatives. It set up the Federal Farm Board, with a revolving fund of half a billion dollars at its disposal. Money was lent generously to farm organizations seeking to buy, sell, and store agricultural surpluses.

In 1930 the Farm Board itself created both the Grain Stabilization Corporation and the Cotton Stabilization Corporation. The prime goal was to bolster sagging prices by buying up surpluses. But the two agencies were soon suffocated by an avalanche of farm produce, as wheat dropped to fifty-seven cents a bushel and cotton to five cents a pound.

Farmers had meanwhile clutched at the tariff as a possible straw to help keep their heads above the waters of financial ruin. During the recent presidential campaign, Hoover, an amateur in politics, had been stampeded into a politically unwise pledge. He had promised to call Congress into special session to consider agricultural relief and, specifically, to bring about "limited" changes in the tariff. These hope-giving assurances no doubt won many votes for Hoover in the midwestern farm belt.

The **Hawley-Smoot Tariff** of 1930 followed the well-worn pattern of Washington horse trading. It started out in the House as a fairly reasonable protective measure, designed to assist the farmers. But by the time the high-pressure lobbyists had pushed it through the Senate, it had acquired about a thousand amendments. It thus turned out to be the highest protective tariff in the nation's peacetime history. The average duty on nonfree goods was raised from 38.5 percent, as established by the Fordney-McCumber Act of 1922, to nearly 60 percent.

To angered foreigners, the Hawley-Smoot Tariff was a blow below the trade belt. It seemed like a declaration of economic warfare on the entire outside world. It reversed a promising worldwide trend toward reasonable tariffs and widened the yawning trade gaps. It plunged both America and other nations deeper into the terrible depression that had already begun. It

increased international financial chaos and forced the United States further into the bog of economic isolationism. And economic isolationism, both at home and abroad, was playing directly into the hands of a hate-filled German demagogue, Adolf Hitler.

★ The Great Crash Ends the Golden Twenties

When Herbert Hoover confidently took the presidential oath on March 4, 1929, there were few black clouds on the economic horizon. The "long boom" seemed endless, with the painful exception of the debt-blanketed farm belt. America's productive colossus—stimulated by the automobile, radio, movies, and other new industries—was roaring along at a dizzy speed that suggested a permanent plateau of prosperity. Few people sensed that it might smother its own fires by pouring out too much.

The speculative bubble was actually near the bursting point. Prices on the stock exchange continued to spiral upward and create a fool's paradise of paper profits, despite Hoover's early but fruitless efforts to curb speculation through the Federal Reserve Board. A few prophets of disaster were bold enough to sound warnings but were drowned out by the mad chatter of the ticker-tape machine.

A catastrophic crash came in October 1929. It was partially triggered by the British, who raised their interest rates in an effort to bring back capital lured abroad by American investments. Foreign investors and wary domestic speculators began to dump their "insecurities," and an orgy of selling followed. Tension built up to the panicky **Black Tuesday** of October 29, 1929, when 16,410,030 shares of stocks were sold in a save-who-may scramble. Wall Street became a wailing wall as gloom and doom replaced boom, and suicides increased alarmingly. A "sick joke" of the time had hotel room clerks ask registrants, "For sleeping or jumping?"

Losses, even in blue-chip securities, were unbelievable. By the end of 1929—two months after the initial crash—stockholders had lost \$40 billion in paper values, or more than the total cost of World War I to the United States (see Figure 32.3).

The stock-market collapse heralded a business depression, at home and abroad, that was the most prolonged and prostrating in American or world experience. No other industrialized nation suffered so severe a setback. By the end of 1930, more than 4 million workers in the United States were jobless; two years later the figure had about tripled. Hungry and despairing workers pounded pavements in search of nonexistent jobs



© Bettmann/Corbis

Pride Goes Before a Fall The great crash of 1929 humbled many a high-flying investor. The desperate curbside seller of this brand-new Chrysler Model 75 paid \$1,550 for it just months before.

("We're firing, not hiring"). Where employees were not discharged, wages and salaries were often slashed. A current jingle ran,

*Mellon pulled the whistle,
Hoover rang the bell
Wall Street gave the signal
And the country went to hell.*

The misery and gloom were incalculable, as forests of dead chimneys stood stark against the sky. Over five thousand banks collapsed in the first three years of the depression, carrying down with them the life savings of tens of thousands of ordinary citizens. Countless

thousands of honest, hard-working people lost their homes and farms to the forecloser's hammer. Breadlines formed, soup kitchens dispensed food, and apple sellers stood shivering on street corners trying to peddle their wares for five cents. Families felt the stress, as jobless fathers nursed their guilt and shame at not being able to provide for their households. Breadless breadwinners often blamed themselves for their plight, despite abundant evidence that the economic system, not individual initiative, had broken down. Mothers meanwhile nursed fewer babies, as hard times reached even into the nation's bedrooms, precipitating a decade-long dearth of births. As cash registers gathered cobwebs, the

