

Chapter 31
***The Politics of
 Boom and Bust,
 1920–1932***

Presented by:

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**I. The Republican “Old Guard”
 Returns**

- Warren G. Harding, inaugurated in 1921, *looked* presidential:
 - Found himself beyond his depth in presidency
 - Unable to detect moral faults in associates
 - Could not say no and designing politicians leeches on to this weakness
 - Washington could not tell a lie, Harding could not tell a liar
 - Promised to gather around him “best minds”

**I. The Republican “Old Guard”
 Returns (cont.)**

- Charles Evans Hughes:
 - Masterful, imperious, incisive, brilliant
 - Brought to position of secretary of state a dominating conservative leadership
- Andrew W. Mellon:
 - New secretary of Treasury
- Herbert Hoover:
 - Famed feeder of Belgians and wartime food administrator
 - Became secretary of commerce

I. The Republican “Old Guard” Returns (cont.)

- Raised his second-rate cabinet post to first-rate importance
- Especially in drumming up foreign trade for manufactures
- Harding's “worst minds”:
 - Senator Albert B. Fall:
 - Scheming ant conservationist
 - Appointed secretary of interior
 - As guardian of nation's natural resources, he resembled wolf hired to protect sheep

I. The Republican “Old Guard” Returns (cont.)

- Harry M. Daugherty:
 - Big-time crook in “Ohio Gang”
 - Suppose to prosecute wrongdoers as attorney general

II. GOP Reaction at the Throttle

- Harding a perfect “front” for industrialists:
 - New Old Guards:
 - Hoped to crush reforms of progressive era
 - Hoped to improve on old business doctrine of laissez-faire
 - Wanted government to keep its hands off business
 - Wanted government to guide business along path to profits
 - Achieved goal by putting courts and administrative bureaus in safekeeping of fellow stand-patters

II. GOP Reaction at the Throttle (cont.)

- Harding lived less than three years as president:
 - Appointed four of nine justices:
 - Fortunate choice for chief justice was ex-president Taft, who performed duties ably and was more liberal than some of his associates
- Supreme Court axed progressive legislation:
 - Killed federal child-labor law
 - Stripped away many of labor's hard-won gains
 - Rigidly restricted government intervention in economy



II. GOP Reaction at the Throttle (cont.)

- Landmark case ***Adkins v. Children's Hospital*** (1923):
 - Reversed its reasoning in *Muller v. Oregon* (see Chap. 28):
 - » Which declared women needed special protection in workplace
 - » To invalidate minimum-wage law for women
 - » Reasoning: because women had vote (19th Amendment), they were legal equal of men and could no longer be protected by special legislation
 - Two cases framed debate over gender differences:
 - » Were women sufficiently different from men that they merited special legal and social treatment?
 - » Or were they effectively equal in eyes of law and undeserving of special protections and preferences?

II. GOP Reaction at the Throttle (cont.)

- Corporations could once more relax and expand:
 - Antitrust laws ignored, circumvented, or feebly enforced by friendly prosecutors
 - Interstate Commerce Commission dominated by men sympathetic to managers of railroads
 - Big industrialists strived to reduce rigors of competition through trade associations
 - Although associations ran counter to spirit of antitrust laws, their formation encouraged by Hoover

II. GOP Reaction at the Throttle (cont.)

- Hoover's efficiency:
 - Led him to condemn waste resulting from cutthroat competition
 - His commitment to voluntary cooperation led him to urge businesses to regulate themselves rather than be regulated by big government

III. The Aftermath of War

- Wartime government controls on economy swiftly dismantled:
 - War Industries Board disappeared
 - With its passing, progressive hopes for more government regulation of big business evaporated
 - Returned railroads to private management in 1920
 - Crushed hope for permanent nationalization
 - Congress passed Esch-Cummins Transportation Act:
 - Encouraged private consolidation of railroads

III. The Aftermath of War (cont.)

- Pledged Interstate Commerce Commission to guarantee railroad profitability
- New philosophy was to save railroads
- Government tried to get out of shipping business:
 - Merchant Marine Act (1920) authorized Shipping Board to sell most of hastily built wartime fleet
 - Board operated remaining vessels without much success
 - Under La Follette Seaman's Act (1915), American shipping could not thrive in competition with foreign shipping

III. The Aftermath of War (cont.)

- Lacking government support, labor limped along badly in postwar decade:
 - Bloody steel strike crushed in 1919
 - Railway Labor Board cut wages 12% in 1922
 - When workers struck, Attorney General Daugherty clamped injunction on strikers
 - Needy veterans reaped lasting gains from war:
 - Congress (1912) created Veterans Bureau to operate hospitals and provide vocational rehab

III. The Aftermath of War (cont.)

- Veterans organized into pressure groups
- American Legion demonstrated militant patriotism, rock-ribbed conservatism, zealous antiradicalism, and
- Aggressive push for veterans' benefits, especially "adjusted compensation" to make up for wages while in service
- Won with 1924 passage of Adjusted Compensation Act:
 - Gave former soldiers a paid-up insurance policy due in 20 years
 - Added \$3.5 billion to cost of war

