

## The Politics of Boom and Bust

Chapter 33

## Warren G. Harding



29 Warren G. Harding

**Presidential Term:** 1921-1923

**Lived:** 1865-1923

**Born in:** Ohio

**Party:** Republican

**Vice President:**

Calvin Coolidge

**Elected from:** Ohio

**Occupations:** Newspaper

Editor, Publisher

## The Republican "Old Guard" Returns

- Warren Harding was a handsome, but weak mentally.
- He failed to see corruption in his cabinet, including Albert Fall and Harry Daugherty
- He did have quality people like Charles Evans Hughes and Herbert Hoover



## GOP Reaction at the Throttle

- Harding hoped to improve on laissez-faire
- Under Harding, corporations could expand again, and anti-trust laws were not as enforced or downright ignored.
- Men sympathetic to railroads headed the **Interstate Commerce Commission.**



## The Aftermath of the War

- Wartime government controls disappeared (War Industries Board)
- Sold off excess ships and reduced navy.
- Labor lost much of its power, as a strike was ruthlessly broken in 1919. Labor membership shrunk by 30%
- In 1921, the **Veterans' Bureau** was created to operate hospitals and provide vocational rehabilitation for the disabled.



## 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

## 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


## The Aftermath of War

- 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

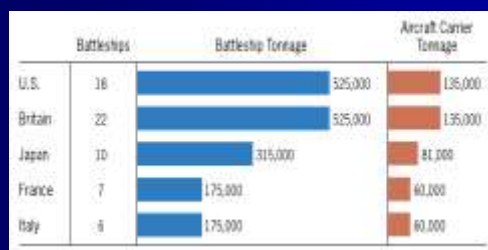
## The Aftermath of War

- 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

## America Seeks Benefits Without Burdens

- American still at war (until July '21)
- US participates in but not member of League of Nations
- We Look for **OIL** in the **MIDDLE EAST** (nothing but peace and happiness forever) 
- International Disarmament problems (Britain and Japan)

**Figure 33.1: Limits Imposed by Washington Conference, 1921–1922**



## Hiking the Tariff Higher

- Businessmen did not want Europe flooding American markets with cheap goods after the war, so Congress passed the **Fordney-McCumber Tariff Law**, which raised the tariff from 27% to 35%.
- However, this presented a problem: Europe needed to sell goods to the U.S. in order to get the money to pay back its debts, and when it could not sell, it could not repay.

## The Stench of Scandal

- **Charles R. Forbes** was caught with his hand in the till (Cookie Jar) and resigned as the head of the Veterans' Bureau. (Stole over \$200 million)
- The **Teapot Dome Scandal (oil)**
- Whiskey Scandal (Booze-a-riffic)
- Harding dies before Scandals become public outrage



## TEAPOT DOME SCANDAL



- Secretary of the Interior, B. Fall
- Teapot Dome, V. Sinclair and Edward
- Fall had from Do amount
- Fall for
- Sinclair



## Calvin Coolidge: A Yankee in the White House

- New president Calvin Coolidge was serious and never spoke more than he needed to.
- A very morally clean person, he was not touched by the Harding scandals, and he proved to be a bright figure in the Republican Party.



## Calvin Coolidge



30 Calvin Coolidge

**Presidential Term:** 1923–1929  
**Lived:** 1872–1933  
**Born in:** Vermont  
**Elected as V.P. from:** Massachusetts  
**Succeeded:** Harding  
**Occupation:** Lawyer  
**Party:** Republican  
**Vice President:** Charles G. Dawes

## Frustrated Farmers



- **World War I** had given the farmers much prosperity. Tractors increased production greatly.
- After war over-production plagued farmers
- Coolidge voted against Agricultural relief bills as he saw them as not capitalistic



## Three-Way Race for the White House in 1924

- Coolidge was chosen by the Republicans again
- Democrats endorsed the KKK
- Robert LaFollette led Progressives
- Coolidge easily won



## The 1924 Election



- Calvin Coolidge served as President from 1923 to 1929.
- “Silent Cal”.
- Republican president