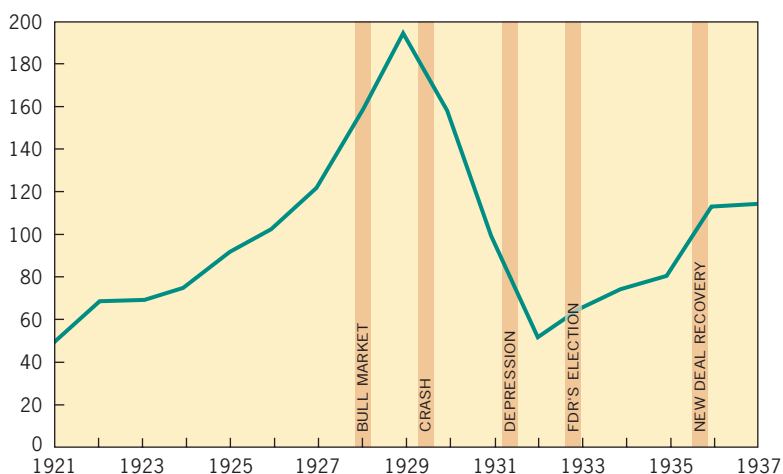


FIGURE 32.3 Index of Common Stock Prices (1926 = 100)

The Unemployed, by John Langley Howard, 1937 In this painting Howard soberly evokes the dispirited state of millions of unemployed Americans during the depression.



Copyright © the Dorothea Lange Collection, Oakland Museum of California, City of Oakland, Gift of Paul S. Taylor

song “My God, How the Money Rolls In” was replaced with “Brother, Can You Spare a Dime?”

★ Hooked on the Horn of Plenty

What caused the Great Depression? One basic explanation is overproduction by both farm and factory. Ironically, the depression of the 1930s was one of abundance, not want. It was the “great glut” or the “plague of plenty.”

The nation’s ability to produce goods had clearly outrun its capacity to consume or pay for them. Too

much money was going into the hands of a few wealthy people, who in turn invested it in factories and other agencies of production. Not enough was going into salaries and wages, where revitalizing purchasing power could be more quickly felt.

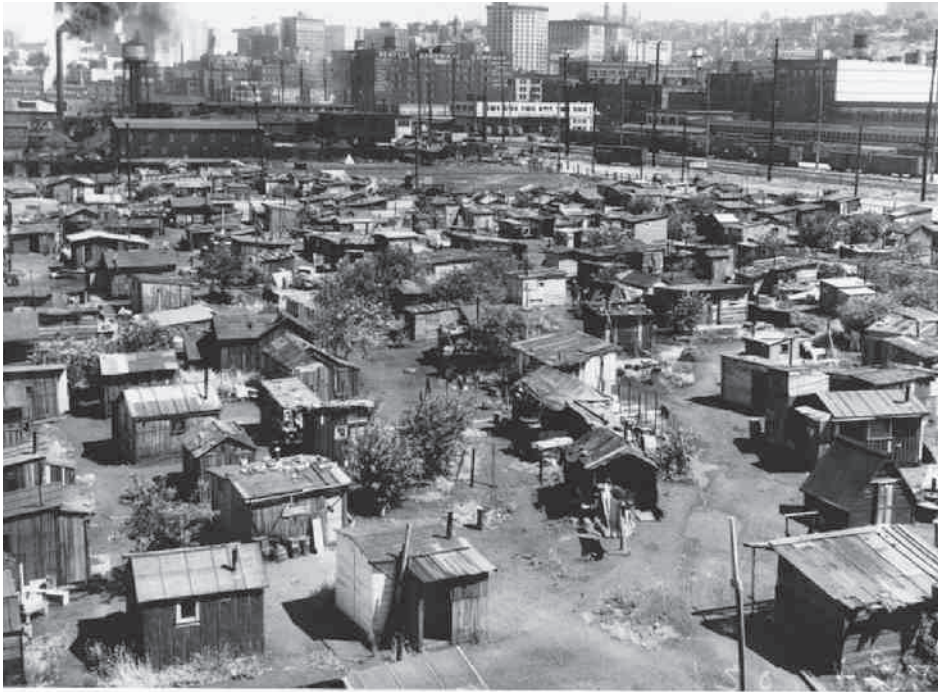
Other maladies were at work. Overexpansion of credit through installment-plan buying overstimulated production. Paying on so-called easy terms caused many consumers to dive in beyond their depth. Normal technological unemployment, resulting from new laborsaving machines, also added its burden to the abnormal unemployment of the “threadbare thirties.”

