

Chapter 32 (14th)

The Politics of Boom and Bust

1. The Republican "Old Guard" Returns
 1. Pres. Harding looked the part as president—tall, handsome, silver-haired and was friendly and popular. But, he was of average intelligence and he was gullible.
 2. The saying was that George Washington couldn't tell a lie and Harding couldn't tell a liar.
 3. Harding sought to collect the "best minds" to be in his administration.
 1. **Charles Evans Hughes** became secretary of state. He was very able in that role.
 2. **Andrew Mellon** became secretary of the treasury and managed the budget extremely well.
 3. Due to his food-saving successes in WWI, **Herbert Hoover** became secretary of commerce.
 4. Despite the highlights above, there were also huge duds in the Harding administration.
 1. **Albert B. Fall**, a schemer, anti-conservationist, was appointed secretary of interior to manage natural resources.
 2. **Harry M. Daugherty** was a small-town lawyer, was crooked, yet was appointed attorney general.
2. GOP Reaction at the Throttle
 1. Harding was a good man at heart, but he lacked the vigor of a strong leader. In Harding, the less-than-honest had the perfect front for their schemes.
 1. "Old Guard", McKinley-style industrialists sought further *laissez-faire*; or to let business run wild & free.
 2. Harding appointed 4 Supreme Court justices. Three were standard traditionalists. The other was former president **William Taft** as chief justice. He judged a bit more liberal.
 2. The conservative court halted progressive laws.
 1. A federal child-labor law was stopped.
 2. In the case of *Adkins v. Children's Hospital* the court reversed its own reasoning that had been set in *Muller v. Oregon*. The *Muller* case had said women need special protection in the work place. The *Adkins* decision erased the idea of women's protection at work and wiped out a minimum wage law for women.
 3. The Anti-trust laws which had been applied during the Progressive years were set aside. The Harding-era trend was clear for businesses: it's a go for expansion and free from fear that the government might interfere.
 1. An example would be the I.C.C. (the Interstate Commerce Commission, set up to regulate the railroads). It was made up of men sympathetic to the railroad managers.
3. Aftermath of the War
 1. With the war over, the government stepped back and away from business intervention. Two examples were that the War Industries Board was gone and control of the railroads went back to private enterprise in the Esch-Cummins Transportation Act.
 2. The federal government got out of shipping by passing the **Merchant Marine Act** (1920). It authorized the Shipping Board to sell some 1,500 WWI-era ships to private shippers. This meant a smaller navy and less hassles.
 3. In the era of *laissez-faire* and pro-business policies, the labor movement struggled badly.
 1. A bloody strike was broken in 1919, crippling the labor movement.
 2. In 1922, the Railway Labor Board cut wages by 12%. This started a two month strike. Atty. Gen. Daugherty laid down a stinging injunction and crushed the strike. This was a near-death blow to labor unions and union enrollment dropped by 30%.
 4. Veterans began organizing. Teddy Roosevelt started the American Legion in Paris in 1919.
 1. Vets got together socially, but also for other reasons, mainly seeking money. The vets sought wages lost while away and/or veterans benefits.
 2. Their pressure got Congress to pass a "bonus" bill, Harding vetoed it. Congress passed another, the Adjusted Compensation Act, **Pres. Calvin Coolidge** vetoed it, but Congress overrode the veto.
4. America Seeks Benefits Without Burdens
 1. Because the Senate had not approved of the Treaty of Versailles, America was still, technically, at war. Thus, Congress passed a joint resolution officially ending the war in July of 1921.
 2. Officially, the U.S. did not participate with the League of Nations. "Unofficial observers" were at the meetings to keep a suspicious eye on things. The lack of real participation though from the U.S. helped to doom the League.
 3. In the Middle East, Harding recognized the need for oil. He secured the rights, along with England, for drilling there.
 4. Disarmament was the trend of the time. A cautious eye was on Britain and Japan who were starting a ship-building race.
 5. A "Disarmament" Conference was held in 1921-22. All major powers were invited, except Bolshevik Russia. Sec. of State Charles Evans Hughes suggested a ratio of ships at 5:5:3 (U.S. to Britain to Japan). Several treaties were made:
 1. The **Five-Power Treaty** set up the 5:5:3 ratio and gave Japan a bonus to save face.
 2. The **Four-Power Treaty** required Britain, Japan, France, and the U.S. to keep the status quo in the Pacific.
 3. The **Nine-Power Treaty** kept open the Open Door policy with China (free trade for all).
 4. At the meetings end, the Harding crowd boasted of disarmament. But, there were technicalities: (1) there was no limit on small ships and (2) the U.S. *agreed* to the Four-Power Treaty, but was not *bound* by it (had no muscle).
 6. In keeping with Woodrow Wilson's "war to end all war" ambition, there was an international trend to end warfare as a means of solving disputes. Later, in 1928 under Pres. Coolidge, Sec. of State **Frank B. Kellogg** won the Nobel Peace

Prize. He signed the **Kellogg-Briand Pact** which outlawed war. 62 nations signed this treaty—a beautiful idea, yet incredibly naive.