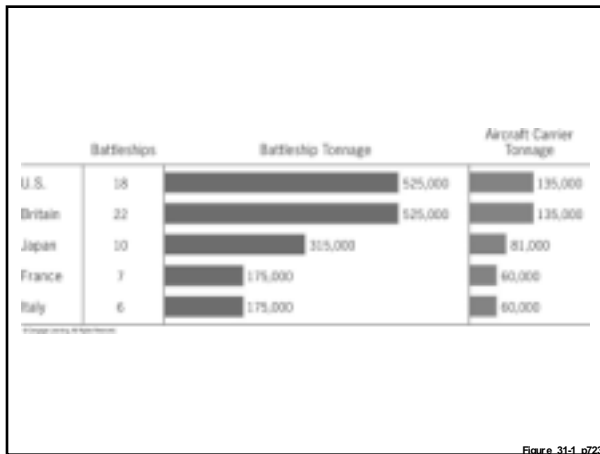
IV. America Seeks Benefits Without Burdens

- Making peace with fallen foe:
 - U.S.A., having rejected Treaty of Versailles, technically at war with Germany, Austria, and Hungary:
 - In 1921 Congress passed simple joint resolution that declared war over
 - Isolation enthroned in Washington
 - Continued to regard League as undean
 - Harding at first even refused to support League's world health program



IV. America Seeks Benefits Without Burdens (cont.)

- Secretary Hughes secured for U.S. oil companies right to share in Middle East oil exploitations
- Disarmament an issue for Harding:
 - Businessmen did not want to finance naval building program started during war
 - Washington “Disarmament Conference” 1921-1922:
 - Invitations sent to all but Bolshevik Russia
 - Agenda included naval disarmament and situation in Far East
 - Hughes declared 10-year “holiday” on construction of battleships
 - Proposed scaled-down navies of America and Britain with parity
 - Ratio 5:5:3 for U.S.A., England, and Japan in Five Power Treaty, 1922



IV. America Seeks Benefits Without Burdens (cont.)

- Four-Power Treaty – pact bound Britain, Japan, France, and United States to preserve status quo in Pacific
- China—“Sick Man of the Far East”—helped by **Nine-Power Treaty** (1922), whose signatories agreed to nail wide-open Open Door in China
- Conference important, but:
 - » No restrictions on construction of smaller warships
 - » Congress made no commitment to use of armed force
- **Kellogg-Briand Pact (1928):**
 - Secretary of state Frank B. Kellogg won Nobel Peace Prize for his role; Kellogg signed Pact with French foreign minister

IV. America Seeks Benefits Without Burdens (cont.)

- New parchment peace delusory:
 - Defensive wars still permitted
 - Pact a diplomatic derelict and virtually useless
 - Reflected American mind (1920s):
 - Willing to be lulled into false sense of security
 - Same attitude showed up in neutralism of 1930s

V. Hiking the Tariff Higher

- Businesspeople sought to keep U.S. market to themselves by throwing up tariff walls
- **Fordney-McCumber Tariff Law:**
 - Lobbyists wanted to boost average from 27% to 38.5%, almost as high as Taft's Payne Aldrich Tariff of 1909
 - Duties on farm produce increased
 - Flexibility: president could increase or decrease duties as much as 50%
 - Harding and Coolidge more friendly to increases than reductions

V. Hiking the Tariff Higher (cont.)

- In six years, they authorized 32 upward charges
- During same time, they ordered only five reductions
- High-tariff course set off chain reaction:
 - European producers felt squeeze
 - Impoverished Europe needed to sell its manufactured goods to United States to be able to repay war debts
 - America needed to give foreign countries a chance to make a profit in order to buy U.S. exports
 - International trade, Americans slow to learn, a two-way street

V. Hiking the Tariff Higher (cont.)

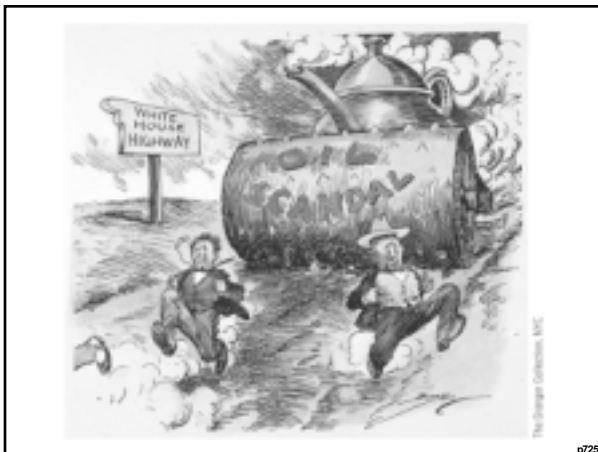
- Americans could not sell to others unless they bought from them—or lent them more U.S. dollars
- Tariffs a game two could play as Europeans responded with higher tariffs
- Whole European-American tariff battle deepened international economic distress, providing one more rung on ladder by which Adolf Hitler scrambled to power