This already bleak picture was further darkened by economic anemia abroad. Britain and the Continent had never fully recovered from the upheaval of World War I. Depression in America was given a further downward push by a chain-reaction financial collapse in Europe, following the failure in 1931 of a prominent Vienna banking house. A drying up of international trade, moreover, had been hastened by the shortsighted Hawley-Smoot Tariff of 1930. European uncertainties over reparations, war debts, and defaults on loans owed to America caused tensions that reacted unfavorably on the United States. Many of these conditions had been created or worsened by Uncle Sam’s own narrow-visioned policies, but it was now too late to unscramble the omelet.

As if man-made disasters were not enough, a terrible drought scorched the Mississippi Valley in 1930.

The Depression spectacle of want in the shadow of surplus moved an observer to write in Current History (1932),

“We still pray to be given each day our daily bread. Yet there is too much bread, too much wheat and corn, meat and oil and almost every commodity required by man for his subsistence and material happiness. We are not able to purchase the abundance that modern methods of agriculture, mining and manufacture make available in such bountiful quantities. Why is mankind being asked to go hungry and cold and poverty stricken in the midst of plenty?”



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“Hooverville” in Seattle, 1934

In the early years of the depression, desperate, homeless people constructed shacks out of scavenged materials. These shantytowns sprang up in cities across the country.

Thousands of farms were sold at auction for taxes, though in some cases kind neighbors would intimidate prospective buyers, bid one cent, and return the property to its original owner. Farm tenancy or rental—a species of peonage—was spreading at an alarming rate among both whites and blacks.

By 1930 the depression had become a national calamity. Through no fault of their own, a host of industrious citizens had lost everything. They wanted to work—but there was no work. The insidious effect of all this dazed despair on the nation’s spirit was incalculable and long-lasting. America’s “uniqueness” no longer seemed so unique or its Manifest Destiny so manifest. Hitherto the people had grappled with storms, trees, stones, and other physical obstacles. But the depression was a baffling wraith they could not grasp. Initiative and self-respect were stifled, as panhandlers begged for food or “charity soup.” In extreme cases “ragged individualists” slept under “Hoover blankets” (old newspapers), fought over the contents of garbage cans, or cooked their findings in old oil drums in tin-and-paper shantytowns cynically named **Hoovervilles**. The very foundations of America’s social and political structure trembled.

★ Rugged Times for Rugged Individualists

Hoover’s exalted reputation as a wonder-worker and efficiency engineer crashed about as dismally as the

stock market. He doubtless would have shone in the prosperity-drenched Coolidge years, when he had foreseen the abolition of poverty and poor-houses. But damming the Great Depression proved to be a task beyond his engineering talents.

The perplexed president was impaled on the horns of a cruel dilemma. As a deservedly famed humanitarian, he was profoundly distressed by the widespread misery about him. Yet as a “rugged individualist,” deeply rooted in an earlier era of free enterprise, he shrank from the heresy of government handouts. Convinced that industry, thrift, and self-reliance were the virtues that had made America great, President Hoover

Wall Streeter Martin Devries, observing President Herbert Hoover’s struggle to keep his footing as the tidal wave of the Great Depression washed over him, decided he was a good man stuck in the wrong place, at the wrong time:

“Hoover happened to be in a bad spot. The Depression came on, and there he was. If Jesus Christ had been there, he’d have had the same problem. It’s too bad for poor old Herbie that he happened to be there. This was a world-wide Depression. It wasn’t Hoover’s fault. In 1932 . . . , a monkey could have been elected against him, no question about it.”

Home Relief Station, by Louis Ribak, 1935–1936

Destitute and despairing, millions of hard-working Americans like these had to endure the degradation and humiliation of going on relief as the pall of depression descended over the land.



Whitney Museum of American Art

feared that a government doling out doles would weaken, perhaps destroy, the national fiber.

As the depression nightmare steadily worsened, relief by local government agencies broke down. Hoover was finally forced to turn reluctantly from his doctrine of log-cabin individualism and accept the proposition that the welfare of the people in a nationwide catastrophe is a direct concern of the national government.

The president at last worked out a compromise between the old hands-off philosophy and the “soul-destroying” direct dole then being used in England. He would assist the hard-pressed railroads, banks, and rural credit corporations, in the hope that if financial health were restored at the top of the economic pyramid, unemployment would be relieved at the bottom on a trickle-down basis.

Herbert Hoover (1874–1964) spoke approvingly in a campaign speech in 1928 of “the American system of Rugged Individualism.” In 1930 he referred to Cleveland’s 1887 veto of a bill to appropriate seed grain for the drought-stricken farmers of Texas:

“I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering. . . . The lesson should be constantly enforced that though the people support the Government the Government should not support the people.”