Candidate	Party	Popular Vote	Electoral Vote
Coolidge	Republican	15,717,553	382
Davis	Democrat	8,386,169	136
La Follette	Progressive	4,814,050	13

Map 33.1: Presidential Election of 1924 (showing popular vote by county)

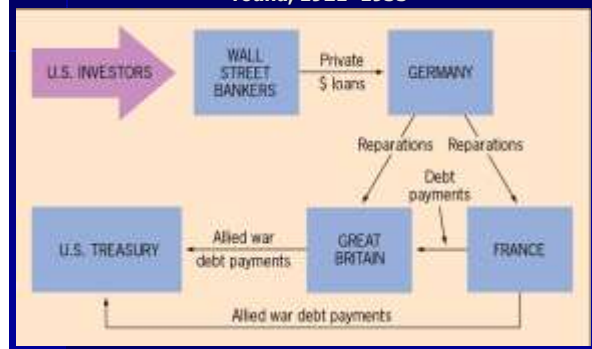


## Foreign-Policy Floundering

- Isolationism caused America to ignore League of Nations and World Court
- European debt problems.
- Gave loans to Germany to repay reparations to France and Britain to repay war loans to US.
- Stupid circle of money



Figure 33.2: Aspects of the Financial Merry-go-round, 1921–1933



## The Triumph of Herbert Hoover, 1928

- In 1928, Calvin Coolidge said, "I do not choose to run."
- Logical successor was Hoover
- Hoover won an easy but mudslinger campaign over the Catholic Al Smith of New York.



Map 33.2: Presidential Election of 1928 (with electoral vote by state)



## Herbert C. Hoover



31 Herbert C. Hoover

**Presidential Term:** 1929–1933  
**Lived:** 1874–1964  
**Born in:** Iowa  
**Elected from:** California  
**Occupation:** Engineer  
**Party:** Republican  
**Vice President:** Charles Curtis



## President Hoover's First Moves

- Farm protection bills
- Hawley-Smoot Tariff (60%)
- Caused international problems



## The Great Crash Ends the Golden Twenties

- October 29, 1929, a devastating crash caused by overspeculation and overly high stock prices built only upon non-existent credit struck the nation.
- 30 billion lost, 12 million unemployed, 5000 banks failed





## Herbert Hoover: Pioneer for the New Deal

- Hoover voted to withdraw \$2.25 billion to start projects to alleviate the suffering of the depression.
  - Hoover Dam
  - Reconstruction Finance Corporation
  - **Norris-La Guardia Anti-Injection Act**



## Japanese Militarists Attack China

- In September 1931, Japan, alleging provocation, invaded Manchuria and shut the Open Door.
- This broke international law, so Japan withdrew from League of Nations, weakening the organization
- America played scared little wimp



## WHAT WOULD YOU DO?

**Pretend you were President and your country's unprecedented wealth suddenly evaporated.**

- ❖ 25% of US population unemployed
- ❖ Stock prices are greatly overvalued and the stock market is in ruins
- ❖ 5,000 banks closed because they loaned out all their money
- ❖ Millions of people have lost jobs, savings accounts, homes and personal property.
- ❖ Foreign countries can't make loan payments
- ❖ Foreign economies have collapsed
- ❖ American companies are not producing goods or services
- ❖ Consumer spending declines
- ❖ The size of the economy continues to shrink
- ❖ A great drought is turning precious farmland into huge clouds of dust and within a year the Great Plains is ruined
- ❖ A new political philosophy called Fascism is on the rise in Japan, Spain, Portugal and Germany.
- ❖ War looms on the horizon.

## HOOVER'S GREAT DEPRESSION

1. Causes and effects 1929 – 1941

2. Snowball effect by 1932

3. President Herbert Hoover---1929 - 1933

- Philosophy and belief

## PRESIDENT HERBERT HOOVER



- **31st President 1929 to 1933**
- Republican
- Graduated from Stanford University 1895
- Occupation: Engineer
- Food Administration Director during WWI
- Secretary of Commerce 1921-28

• ***"A chicken in every pot and car in every garage".***  
Hoover quote in 1929

## PRESIDENT HERBERT HOOVER



- Stock Market Crash
- Black Tuesday, Oct. 23, 1929
- Hoover was blamed for not providing "direct relief" to help Americans? WHY?
- US Govt. should not provide "direct relief"
- laissez faire

• **Rugged individualism:** Americans are self-sufficient and would work themselves out this depression through hard work and determination.