VI. The Stench of Scandal

- Loose morality and get-rich-quickism of Harding era resulted in series of scandals:
 - 1923 Colonel Charles R. Forbes forced to resign as head of Veterans Bureau
 - Looted government of \$200 million, chiefly in building of veterans' hospitals
 - Sentenced to two years in federal penitentiary
 - **Teapot Dome scandal:**
 - Involved priceless naval oil reserves at Teapot Dome (Wyoming) and Elk Hills (California)

VI. The Stench of Scandal (cont.)

- Secretary of interior Albert Fall induced secretary of navy to transfer properties to Interior Department
- Harding signed secret order
- Fall leased lands to oilmen Harry Sinclair and Edward Doheny but not until he received bribe ("loan") of \$100,000 from Doheny and about three times that amount from Sinclair
- Teapot Dome finally came to whistling boil
 - » Fall, Sinclair, and Doheny indicted in 1924
 - » Case dragged on until 1929
 - » Fall found guilty of taking bribe, sentenced to one year in jail



VI. The Stench of Scandal (cont.)

- » Two bribe givers acquitted while bribe taker convicted
- » Sinclair served several months in jail for having “shadowed” jurors and for refusing to testify before Senate committee
- Acquittal of Sinclair and Doheny undermined faith in courts
- Scandal of Attorney General Daugherty:
 - Senate investigation (1924) of illegal sale of pardons and liquor permits
 - Forced to resign, tried in 1927, but released after jury twice failed to agree

VI. The Stench of Scandal (cont.)

- Harding spared full revelation of iniquities:
 - Embarked on speechmaking tour across country all the way to Alaska
 - On return, he died in San Francisco on August 2, 1923
 - Brutal fact: Harding not strong enough for presidency—as he himself privately admitted
 - Tolerated people and conditions that subjected Republic to its worst disgrace since days of President Grant

VII. “Silent Cal” Coolidge

- Vice President Coolidge sworn into office by his father:
 - Embodied New England virtues of honesty, morality, industry, and frugality
 - Seemed to be crystallization of commonplace
 - Had only mediocre powers of leadership
 - Speeches invariably boring
 - True to Republican philosophy, he became “high priest of great god Business”

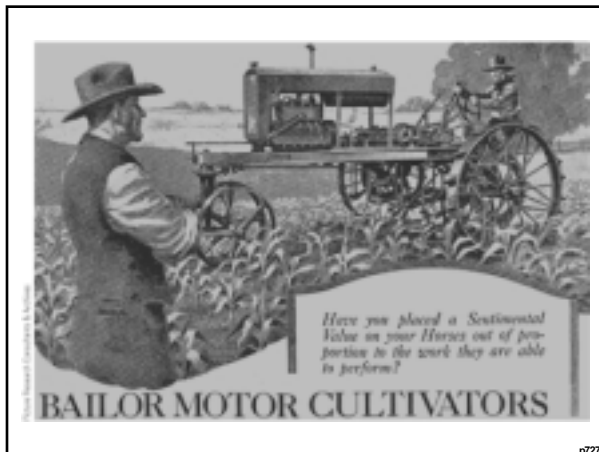
VII. "Silent Cal" Coolidge (cont.)

- Hands-off temperament; apostle of status quo
- Thrifty nature caused him to sympathize with Secretary of Treasury Mellon's effort to reduce taxes and debts
- Coolidge slowly gave Harding regime badly needed moral fumigation
- Coolidge not touched by scandals



VIII. Frustrated Farmers

- Farmers in boom-or-bust cycle in post-war decade
 - Peace brought:
 - End to government-guaranteed high prices and massive purchases by other nations
 - Foreign production reentered stream of world commerce
 - Machines:
 - Threatened to plow farmers under avalanche of overabundant crops



VIII. Frustrated Farmers (cont.)

- Gasoline-engine tractor revolutionized farms:
 - Could grow bigger crops on larger areas
 - Improved efficiency and expanded acreage piled up more price-dampening surpluses
 - Withering depression swept through agricultural districts in 1920s, when one farm in four sold for debt or taxes
- Schemes abounded for bringing relief to hard-pressed farmers:
 - Bipartisan "farm bloc" from agricultural states coalesced in Congress in 1921 and succeeded in getting some helpful laws passed

VIII. Frustrated Farmers (cont.)

- Capper-Volstead Act:
 - Exempted farmers' marketing cooperatives from antitrust prosecution
- McNary-Haugen Bill (1924-1928):
 - Sought to boost agricultural prices by authorizing government to buy up surpluses and sell them abroad
 - Government losses to be made up by special tax on farmers
 - Congress twice passed bill
 - Coolidge twice vetoed it
 - Farm prices stayed down; farmers' political temperatures stayed high, reaching fever pitch in election of 1924