Partisan critics sneered at the “Great Humanitarian”—he who had fed the faraway Belgians but would not use federal funds to feed needy Americans. Hostile commentators remarked that he was willing to lend government money to the big bankers, who allegedly had plunged the country into the mess. He would likewise lend money to agricultural organizations to feed pigs—but not people. Pigs, the cynics of the time noted, had no character to undermine.

Much of this criticism was unfair. Although continued suffering seemed to mock the effectiveness of Hoover’s measures, his efforts probably prevented a more serious collapse than did occur. And his expenditures for relief, revolutionary for that day, paved the path for the enormous federal outlays of his New Deal successor, Franklin Roosevelt. Hoover proved that the old bootstrap-pulling techniques would no longer work in a crisis of this magnitude, especially when people lacked boots.

★ Hoover Battles the Great Depression

President Hoover, in line with his “trickle-down” philosophy, at last recommended that Congress vote immense sums for useful public works. Though at heart an antispender, he secured from Congress appropriations totaling \$2.25 billion for such projects.

Most imposing of the public enterprises was the gigantic Hoover Dam on the Colorado River. Voted by

Examining the Evidence

Lam্পooning Hoover, 1932

The pages of *The American Pageant* are filled with political cartoons that provide pungent commentary on historical events. With one image rather than many words, a cartoonist can convey a point of view much the way an editorial writer does. This cartoon appeared in the *Washington Daily News* on July 25, 1932, three and a half months before Republican president Hoover lost the presidential election to his Democratic challenger, Franklin D. Roosevelt. The cartoonist foretells Hoover's defeat in November and departure from the White House the following March (not January, as at present) and expresses his support

for the Home Loan Bank Bill. With this proposal Hoover sought to come to the aid of home mortgage lenders in order to forestall them from foreclosing on homeowners. The cartoonist jokes that Hoover supported this bill because he identified with homeowners about to lose their homes, but he also cleverly insinuates that Hoover's banking reform was motivated by electoral opportunism. Surely Hoover sought to win public support in return for his new banking program as he battled for reelection, but the Home Loan Bank Bill also reflected Hoover's growing recognition that the federal government

had to take direct action to remedy flaws that had precipitated the crisis of the Great Depression. As Hoover later recorded in his memoirs, "All this seems dull economics, but the poignant American drama revolving around the loss of the old homestead had a million repetitions straight from life, not because of the designing villain but because of a fault in our financial system." How does the cartoonist use caricature to make his point? What accounts for the political cartoon's special power? Are there limitations to this genre? Find another cartoon in this book and subject it to similar analysis.



FDR Library

Congress in the days of Coolidge, it was begun in 1930 under Hoover and completed in 1936 under Roosevelt. It succeeded in creating a huge man-made lake for purposes of irrigation, flood control, and electric power.

But Hoover sternly fought all schemes that he regarded as “socialistic.” Conspicuous among them was the Muscle Shoals Bill, designed to dam the Tennessee River and ultimately embraced by Franklin Roosevelt’s Tennessee Valley Authority. Hoover emphatically vetoed this measure, primarily because he opposed the government’s selling electricity in competition with its own citizens in private companies.

Early in 1932 Congress, responding to Hoover’s belated appeal, established the **Reconstruction Finance Corporation (RFC)**. With an initial working capital of half a billion dollars, this agency became a government lending bank. It was designed to provide indirect relief by assisting insurance companies, banks, agricultural organizations, railroads, and even hard-pressed state and local governments. But to preserve individualism and character, there would be no loans to individuals from this “billion-dollar soup kitchen.”

“Pump-priming” loans by the RFC were no doubt of widespread benefit, though the organization was established many months too late for maximum usefulness. Projects that it supported were largely self-liquidating, and the government as a banker actually profited to the tune of many millions of dollars. Giant corporations so obviously benefited from this assistance that the RFC was dubbed—rather unfairly—“the millionaires’ dole.” The irony is that the thrifty and individualistic Hoover had sponsored the project, though with initial reluctance. It actually had a strong New Dealish flavor.

Hoover’s administration also provided some indirect benefits for labor. After stormy debate, Congress passed the **Norris-La Guardia Anti-Injunction Act** in 1932, and Hoover signed it. The measure outlawed “yellow-dog” (antiunion) contracts and forbade the federal courts to issue injunctions to restrain strikes, boycotts, and peaceful picketing.

The truth is that Herbert Hoover, despite criticism of his “heartlessness,” did inaugurate a significant new policy. In previous panics the masses had been forced to “sweat it out.” Slow though Hoover was to abandon this nineteenth-century bias, by the end of his term he had started down the road toward government assistance for needy citizens—a road that Franklin Roosevelt would travel much farther.