• **Charitable organizations:** Churches, volunteers and people helping one another.

## PRESIDENT HERBERT HOOVER

- ❖ US Government provided **"indirect"** relief by assisting insurance corporations, banks, agricultural organizations, railroads and state and local governments.
- ❖ The theory was that prosperity at the top would help the economy as a whole.
- ❖ Many Americans saw it as helping bankers and big businessmen, while ordinary people went hungry.
- ❖ **BUT, no direct relief to American people. Why?** Hoover did not support federal public assistance because he believed it would destroy people's self-respect and create big government which would violate laissez faire.



## PRESIDENT HERBERT HOOVER

### Promoting Recovery

- Hoover reassures the public; downplayed the public's fears.
- Critics were angry that the conditions worsened as Hoover tried to put a good face on the situation.
- Privately, Hoover is deeply worried about the economy and gathers a heads of banks, labor, railroads, labor, big business, and government officials.



## PRESIDENT HERBERT HOOVER

The greatness of America has grown out of a political and social system and a method of a lack of governmental control of economic forces distinctly its own. Our American system which has carried this great experiment in human welfare farther than ever before in history....

And I again repeat that the departure from our American system... will jeopardize the very liberty and freedom of our people, and will destroy equality of opportunity not only to ourselves, but to our children....



## HOOVER'S ATTEMPTS TO SOLVE THE GREAT DEPRESSION

- Industry pledged to keep factories open and stop slashing wages.
- This did not work: by 1931 most businesses reneged.
- Next step was **public works**:
  - government financed building projects.
- Hoover urged governors and mayors throughout the nation to increase public works spending.
  - Many governors and mayors did not choose to do this. **WHY?**
  - Pay higher taxes or borrow money from banks (**deficient spending**) which leaves less money for banks to loan out to people.
  - Hoover feared that **deficient spending** could delay an economic recovery.

## The Midterm Election

- As the congressional elections of 1930 approached, most Americans felt that the party in power was to blame for unemployment.
- The Republicans lost 49 seats and their majority in the House of Representatives.



## Pumping Money Into the Economy

- Hoover asked the **Federal Reserve Board** to pump more money into circulation.
- The **National Credit Corporation** was created to have a pool of money that would enable troubled banks to continue lending money in their communities
  - he encouraged wealthy New Yorkers to contribute to this
- By 1932 he believed that this wasn't going to be effective and the government had to do the lending in what was called the **Reconstruction Finance Corporation**.
  - The **RFC** lent out \$238 million to approximately 160 banks.
  - A total of \$500 million the US Government provided **"indirect"** relief to assist insurance corporations, agricultural organizations, railroads and state and local governments.
  - **"Too little, too late"**. It did not increase its loans in sufficient amounts to meet the need, and the economy continued its decline.

## PRESIDENT HERBERT HOOVER

### Reconstruction Finance Corporation

- ❖ Early in 1932, Congress, responding to Hoover's appeal, established the Reconstruction Finance Corporation, which became a government lending bank.
- ❖ With \$500 million, US Government provided "indirect" relief by assisting insurance corporations, banks, agricultural organizations, railroads and state and local governments.
- ❖ The theory was that prosperity at the top would help the economy as a whole.
- ❖ Many Americans saw it as helping bankers and big businessmen, while ordinary people went hungry.
- ❖ **BUT, no direct relief to American people. Why?** Hoover did not support federal public assistance because he believed it would destroy people's self-respect and create a large bureaucracy. 🚀

## Direct Help for Citizens

- ▶ Hoover strongly opposed the federal government's participation in relief. **WHY?**
  - Hoover did not support federal public assistance because he believed it would destroy people's self-respect, violate laissez faire and create a large bureaucracy.
- ▶ However, states and cities were doing it—but by 1932, they were running out of money.
- ▶ Many Americans saw it as helping bankers and big businessmen, while ordinary people went hungry.
- ▶ Political support was building for a relief measure; Congress passed the Emergency Relief and Construction Act.
  - The new act called for \$1.5 billion for public works and \$300 million in loans to the states for debt relief.
  - It was still not enough; the collapse continued.