IX. A Three-Way Race for the White House in 1924

- Election of 1924:
 - Republicans nominated “Silent Cal” at summer convention in Cleveland
 - Democrats had difficulty choosing candidate at convention in New York because split by:
 - “Wets” vs. “drys”
 - Urbanites vs. farmers
 - Fundamentalists vs. Modernists
 - Northern liberals vs. southern stand-patters
 - Immigrants vs. old-stock Americans

IX. A Three-Way Race for the White House in 1924 (cont.)

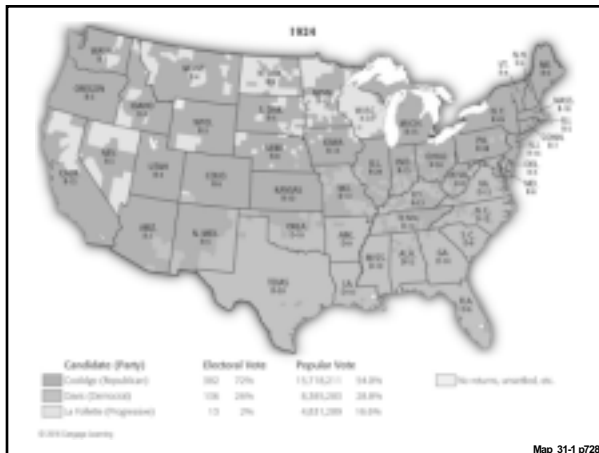
- Democrats failed by one vote to pass resolution condemning Ku Klux Klan
- Deadlocked for unprecedented 102 ballots, convention turned to conservative Wall Street lawyer John W. Davis
- Field wide-open for a liberal candidate:
 - Senator Robert (“Fighting Bob”) La Follette sprang forth to lead new Progressive party
 - Gained endorsement of American Federation of Labor
 - Support from shrinking Socialist party
 - Farmers his major constituency

IX. A Three-Way Race for the White House in 1924 (cont.)

- La Follette's Progressive party:
 - Fielded only a presidential ticket
 - No candidates for local office
 - Proved shadow of robust prewar Progressive coalition
 - Platform called for government ownership of railroads and relief for farmers
 - Lashed out at monopoly and ant labor injunctions
 - Urged constitutional amendment to limit Supreme Court's power to void laws passed by Congress

IX. A Three-Way Race for the White House in 1924 (cont.)

- Election returns:
 - La Follette polled nearly five million votes
 - “Cautious Cal” and oil-smeared Republicans overwhelmed Davis: 15,718,211 to 8,385,283
 - Electoral count stood at 382 for Coolidge, 136 for Davis, and thirteen for La Follette, all from his home state of Wisconsin (see Map 31.1)
 - Prosperity undermined La Follette's reform message



X. Foreign-Policy Floundering

- Isolation continued to reign in Coolidge era:
 - Senate not allow America to adhere to World Court
 - Coolidge halfheartedly and unsuccessfully pursued further naval disarmament
- Intervention in Caribbean and Central America:
 - Troops withdrawn (after eight-year stay) from Dominican Republic in 1924
 - Remained in Haiti (1914-1934)
 - America in Nicaragua intermittently since 1909; Coolidge briefly removed troops in 1925, but in 1926 he sent them back where they stayed until 1933
 - Oil companies clamored for military expedition to Mexico in 1926, but Coolidge resisted; U.S.-Mexican tensions increased

X. Foreign-Policy Flounderingings (cont.)

- International debts overshadowed all foreign-policy problems in 1920s:
 - Complicated tangle of private loans, Allied war debts, and German reparations payments (see Figure 31.2)
 - 1914: U.S.A. a debtor nation to sum of \$4 billion
 - 1922: U.S.A. a creditor nation to sum of \$16 billion

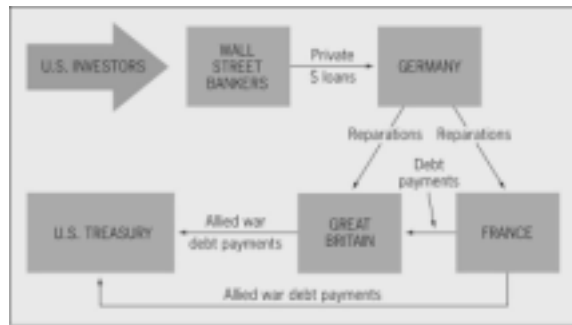


Figure 31-2 p729

X. Foreign-Policy Flounderingings (cont.)

- American investors loaned \$10 billion to foreigners in 1920s, but most investment remained within U.S.A.
- Key knot in debt tangle was \$10 billion U.S. Treasury had loaned to Allies during war
 - Allies protested U.S. demand for repayment as unfair
 - French and British stressed they had suffered tremendous losses against common foe
 - America, they argued, should write off loans as war costs
 - Borrowed dollars fueled wartime boom in U.S. economy, where nearly all Allied purchases had been made
 - Final straw protested Europeans, was America's postwar tariffs made it almost impossible for Europeans to sell goods to earn dollars to pay debts