Hoover’s woes were increased by a hostile Congress. At critical times during his first two years, the Republican majority proved highly uncooperative. Friction worsened during his last two years. A depression-cursed electorate, rebelling in the congressional elections of 1930, so reduced the Republican majority that Democrats controlled the new House and almost controlled

the Senate. Insurgent Republicans could—and did—combine with opposition Democrats to harass Hoover. Some of the president’s troubles were deliberately manufactured by Congress, which, in his words, “played politics with human misery.”

★ Routing the Bonus Army in Washington

Many veterans of World War I were numbered among the hard-hit victims of the depression. Industry had secured a “bonus”—though a dubious one—in the Hawley-Smoot Tariff. So the thoughts of the former soldiers naturally turned to what the government owed them for their services in 1917–1918, when they had “saved” democracy. A drive developed for the premature payment of the deferred bonus voted by Congress in 1924 and payable in 1945.

Thousands of impoverished veterans, both of war and of unemployment, were now prepared to move on Washington, there to demand of Congress the immediate payment of their *entire* bonus. The “Bonus Expeditionary Force” (BEF), which mustered about twenty thousand souls, converged on the capital in the summer of 1932. These supplicants promptly set up unsanitary public camps and erected shacks on vacant lots—a gigantic “Hooverville.” They thus created a menace to the public health, while attempting to intimidate Congress by their presence in force. After the pending bonus bill had failed in Congress by a narrow margin, Hoover arranged to pay the return fare of about six thousand bonus marchers. The rest refused to decamp, though ordered to do so.

Following riots that cost two lives, Hoover responded to the demands of the Washington authorities by ordering the army to evacuate the unwanted guests. Although Hoover charged that the **Bonus Army** was led by riffraff and reds, in fact only a sprinkling of them were former convicts and communist agitators. The eviction was carried out by General Douglas MacArthur with bayonets and tear gas, and with far more severity than Hoover had planned. A few of the former soldiers were injured as the torch was put to their pathetic shanties in the inglorious “Battle of Anacostia Flats.” An eleven-month-old “bonus baby” allegedly died from exposure to tear gas.

This brutal episode brought down additional abuse on the once-popular Hoover, who by now was the most loudly booed man in the country. The Democrats, not content with Hoover’s vulnerable record, employed professional “smear” artists to drive him from office. Cynics sneered that the “Great Engineer” had in a few months “ditched, drained, and damned the country.” The existing panic was unfairly branded “the Hoover



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The Bonus Army in Washington, D.C., 1932 World War I veterans from Muncie, Indiana, were among many contingents to set up camp in the capital during the summer of 1932, determined to remain there until they received full payment of their promised bonuses.

depression.” In truth, Hoover had been oversold as a wizard, and the public grumbled when his magician’s wand failed to produce rabbits. The time was ripening for the Democratic party—and Franklin D. Roosevelt—to cash in on Hoover’s calamities.

✦ Japanese Militarists Attack China

The Great Depression, which brewed enough distress at home, added immensely to difficulties abroad. Militaristic Japan stole the Far Eastern spotlight. In September 1931 the Japanese imperialists, noting that the Western world was badly mired in a depression, lunged into Manchuria. Alleging provocation, they rapidly overran the coveted Chinese province and proceeded to bolt shut the Open Door in the conquered area.

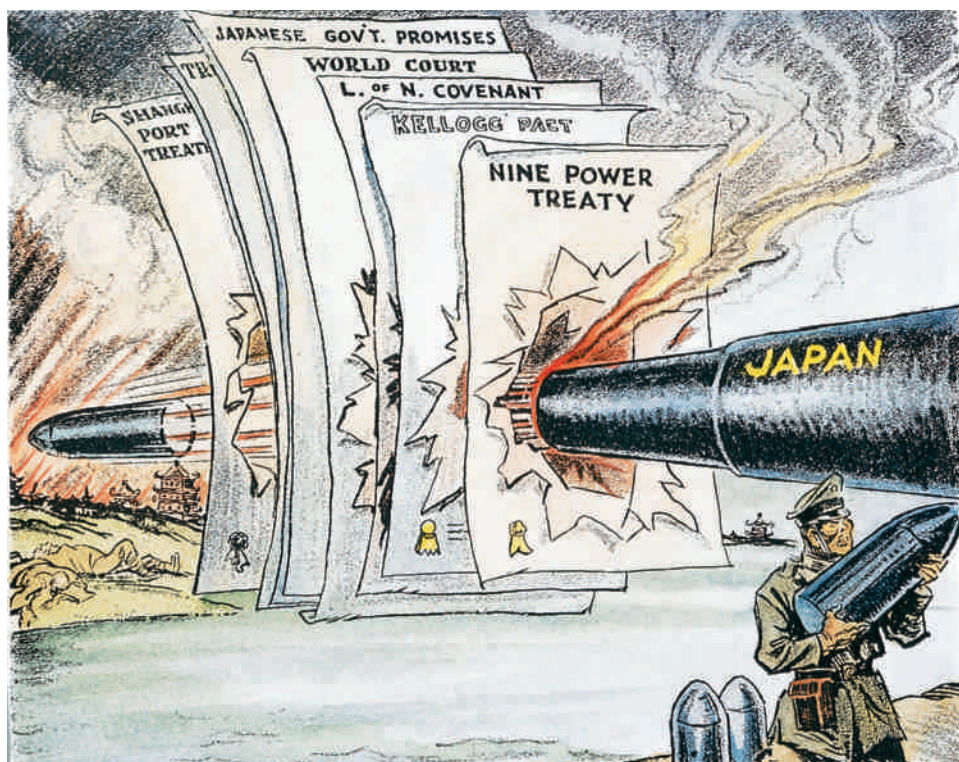
America had a strong sentimental stake in China but few significant economic interests. In fact, American commercial ties with Japan far outweighed those with China. Yet most Americans were stunned by this act of naked aggression. It flagrantly violated the League of Nations covenant, as well as various other international agreements solemnly signed by Tokyo, not to mention the American sense of fair play. Indignant Americans, though by no means a majority, urged strong measures ranging from boycotts to blockades. Possibly a tight blockade by the League,