## Hunger Marches

- ▶ January 1931: 500 men and women in Oklahoma City broke into a grocery store
- ▶ Rallies and "hunger marches" were held by the American Communist Party
- ▶ December 5, 1932: a freezing day in Washington, DC; 1200 hunger marchers assembled→ "Feed the hungry, tax the rich."
  - Police herded them into a blocked-off area, where they had to sleep on the sidewalks or in trucks.
  - The police denied them food, water, and medical treatment.
  - Congress insisted the right of the marchers' to petition their government.

## Farmers Revolt

- ▶ During World War I, many farmers had heavily mortgaged their land to pay for seed, feed, and equipment.
- ▶ After the war, prices sank so low that farmers could not even earn their costs and could not make a profit.
- ▶ 1930-1934: creditors foreclosed on nearly one million farms, taking possession of them and evicting families
- ▶ Some farmers began destroying their crops in a desperate attempt to raise prices by lowering the amount of crops on the market.
  - In Nebraska grain growers burned corn to heat their homes in the winter.
  - In Iowa food growers prevented the delivery of vegetables to distributors.
  - Georgia dairy farmers blocked the highways and stopped milk trucks, emptying the milk cans into ditches. 🚀

## GREAT DEPRESSION DEFINED

- The Great Depression can be described as the total collapse of the US economic system of **Capitalism, laissez faire** and everything we believed in as a country.
- Our **democracy** and way of life was threatened. 🚀

## ABOUT THE DEPRESSION

- ❖ It was the worse economic calamity in the US and was part of a world-wide economic depression
- ❖ The US government radically changed its domestic-economic policies
- ❖ Many Americans migrated within the US and left the US for the Soviet Union.
- ❖ The US government slowly became less isolationist in its foreign policy
- ❖ The Depression had a huge impact and legacy on the country.



## EVENTS WHICH LED TO GREAT DEPRESSION

### CAUSES

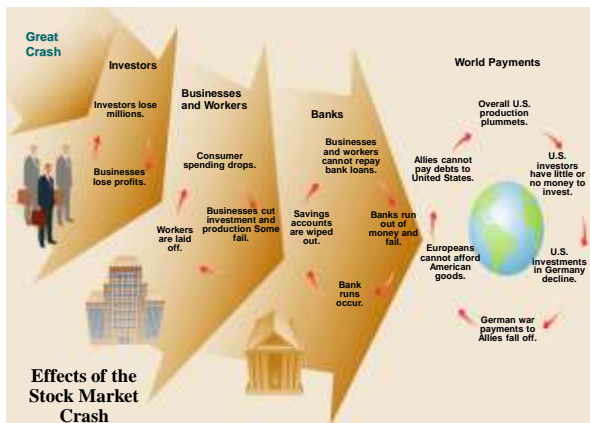
- Decrease in consumer spending →
- Unequal distribution of wealth →
- Overproduction of goods →
- Huge farms surpluses →
- War debts not paid back →
- Buying on margin (Credit) →
- **Stock Market Crash Black Tuesday, Oct. 23, 1929** →

### EFFECTS

- Under consumption of goods and services—not buying goods
- Families had limited income to purchase goods
- Led to falling prices of goods
- Led to drop in farm prices
- Banks didn't get back their \$\$\$
- Speculation on stocks
- Investors buy stocks on credit
- Wealth on paper
- **Total collapse of US economy, laissez faire and capitalism**

## THE "SNOWBALL EFFECT" OF THE CRASH

- Bankers call brokers wanting their money!
- Brokers go to investors to collect their money to pay the bank loans borrowed by broker for investor
- Orders to sell any any price... swamped the market—nobody would buy
- Brokers go under—stocks are worthless—investors loose their savings!
- **Run on the Banks:** People begin to panic and go to banks—try to withdraw their money...Banks don't have any money to give back
- Banks close—people lost their savings
- Businesses close—could not pay back loans to banks.
- Workers loose their jobs
- No money to buy consumer products
- Sales fall—more businesses shut down
- More workers lose their jobs