XI. Unraveling the Debt Knot

- Allied debts affected policy on reparations:
 - French and British demanded \$32 billion in reparations payments from Germany
 - Allies hoped to use money to settle war debts since U.S.A. demanded repayment
 - As Germany suffered tremendous inflation, some Europeans proposed debts and reparations be scaled down or even canceled
 - Coolidge rejected any idea of debt cancellation



XI. Unraveling the Debt Knot (cont.)

- **Dawes Plan (1924):**
 - Negotiated by Charles Dawes, about to be Coolidge's running mate
 - Rescheduled German reparations payments
 - Opened way for more private American loans to Germany
 - Whole financial cycle became more complicated:
 - U.S. bankers loaned money to Germany,
 - Germany paid reparations to France and Britain,
 - Former Allies paid war debts to United States

XI. Unraveling the Debt Knot (cont.)

- When U.S. loans dried up after crash of 1929, jungle of international finance quickly turned to desert
- President Herbert Hoover declared one-year moratorium in 1931, but most debtors soon defaulted
 - Except “honest little Finland,” which struggled along making payments until last of debt discharged in 1976
- United States never did get its money, but harvested bumper crop of ill will

XII. The Triumph of Herbert Hoover, 1928

- 1928 presidential race:
 - Coolidge decided not to run
 - Herbert Hoover became Republican candidate:
 - Nominated on platform of prosperity and prohibition
 - Democrats nominated Alfred C. Smith
 - “Al(cohol) Smith,” soakingly and drippingly “wet” when country still devoted to “noble experiment” of prohibition
 - Seemed to be abrasively urban
 - Was Roman Catholic

XII. The Triumph of Herbert Hoover (cont.)

- Radio played key role in campaign for first time:
 - Helped Hoover more than Smith
- Hoover decried un-American “socialism”
 - Preached “rugged individualism”
 - Never having been elected to public office, he was thin-skinned in face of criticism
 - Did not adapt to give-and-take of political accommodation
 - Real power lay in his integrity
 - His humanitarianism
 - His passion for assembling facts

XII. The Triumph of Herbert Hoover (cont.)

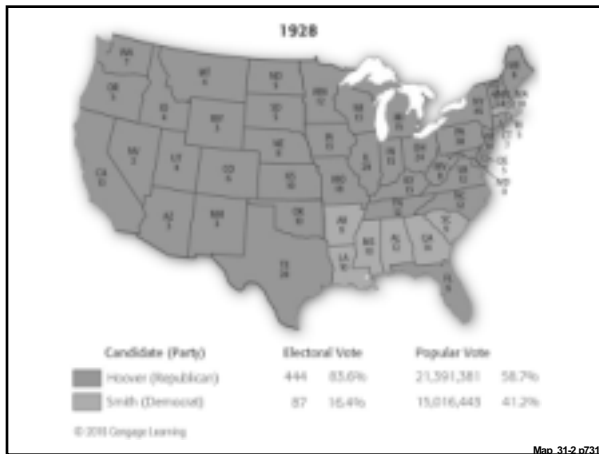
- His efficiency
- His talent for administration
- His ability to inspire loyalty in close associates who called him “the Chief”
- Hoover best businessperson's candidate:
 - Self-made millionaire, he recoiled from anything suggesting socialism, paternalism, or “planned economy,”
 - Yet as secretary of commerce, he exhibited some progressive instincts:
 - » Endorsed labor unions
 - » Supported regulation of radio broadcasting industry
 - » Flirted with idea of government-owned radio



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XII. The Triumph of Herbert Hoover (cont.)

- Indications of low-level campaigners:
 - Religious bigotry against Smith's Catholicism
 - White House would become branch of Vatican with “Rum, Romanism, and Ruin”
 - South shied away from “city slicker” Al Smith
- Election returns:
 - Hoover triumphed in landslide:
 - Bagged 21,391,993 popular votes to Smith's 15,016,169
 - Electoral count of 444 to Smith's 87
 - Big Republican victory; Hoover swept five former Confederate states and all Border States (see Map 31.2)



XIII. President Hoover's First Moves

- Hoover's self-help responses to unorganized wage earners and disorganized farmers
- **Agricultural Marketing Act** (June 1929):
 - Designed to help farmers help themselves through producers' cooperatives
 - Set up Federal Farm Board with revolving fund of ½ billion dollars at its disposal
 - Money lent to farm organizations seeking to buy, sell, and store agricultural surpluses

XIII. President Hoover's First Moves (cont.)

- In 1930 Farm Board created:
 - Grain Stabilization Corporation and Cotton Stabilization Corporation
 - Bolster sagging prices by buying up surpluses
 - Suffocated by avalanche of farm produce
- Hoover during campaign promised to call Congress into session to bring about "limited" change in tariff