backed by the United States, would have brought Japan sharply to book.

But the League was handicapped in taking two-fisted action by the nonmembership of the United States. Washington flatly rebuffed initial attempts in 1931 to secure American cooperation in applying economic pressure on Japan. Washington and Secretary of State Henry L. Stimson in the end decided to fire only paper bullets at the Japanese aggressors. The so-called Stimson doctrine, proclaimed in 1932, declared that the United States would not recognize any territorial acquisitions achieved by force. Righteous indignation—or a preach-and-run policy—would substitute for solid initiatives.

Hoover later wrote of his differences with Secretary of State Stimson over economic boycotts,

“I was soon to realize that my able Secretary was at times more of a warrior than a diplomat. To him the phrase ‘economic sanctions’ was the magic wand of force by which all peace could be summoned from the vasty deep. . . . Ever since Versailles I had held that ‘economic sanctions’ meant war when applied to any large nation.”



Japanese Aggression in Manchuria This American cartoon lambastes Japan for disregarding international treaty agreements when it seized Manchuria in 1931. The next year the Japanese would set up the puppet state of Manchukuo.

This verbal slap on the wrist from America did not deter the march of the Japanese militarists. Smarting under a Chinese boycott, they bombed Shanghai in 1932, with shocking losses to civilians. Outraged Americans launched informal boycotts of Japanese goods, chiefly dime-store knickknacks. But there was no real sentiment for armed intervention among a depression-ridden people, who remained strongly isolationist during the 1930s.

In a broad sense, collective security died and World War II was born in 1931 on the windswept plains of Manchuria. The League members had the economic and naval power to halt Japan but lacked the courage to act. One reason—though not the only one—was that they could not count on America's support. Even so, the Republic came closer to stepping into the chill waters of internationalism than American prophets would have dared to predict in the early 1920s.

★ Hoover Pioneers the Good Neighbor Policy

Hoover's arrival in the White House brought a more hopeful turn to relations with America's southern neighbors. The new president was deeply interested

in the often-troubled nations below the Rio Grande. Shortly after his election in 1928, he had undertaken a goodwill tour of Latin America—on a U.S. battleship.

World depression softened an age-old aggressive attitude in the United States toward weak Latin neighbors. Following the stock-market collapse of 1929, Americans had less money to invest abroad. As millions of dollars' worth of investments in Latin America went sour, many Yankees felt as though they were more preyed upon than preying. So-called economic imperialism became much less popular in the United States than it had been in the golden twenties.

As an advocate of international goodwill, Hoover strove to abandon the interventionist twist given to the Monroe Doctrine by Theodore Roosevelt. In 1932 he negotiated a new treaty with the French-speaking Republic of Haiti, and this pact, later supplanted by an executive agreement, provided for the complete withdrawal of American platoons by 1934. Further pleasing omens came early in 1933, when the last marine "leathernecks" sailed away from Nicaragua after an almost continuous stay of some twenty years.

Herbert Hoover, the engineer in politics, thus happily engineered the foundation stones of the Good Neighbor policy. Upon them rose an imposing edifice in the days of his successor, Franklin Roosevelt.