5. Hiking the Tariff Higher
 1. In the pro-business mood of the time period, businesses sought to up the tariff to protect themselves from cheaper European goods. They got their wish in the **Fordney-McCumber Tariff** which increased tariff rates from 27 to 38.5%.
 2. Presidents Harding and Coolidge were given the authority to fluctuate the tariff all the way up to 50%. And, being pro-business men at heart, they leaned toward the higher rather than lower tariffs.
 3. There was a snag in this high-tariff system: Europe owed money to the U.S. for WWI, in order to pay it back, they needed to export, but the U.S. tariff crippled those exports. Thus, the WWI money was not getting paid back.
6. The Stench of Scandal
 1. Pres. Harding was an honest man, but many in his administration were not. Harding either didn't, couldn't, or didn't want to see this fact.
 2. **Col. Charles R. Forbes** skimmed money as chief of the Veterans Bureau. He and his crowd pilfered about \$200 million while building veterans hospitals. He spent a whopping two years in jail.
 3. The worst was the **Teapot Dome scandal** involving oil.
 1. Sec. of Interior **Albert B. Fall** was to manage natural resources. When oil was discovered near the "Teapot Dome" in Wyoming, Fall sneakily had the land placed under his power.
 2. Fall then accepted bribes for oil drilling rights from Edward Doheny and Harry Sinclair for about \$100,000 and \$300,000 respectively.
 3. Word leaked out in 1923 and it drug through the courts for six years. Doheny and Sinclair got off the hook, Fall served one year in jail.
 4. These high-priced scandals and skimpy sentences jolted people's trust in the court system.
 5. There were more scandals. Atty. Gen. "**Harry Daugherty**"'s name kept coming up for possibly selling pardons and liquor permits (this during Prohibition).
 6. Pres. Harding died at this time, August 2, 1923, of pneumonia and thrombosis. The scandals and their stress may well have added to the illness.
7. "Silent Cal" Coolidge
 1. At Harding's death, V.P. **Calvin Coolidge** became president. He was serious, calm, shy, moral, boring, and unlike most politicians, didn't speak much.
 1. It was ironic that in the Twenties, the "Age of Ballyhoo," the U.S. had a very traditional, old-timey president.
 2. Coolidge was even more pro-business than Harding had been. He once said, "the man who builds a factory builds a temple" and "the man who works there, worships there."
8. Frustrated Farmers
 1. During WWI, farmers enjoyed a boom. There much food needed, they provided it, & earned good money in doing so.
 2. After the war, new technologies like the tractor made farm work much easier and increased production. But, increased supply with the same demand yields decreased prices. Whereas many enjoyed an economic boom during the decade, farmers fell onto tough times during the 20's.
 3. Farmers turned to Congress.
 1. The **Capper-Volstead Act** was passed exempting farmer cooperatives from antitrust laws.
 2. The **McNary-Haugen Bill** tried to keep the price of agricultural goods high. This was to be done by the government buying up excess surpluses then selling them to other nations. Coolidge, the thrifty conservative, vetoed this bill twice.
9. A Three-Way Race for the White House in 1924
 1. 1924 was a presidential election year. Calvin Coolidge was to be reelected for the Republicans as a conservative.
 2. **John W. Davis** was nominated by the Democrats after much debate. In the changing times, Democrats had a hard time defining themselves and their positions at their convention in New York City.
 1. They did define their position on race when a Democrat party vote failed to condemn the K.K.K.
 3. The Progressive party refused to die and nominated Sen. **Robert La Follette**. He was endorsed by the American Federation of Labor (A.F. of L.) labor union and by the Socialists and would receive a sizable 5 million votes.
 4. Still, times were good, thus Coolidge was reelected easily.
 5. Foreign-Policy Flounderings
 6. With regards to foreign policy, isolationism was the rule. The U.S. would have nothing to do with the League of Nations new "World Court."
 7. The U.S. pulled troops out of the Dominican Republic (1925), keep them in Haiti ('til 1934), and settled a situation with Mexico over disputed oil rights (1926).
 1. The trend in Latin America was clear by this time: Latinos didn't like big Yankee America pushing them around.
 8. The issue of Europe's debt to America was intricate; and besides, Europe was unable to pay up anyway.
10. Unraveling the Debt Knot
 1. America demanded that Britain and France pay their debts to the U.S. They couldn't. So, they placed a huge price-tag onto Germany who certainly could not pay. Germany printed paper money en masse, thus creating inflation and making the money completely worthless.
 1. Inflation was crippling Germany: a loaf of bread was 480 million marks, it got so bad that it was immeasurable.
 2. Coolidge, conservative and thrifty, would not just erase the debt. The situation for paying off debt was hopeless.
 3. Charles Dawes came up with the **Dawes Plan** for payments. America would loan money to Germany. Germany would make payments to Britain and France. Then, they would repay their loans to America.