XIII. President Hoover's First Moves (cont.)

- **Hawley-Smoot Tariff (1930):**
 - By time passed by both houses of Congress:
 - Turned out to be highest protective tariff in nation's peacetime history
 - Average duty on non-free goods raised from 38.5% to nearly 60%
 - To foreigners, it was blow below trade belt:
 - Seemed like declaration of economic war on entire world
 - Reversed promising worldwide trend toward reasonable tariffs

XIII. President Hoover's First Moves (cont.)

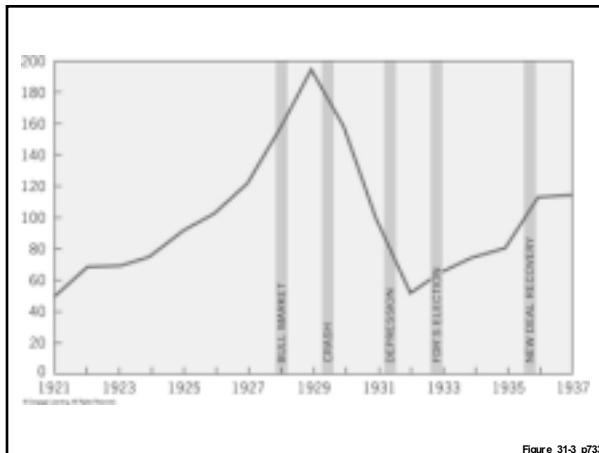
- Plunged both America and other nations deeper into depression that had already begun
- Increased international financial chaos and forced United States further into bog of economic isolationism
- And economic isolationism, both at home and abroad, played into hands of hate-filled German demagogue, Hitler

XIV. The Great Crash Ends the Golden Twenties

- Speculative bubble:
 - Few people sensed permanent plateau of prosperity would soon break
 - Prices on stock exchange continued to spiral upward
 - Created fool's paradise of paper profits
 - A few tried to sound warnings
- Catastrophic crash in October 1929:
 - Partially caused by British who raised interest rates
 - Foreign investors and domestic speculators began to dump "insecurities"

XIV. The Great Crash Ends the Golden Twenties (cont.)

- Tensions built to panicky **Black Tuesday** of October 29, 1929:
 - 16,410,030 shares of stocks sold in save-who-may scramble
 - Wall Street became wailing wall as gloom and doom replaced boom
 - Suicides increased alarmingly
 - Unbelievable losses in blue chip securities
 - By end of 1929, stockholders lost \$40 billion in paper values (see Figure 31.3)



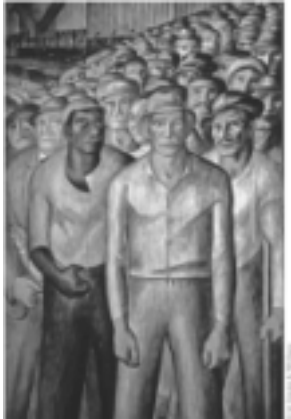


XIV. The Great Crash Ends the Golden Twenties (cont.)

- Stock-market collapse heralded business depression:
 - At home and abroad
 - Most prolonged and prostrating in American or world experience
 - No other industrialized nation suffered so severe a setback
 - End of 1929: four million workers jobless
 - Two years later, figure had tripled
 - Hungry and despairing workers pounded pavements in search of work
 - Misery and gloom incalculable
 - Over 5,000 banks collapsed in first three years
 - Carrying down with them savings of tens of thousands of ordinary citizens

XIV. The Great Crash Ends the Golden Twenties (cont.)

- Countless thousands lost homes and farms to foreclosure
- Breadlines formed; soup kitchens dispensed food
- Families felt stress, as jobless fathers nursed guilt and shame at not being able to provide for family
- Breadless breadwinners blamed themselves for plight
- Mothers nursed fewer babies as birthrate dropped



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XV. Hooked on the Horn of Plenty

- What caused Great Depression?
 - Overproduction on both farm and factory
 - Depression of 1930s one of abundance, not want
 - “Great glut” or “plague of plenty”
 - Nation's ability to produce goods clearly outran capacity to consume or pay for them
 - Too much money going into hands of wealthy:
 - Who invested it in factories and other agencies of production
 - Not enough going into salaries and wages to revitalize purchasing power

XV. Hooked on the Horn of Plenty (cont.)

- Overexpansion:
 - Of credit (installment-plans) over stimulated production
 - New laborsaving technologies caused unemployment
- Economic anemia abroad:
 - Britain and Continent never fully recovered from WWI
 - Chain-reaction financial collapse in Europe
 - International trade declined because of tariffs
 - European uncertainties over reparations, war debts, and defaults on loans owed to America
 - Many of these conditions caused by Uncle Sam's narrow-visioned policies