Chapter Review

KEY TERMS

Adkins v. Children's Hospital (729)

Nine-Power Treaty (731)

Kellogg-Briand Pact (732)

Fordney-McCumber Tariff Law (732)

Teapot Dome scandal (733)

McNary-Haugen Bill (735)

Dawes Plan (737)

Agricultural Marketing Act (740)

Hawley-Smoot Tariff (740)

Black Tuesday (740)

Hoovervilles (743)

Reconstruction Finance Corporation (RFC) (746)

Norris-La Guardia Anti-Injunction Act (746)

Bonus Army (746)

PEOPLE TO KNOW

Bonus Army

Warren G. Harding

Albert B. Fall

Calvin Coolidge

John W. Davis

Robert M. ("Fighting Bob") La Follette

Albert E. Smith

CHRONOLOGY

1919 American Legion founded
Chicago race riot

1920 Esch-Cummins Transportation Act
Merchant Marine Act

1921 Veterans Bureau created
Capper-Volstead Act

1922 Five-Power Naval Treaty signed
Four-Power and Nine-Power Treaties
on the Far East
Fordney-McCumber Tariff Law

1923 *Adkins v. Children's Hospital*
Teapot Dome scandal
Harding dies; Coolidge assumes presidency

1924 Adjusted Compensation Act for veterans
Dawes Plan for international finance
U.S. troops leave Dominican Republic
Coolidge wins three-way presidential election

1926 U.S. troops occupy Nicaragua

1928 Kellogg-Briand Pact
Hoover defeats Smith for presidency
Hoover makes goodwill tour of Latin America

1929 Agricultural Marketing Act sets up Federal
Farm Board
Stock-market crash

1930 Hawley-Smoot Tariff

1931 Japanese invade Manchuria

1932 Reconstruction Finance Corporation (RFC)
established
Norris-La Guardia Anti-Injunction Act
"Bonus Army" dispersed from Washington,
D.C.

TO LEARN MORE

Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (2009)

Michael A. Bernstein, *The Great Depression: Delayed Recovery and Economic Change in America, 1929–1939* (1987)

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Burl Noggle, *Into the Twenties: The United States from Armistice to Normalcy* (1974)

Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900–1930* (1999)

Peter Temin, *Did Monetary Factors Cause the Great Depression?* (1976)

Joan Hoff Wilson, *American Business and Foreign Policy, 1920–1933* (1971)

———, *Herbert Hoover, Forgotten Progressive* (1975)

Robert H. Zieger, *American Workers, American Unions, 1920–1985* (1986)

A complete, annotated bibliography for this chapter—along with brief descriptions of the People to Know—may be found on the American Pageant website. The Key Terms are defined in a Glossary at the end of the text.



Go to the CourseMate website at www.cengagebrain.com for additional study tools and review materials—including audio and video clips—for this chapter.

AP* Review Questions for Chapter 32

1. All of the following characterize Warren G. Harding's weaknesses as president EXCEPT
 - (A) a lack of political experience.
 - (B) a mediocre mind.
 - (C) an inability to detect moral weaknesses and ethical lapses in his associates.
 - (D) an unwillingness to hurt people's feelings by saying no.
 - (E) administrative and executive management shortcomings.
2. Which of the following best describes the Republican economic policies implemented under President Warren G. Harding?
 - (A) A continuation of the same laissez-faire doctrine as practiced under President William McKinley's Republican administration
 - (B) A modification in laissez-faire economic doctrine that included using the courts and administrative agencies to maximize the profits of the business sector
 - (C) The institution of many government regulatory schemes to curb the exploitative economic and labor relations practices of big business
 - (D) The development and implementation of economic policies that aided small business at the expense of big business
 - (E) The use of antitrust and regulatory powers to increase competition in business
3. Which of the following best characterizes U.S. Supreme Court decisions in the 1920s?
 - (A) Extremely hostile to progressive social reform legislation enacted during the progressive era
 - (B) Generally hostile to progressive social reforms with the exception of maintaining workplace protections for women
 - (C) Attempting to strike a fair balance between labor and business over collective bargaining, union organizing, and right-to-strike legal issues
 - (D) Upholding antitrust and government regulatory schemes designed to expand government intervention in the economy
 - (E) Demonstrating a consistent willingness to stand by recent court precedent, as in, for example, the ruling in the landmark *Adkins* case
4. What was the primary motivation for President Harding's willingness to seize the initiative on the issue of international disarmament?
 - (A) He feared renewed war in Europe.
 - (B) He recognized that Japan and the United States might enter a dangerous arms race.
 - (C) Businesspeople were unwilling to help pay for a larger United States Navy.
 - (D) He did not want the League of Nations to take the lead on this problem.
 - (E) American public opinion strongly supported peacemaking efforts.
5. All of the following were long-term effects of the Fordney-McCumber and Hawley-Smoot Tariff laws EXCEPT that the tariffs
 - (A) lowered the price paid by Americans for domestic manufactured goods.
 - (B) raised the price paid by Americans for imported agricultural foodstuffs.
 - (C) shrank international trade and made it impossible for Europe to repay American war loans.
 - (D) directly contributed to the plunging of America and the rest of the world into a severe economic depression by the end of the 1920s.
 - (E) closed the wide balance of trade gaps in the world and helped maintain the peace on the European and Asian continents.
6. The Teapot Dome and other government scandals during the Harding administration prompted all of the following EXCEPT
 - (A) criminal prosecutions against corrupt members of the Harding administration.
 - (B) a display of strong leadership by President Harding to root out public corruption, sponsor government ethics reform legislation, and cooperate with Senate investigations of his administration.
 - (C) a significant drop in the public confidence and trust in the federal government.
 - (D) a marked deterioration in the health of President Harding.
 - (E) resignations of many key members of the Harding administration, including the secretary of interior and the attorney general of the United States.
7. How did the McNary-Haugen bill, passed by Congress and vetoed by President Coolidge, seek to assist American farmers?
 - (A) It restricted the amount of crops farmers could plant in order to drive up prices.
 - (B) It required the federal government to buy farm surpluses and sell them abroad.
 - (C) It provided federal support for agricultural equipment and seeds.
 - (D) It blocked the import of certain cheaper agricultural commodities from Europe and Latin America.
 - (E) It provided federal loans for agricultural equipment and seeds.