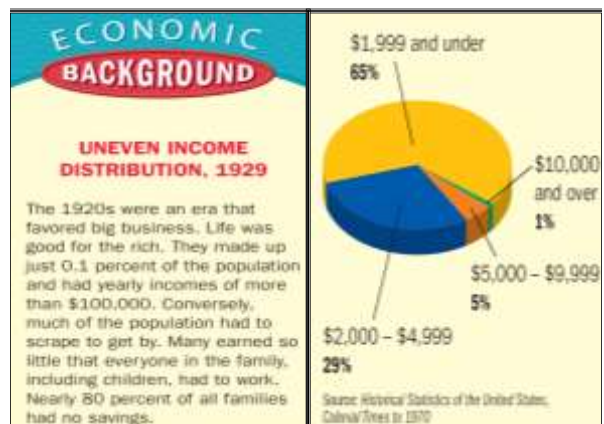


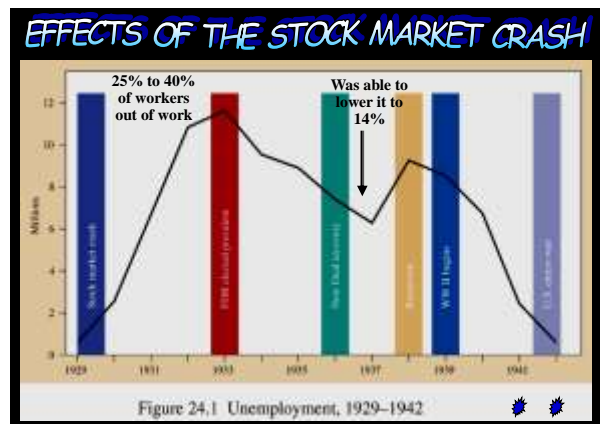
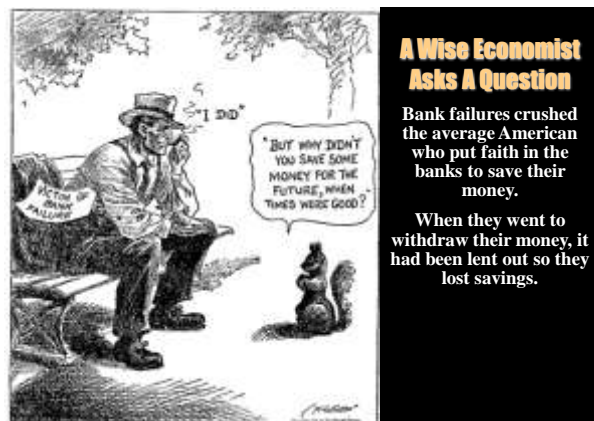
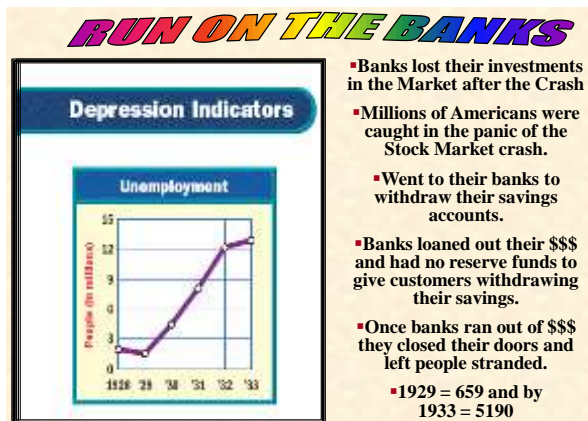
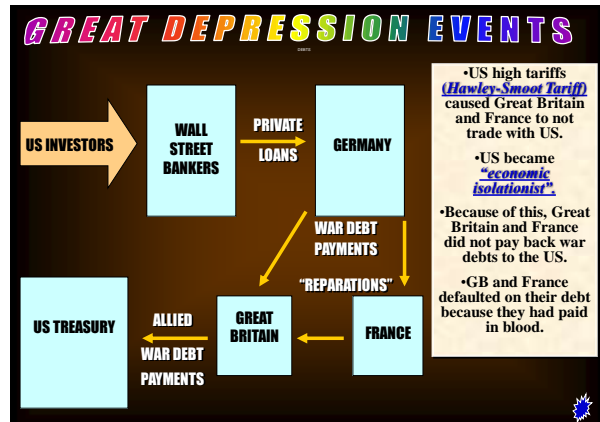
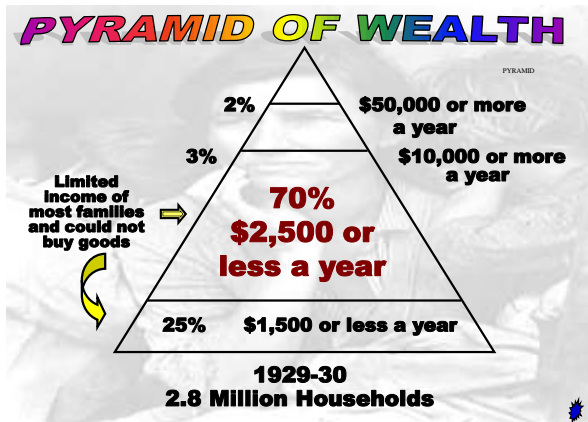
## EFFECTS OF THE STOCK MARKET CRASH