1. The plan was simply a circle of money from-and-back-to America. Nothing would really be gained in the U.S., but at least on paper, the debts would be repaid.
 4. The U.S. never did get repaid for the loans. The only thing America got was resent from Britain and France who thought the U.S. was a greedy bully.
11. The Triumph of Herbert Hoover, 1928
1. Calvin Coolidge decided to not run for reelection in 1928. Sec. of Commerce **Herbert Hoover** became the nominee for Republicans and ran on the prosperity of the 20's enjoyed.
 1. Hoover spoke of "Rugged Individualism" which was his view that America was made great by strong, self-sufficient individuals, like the pioneers of old days trekking across the prairies, relying on no one else for help. This was the kind of folk America still needed, he said.
 2. The Democrats nominated NY Gov. **Alfred E. Smith**. Smith had the people's touch, but he was Catholic (which turned off many) and he was a drinker (still the days of prohibition).
 3. Radio was a factor in the election. Hoover sounded better on the new media than Smith's New York accent.
 1. On air Hoover spoke of rugged individualism. He also lived it. He'd paid his dues, done jobs well, and earned his way up the ladder. He was dignified, restrained, but somewhat aloof and very mediocre with personal skills.
 4. The campaign was full of mudslinging on both sides. The "Solid South" normally would go Democratic, but couldn't swallow Smith—an Irish Catholic, drinker, and city-slicker. It split its vote.
 5. Hoover won big, 444 to 87 electoral votes.
12. President Hoover's First Moves
1. At first, Hoover enjoyed the economic prosperity of the day.
 2. Hoover's philosophy of helping one's self prompted his to get the **Agricultural Marketing Act** passed. It set up a **Federal Farm Board** which was to lend money to farmers.
 1. The board started the Grain Stabilization Corp. and Cotton Stabilization Corp. in 1930. They were to buy up surpluses of those crops to keep prices high.
 3. Isolationism was carried in the economics as well as politics. The **Hawley-Smoot Tariff** was hiked up to almost 60%. To other nations, this was like an economic act of war.
 1. This increase had negative effects: (1) it went against a trend toward *lower* tariffs, (2) it would slow trade and thus deepen the depression when it hit, and (3) it helped move the U.S. to full-fledged isolationism and thus help allow Hitler to rise to power.
13. The Great Crash Ends the Golden Twenties
1. In 1929, Hoover was growing drunk on the prosperity and thought it would be never-ending. The end came soon.
 2. The stock market had been shooting higher and higher all decade. Some saw that a house-of-cards built that high could not stand. All it took was a little something to trigger the fall.
 1. On "**Black Tuesday**," October 29, 1929, the bottom dropped out of the stock market on some bad economic news from Britain. The sell-off had begun and prices plummeted: stockholders had lost \$40 billion in value by the end of 1929.
 3. The stock crash was the trigger and the circle-of-bad-news had begun.
 1. Businesses began to go out of business (since people couldn't or wouldn't buy now).
 2. Unemployment shot up.
 3. Over 5,000, banks went bankrupt as folks withdrew their money in fear of their bank going bankrupt (a self-fulfilling prophecy).
 4. The only things growing were soup kitchens and homeless shelters.
14. Hooked on the Horn of Plenty
1. Though the stock crash was the trigger, the causes of the Great Depression were deeper. At their roots, it was same as nearly all recessions and depressions: over-speculation (in stock) and over-production (in farms and factories). American production and consumerism had over-reached the consumers ability to buy things using real money.
 1. Purchasing is always good for business, purchasing on credit is too, until the debt gets called in and the consumer can't pay up.
 2. The Great Depression was an international one. Europe, who was still struggling from WWI, suffered again. The effect was for each nation to draw inward to protect themselves, further into isolationism.
 3. There were *natural* disasters to add to the *man-made* ones. A drought sizzled the Mississippi Valley in 1930 and ruined many farmers. The Dust Bowl was coming soon.
 4. Out of work and perhaps deeply in debt, Americans were hurting. Despite "rugged individualism," Americans looked to the president.
 1. "Rugged individualism" took and cynically ironic turn when folks took care of themselves in homemade slums and were called "*ragged* individualists." These shanty-towns would soon be named "**Hoovervilles**."
15. Rugged Times for Rugged Individualists
1. Like all presidents in economic bad times, Hoover took the blame. This was probably unfair.
 1. He didn't help himself though—his "rugged individualist" nature made him slow to take any government action.
 2. Hoover-critics pointed out that he'd fed millions in Belgium during WWI, but no one in the U.S.
 3. A true conservative would even question whether the government's "help" was beneficial or actually *hindered* any growth. Changing away from *laissez-faire* might slow the economy even more.
 2. Hoover's analysis was simple: this was a natural part of the "**business cycle**." The business cycle being the cyclical ups and downs of an economy, like a roller coaster.
 1. His solution was also simple: just wait it out. This is *not* what the people wanted to hear.