XV. Hooked on the Horn of Plenty (cont.)

- Nature: drought scorched Mississippi valley in 1930
 - Thousands of homes and farms sold at auction for taxes
 - Farm tenancy or rental—a species of peonage—spread among both whites and blacks
- By 1930s depression had become national calamity
 - Many citizens lost everything
 - Wanted to work—but there was no work

XV. Hooked on the Horn of Plenty (cont.)

- America's "uniqueness" no longer seemed so unique, nor its Manifest Destiny so manifest:
 - Depression a baffling wraith Americans could not grasp
 - Initiative and self-respect stifled
 - Many slept in tin-and-paper shantytowns cynically named **Hoovervilles**
 - Foundations of America's social and political structure trembled



XVI. Rugged Times for Rugged Individualists

- Hoover's exalted reputation as wonder-worker and efficiency engineer crashed
 - Would have shone in prosperous Coolidge years
 - Great Depression proved to be beyond his engineering talents
 - Distressed by widespread misery
 - As "rugged individualist," he shrank from heresy of government handouts

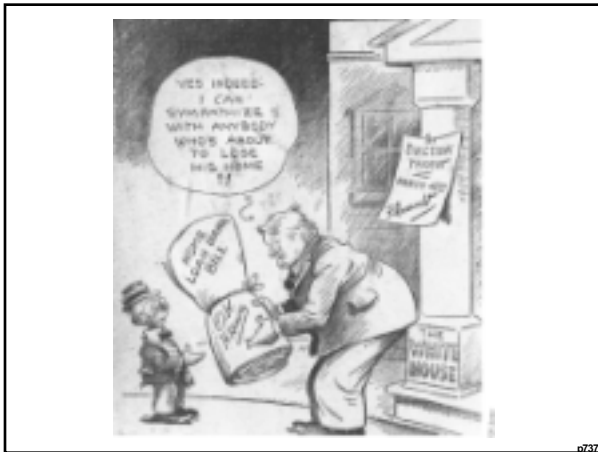


XVI. Rugged Times for Rugged Individualists (cont.)

- Convinced that industry, thrift, and self-reliance were virtues that made America great
 - Feared that government doling out doles would weaken, perhaps destroy, national fiber
 - Relief by local government agencies broke down
 - Hoover finally had to reluctantly:
 - Turn from doctrine of log-cabin individualism and
 - Accept proposition that welfare of people during a national catastrophe a direct concern of national government

XVI. Rugged Times for Rugged Individualists (cont.)

- Hoover worked out compromise between
 - Old hand-off philosophy
 - And “soul-destroying” direct dole being used in England
 - He would assist hard-pressed railroads, banks, and rural credit corporation
 - » If financial health restored at top of economic pyramid
 - » Unemployment would be relieved at bottom on trickle-down basis
- Partisan critics sneered at “Great Humanitarian”

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XVI. Rugged Times for Rugged Individualism (cont.)

- Most of criticism of Hoover unfair:
 - His efforts probably prevented more serious collapse
 - His expenditures for relief, revolutionary for day, paved path for enormous federal outlays of his successor, Franklin Roosevelt

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XVII. Hoover Battles the Great Depression

- Hoover's “trickle-down” philosophy:
 - Recommended Congress vote immense sums for useful public works
 - Secured from Congress appropriations totaling \$2.25 billion for such projects
 - Most imposing of public enterprises was gigantic Hoover Dam on Colorado River
 - Huge man-made lake for purposes of irrigation, flood control, and electric power
 - Sternly fought all schemes he thought “socialistic”

XVII. Hoover Battles the Great Depression (cont.)

- Conspicuous was Muscle Shoals Bill:
 - Designed to dam Tennessee River
 - He vetoed measure because he opposed government selling electricity in competition with private companies
- In 1932 Congress responded to Hoover's appeal:
 - Established **Reconstruction Finance Corporation (RFC)**:
 - Provide indirect relief by assisting insurance companies, banks, agricultural organizations, railroads, and even hard-pressed state and local governments
 - To preserve individual character, no loans to individuals

XVII. Hoover Battles the Great Depression (cont.)

- “Pump-priming” loans helped, but projects largely self-liquidating
- Government profited to tune of many millions of dollars
- Giant corporations also benefited
- Irony that thrifty and individualistic Hoover actually sponsored project with strong New Dealish flavor

XVII. Hoover Battles the Great Depression (cont.)

- **Norris-La Guardia Anti-Injunction Act (1932)**:
 - Outlawed “yellow-dog” (antiunion) contracts
 - Forbade federal courts to issue injunctions to restrain strikes, boycotts, and peaceful picketing
- Hoover did inaugurate new policy:
 - By end of term, he had started down road toward government assistance for needy citizens—a road Franklin Roosevelt would travel much farther

XVII. Hoover Battles the Great Depression (cont.)

- Hoover's woes:
 - Increased by hostile Congress
 - Republican majority proved highly uncooperative
 - In 1930, Democrats gained control of House and almost of Senate
 - Insurgent Republicans could—and did—combine with Democrats to harass Hoover
 - Some of Hoover's troubles deliberately manufactured by Congress