8. Senator Robert LaFollette's Progressive party advocated all of the following EXCEPT
 - (A) government ownership of railroads.
 - (B) economic relief for farmers.
 - (C) opposition to antilabor injunctions.
 - (D) opposition to monopolies.
 - (E) increased power and authority for the U.S. Supreme Court.
9. Which of the following arguments was advanced by America's European allies to try to persuade the United States that they should not have to repay loans issued by America to them during World War I?
 - (A) The United States had owed these European nations about \$4 billion before the war.
 - (B) The total debt owed the U.S. government did not represent a significant sum of dollars.
 - (C) Since European nations had paid a much heavier price in lost lives, it was only fair for the United States to write off the debt.
 - (D) Since the United States was making so much money from Mexican and Middle Eastern oil resources, it did not need the dollars owed it by these European allies.
 - (E) Because Germany was not paying its reparations to the allied European nations, they could not afford to pay off the debt to the United States.
10. What did the Dawes Plan of 1924 depend on to successfully address the problem of war debt and war reparations?
 - (A) The long-term availability of free-flowing American credit
 - (B) Full repayment of inter-Allied debt by Great Britain and France
 - (C) Cancellation of all German reparation payments to Great Britain and France
 - (D) Private U.S. bank loans to Great Britain and France
 - (E) Repeal of high tariffs on British, French, and German industrial and agricultural goods
11. All of the following were political liabilities for New York Democratic governor Al Smith in his unsuccessful, path-breaking run for the presidency in 1928 EXCEPT Smith's
 - (A) Catholic religion.
 - (B) support for the repeal of prohibition.
 - (C) big-city background.
 - (D) failure to win the support of American labor.
 - (E) radio speaking skill.
12. Which of the following was NOT a cause of the Great Depression?
 - (A) The drying up of international trade expedited by enactment of the Hawley-Smoot Tariff of 1930
 - (B) Continued agricultural and industrial overproduction
 - (C) Rampant unchecked stock speculation culminating in the great crash of 1929
 - (D) The prolonged economic anemia experienced by Britain and European nations
 - (E) Superfluous government spending to stimulate job creation in the American economy
13. Which of the following best describes President Hoover's approach to the Great Depression?
 - (A) Leave the economy alone to work itself out of trouble
 - (B) Nationalize major industries
 - (C) Encourage the states to stimulate spending
 - (D) Work for the breakup of business monopolies
 - (E) Offer limited federal assistance to businesses, banks, agricultural organizations, and state and local governments but not to individuals
14. Which of the following most limited the ability of the League of Nations to reverse Japan's invasion and occupation of Manchuria?
 - (A) The United States was not a member of the League of Nations.
 - (B) Japan left the League following Japan's invasion and occupation of Manchuria.
 - (C) China did not desire the League to become involved in the war with Japan.
 - (D) League members lacked the economic and naval power to halt Japanese aggression in Manchuria.
 - (E) The outlawing of war and other provisions in the Kellogg-Briand Pact
15. Which 1920s president is most closely related to President Grover Cleveland's 1887 idea, "Though the people support the government, the government should not support the people"?
 - (A) Woodrow Wilson
 - (B) Warren Harding
 - (C) Calvin Coolidge
 - (D) Herbert Hoover
 - (E) Franklin D. Roosevelt
16. America abandoned its policy of isolationism in the 1920s in all of the following ways EXCEPT by
 - (A) providing benefits and insurance for American soldiers in World War I.
 - (B) entering into the Nine Power Treaty, affirming the Open Door in China.
 - (C) signing the Kellogg Briand Pact, outlawing war.
 - (D) creating the Dawes Plan and assisting Germany with reparations.
 - (E) hosting the Washington "Disarmament" Conference of 1921–1922.