3. Eventually, Hoover did go against his nature and get the government to take some action.
16. Hoover Battles the Great Depression
 1. Pres. Hoover got the government involved in the Great Depression by recommending Congress dole out \$2.25 billion. The theory was to jump start the economy through government spending.
 1. The massive Boulder Dam was begun in 1930, completed in 1936, and renamed to **Hoover Dam**. The resulting Lake Mead served to generate electricity, irrigation, flood control, and recreation. It still does.
 2. Hoover, however, didn't like all dams. He vetoed the Muscle Shoals Bill to dam the Tennessee River. This would be done later by Franklin Roosevelt under the Tennessee Valley Authority (the TVA).
 2. Hoover's most far-reaching effort wasn't construction in nature, but financial. He got the **Reconstruction Finance Corporation** (the RFC) passed. It would lend money to finance the massive government projects of FDR's "New Deal."
 1. The real beneficiaries of the RFC were the government agencies lending the money. They were essentially banks profiting on the interest of loans. This also was a point of criticism toward Hoover.
 3. When the economy is good, labor unions struggle (like the 1920's), when the economy is bad, labor unions tend to gain steam (like the Depression).
 1. Congress passed the **Norris-La Guardia Anti-Injunction Act** which outlawed antiunion contracts (AKA "yellow dog" contracts) which forced workers to sign promises to not join a union. It also said the federal courts could not hinder strikes, boycotts, or peaceful protesting by unions.
 4. Despite his slogan of "rugged individualism," belief in the business cycle and *laissez-faire* economics, and something of a reputation for not caring about people, Hoover *did* get the government involved in fighting the Great Depression. It just happened later rather than sooner.
 17. Routing the Bonus Army in Washington
 1. Many WWI veterans were still clamoring for "bonuses" for saving the world for democracy. The "**Bonus Expeditionary Force**" (the BEF) was drummed up. It consisted of 20,000 people who marched to Washington, set up camp (literally), and demanded their bonuses.
 1. The situation got out of hand. Riots emerged in the unsanitary encampment.
 2. Pres. Hoover criticized the BEF as made up of riffraff and reds (communists). Hoover ordered the BEF evicted.
 2. The eviction was carried out by **Gen. Douglas MacArthur** and the Army., and it was ugly.
 1. MacArthur used bayonets, tear gas, and fire to roust the BEF out. The "Battle of Anacostia Flats" was not a pretty picture in American History.
 2. The whole sad affair also hurt Hoover's image even more.
 18. Japanese Militarists Attack China
 1. Meanwhile, across the Pacific, problems were budding. In 1931, Japan invaded Manchuria (northern China).
 1. This involved the U.S. a bit since Open Door policy was shut in Manchuria.
 2. Those who believed in the idealistic League of Nations and the Kellogg-Briand Pact which outlawed war on paper, were shocked. This was simply a stronger nation in Japan taking over a weaker one in China.
 1. Steps were suggested the League use boycotts and blockades to put the economic stranglehold on Japan.
 2. But, the U.S. was *not* a member of the League of Nations.
 3. Sec. of State **Henry Stimson** issued words as actions. The "Stimson doctrine" said the U.S. would not recognize any territories acquired by force. These were the right words, but in the end, only words.
 3. The words may have even backfired. Japan was insulted and bombed Shanghai on the coast of China in 1932.
 1. Some Americans engaged in informal boycotts. But, this was just piecemeal and unorganized. Since the Depression was foremost on their minds, most Americans didn't care to do much else toward Japan.
 4. The Japanese invasion of Manchuria in 1931 taught a lesson: aggressive nations could take over weaker nations, the free nations would complain, but they would take no action. The first step to WWII had been taken.
 19. Hoover Pioneers the Good Neighbor Policy
 1. U.S. relations with Latin America had been hurting since around 1900. Hoover wanted to change that.
 1. Hoover went on a good-will tour of Latin America in attempt to extend the hand of friendship.
 2. In the Depression, Americans had less money to engage in Taft-like "dollar diplomacy" (AKA "economic imperialism") with Latin America.
 3. New policies saw American troops were pulled out of Haiti and Nicaragua.
 4. These policies laid the groundwork for FDR's "Good Neighbor" policy.