XVIII. Routing the Bonus Army in Washington

- Veterans of WWI hard-hit by depression:
 - If Hawley-Smoot Tariff a “bonus” to industry,
 - Veterans wanted early payment of 1924 “bonus” scheduled to be paid in 1945
 - Many veterans prepared to go to Washington
 - To demand immediate payment of *entire* bonus
 - “Bonus Expeditionary Force” (BEF) of some 20,000 went to capital in summer of 1932
 - Erected shacks on vacant lots—a gigantic “Hooverville”
 - After Congress voted down bonus bill, BEF ordered to leave
 - 6,000 left; Hoover then ordered army to remove rest

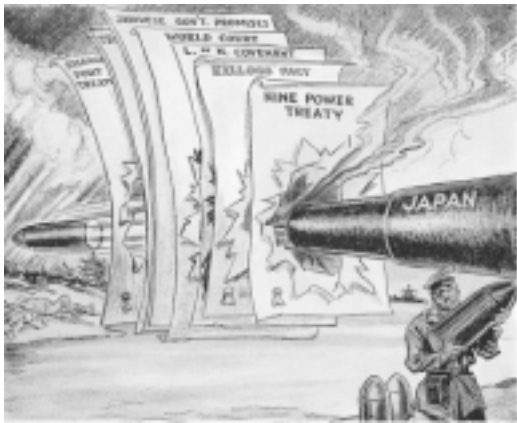


XVIII. Routing the Bonus Army in Washington (cont.)

- General Douglas MacArthur led effort to oust **Bonus Army** with bayonets and tear gas
 - Used far more force than Hoover planned
 - Brutal episode brought additional abuse on once-popular Hoover
- Time ripening for Democratic Party—and Franklin D. Roosevelt—to cash in on Hoover's calamities

XIX. Japanese Militarists Attack China

- Depression increased international difficulties
- Militaristic Japan stole Far Eastern spotlight:
 - September, 1931: Japanese imperialists lunged into Manchuria
 - America had strong sentimental stake in China, but few significant economic interests
 - Americans stunned by act of naked aggression
 - Flagrant violation of League of Nations covenant and other international agreements solemnly signed by Tokyo
 - Not to mention American sense of fair play



XIX. Japanese Militarists Attack China (cont.)

- Yet Washington rebuffed League attempts to secure U.S. cooperation in economic pressure on Japan
- Washington and Secretary of State Henry L. Stimson decided to fire only paper bullets
 - So-called Stimson doctrine (1932):
 - Declared United States would not recognize any territorial acquisitions achieved by force
 - Righteous indignation—or preach-and-run policy—would substitute for solid initiatives
- Verbal slap not deter Japan's militarists
 - Bombed Shanghai (1932) killing many civilians

XIX. Japanese Militarists Attack China (cont.)

- No real sentiment for armed intervention among depression-ridden Americans, who remained strongly isolationist during the 1930s
- Collective security died and World War II born in 1931 in Manchuria

XX. Hoover Pioneers the Good Neighbor Policy

- Relations w America's southern neighbors:
 - Hoover interested in often-troubled nations below Rio Grande
 - After stock market crash of 1929:
 - Economic imperialism less popular at home in U.S.A.
 - Hoover advocated international goodwill
 - Strove to abandon interventionist twist given Monroe Doctrine by Theodore Roosevelt

XX. Hoover Pioneers the Good Neighbor Policy (cont.)

- Negotiated with Haiti for withdrawal of U.S. troops by 1934
- In 1933, last U.S. marines left Nicaragua after almost continuous stay of some twenty years
- Hoover engineered foundation stones of Good Neighbor policy
 - Upon them, rose imposing edifice under successor, Franklin Roosevelt

CHRONOLOGY

1918 American Legion founded	1926 U.S. troops occupy Nicaragua
1920 Esch-Cummins Transportation Act; Merchant Marine Act	1928 Kellogg-Briand Pact Hoover declares South Sea presidency Hoover makes goodwill tour of Latin America
1921 Veterans Bureau created Copper-Vulcan Act	1929 Agricultural Marketing Act sets up Federal Grain Board Stock-market crash
1922 Five-Power Naval Treaty signed Four-Power and Nine-Power Treaties on the Far East Fordney-McCumber Tariff Law	1930 Hawley-Smoot Tariff
1923 <i>Adkins v. Children's Hospital</i> Teapot Dome scandal Harding dies; Coolidge assumes presidency	1931 Japanese invade Manchuria
1924 Adjusted Compensation Act for veterans Dawes Plan for international finance U.S. troops leave Dominican Republic Coolidge wins three-way presidential election	1932 Reconstruction Finance Corporation (RFC) established Smith-Lever Anti-Defamation Act "Bonus Army" dispersed from Washington, D.C.

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