- **Stock values drop from \$87 - \$19 billion**
- **Steel production drops 80%**
- **Industrial output drops 50%**
- **500,000 homes and farms foreclosed**
- **"Run on the banks", 5,190 banks failed**
- **9 million people lost their savings**
- **Unemployment 25—40%**
- **4 million by 1930—12 million by 1932**
- **25,355 businesses fail**
- **Work week cut—3 to 1 and lay offs.**

## EFFECTS OF THE STOCK MARKET CRASH

- People did not have savings...
- Families fell behind on mortgages, rent and credit payments.....
- **Lost their homes, businesses & possessions**
- A great drought turned precious farmland into **huge clouds of dust** and within a year the Great Plains is ruined
- American values of hard work & individual responsibility were tested
- Standard of living of Americans reduced
- **Psychological effects on many Americans, especially men.**





Year	Germany		Japan	
	Number	Percentage	Number	Percentage
1900	3,275,580	—	368,408	5.5%
1901	4,519,794	23.7%	422,758	6.1
1902	5,575,492	30.1	488,891	6.8
1903	4,804,426	25.8	428,710	5.6
1904	2,718,328	14.5	372,941	5.0
1905	2,781,299	11.6	358,344	4.8
1906	1,892,695	8.1	338,305	4.2
1907	912,312	4.5	256,443	3.7
1908 (June)	428,475	2.0	250,350	3.8

Year	Great Britain		United States	
	Number	Percentage	Number	Percentage
1900	1,464,347	11.8%	4,340,000	6.7%
1901	2,128,359	16.7	8,301,000	15.5
1902	2,254,857	17.6	12,995,000	25.8
1903	2,110,280	16.4	12,835,000	24.8
1904	1,801,312	13.8	11,340,000	21.7
1905	1,714,844	13.1	10,810,000	20.1
1906	1,487,987	11.2	9,030,000	18.8
1907	1,277,808	9.4	7,706,000	14.3
1908 (Nov)	1,028,130	10.8	10,040,000	18.5



## FARM FORECLOSURES



**Because people lost their jobs they could not make payments on their farms, ranches or homes.**

FORECLOSURES

## FARM FORECLOSURES



**Banks would foreclose on their property and thousands lost their homes**

FORECLOSURES

## FARM FORECLOSURES



**Thousands of people became homeless and workless.**

FORECLOSURES

## FARM FORECLOSURES



**Many went to California to try and find work....**

FORECLOSURES



## HOOVERVILLES



Hoovervilles or shantytowns were migrant towns of people who were out of work and on the move to find work. Usually outside large cities where migrants were trying to find jobs. Named after President Hoover because he wouldn't do anything to help the people who were in need.....

HOOVERVILLES

## Poverty Strains Society

### Impact on Health

- Some people starved and thousands went hungry.
- Children suffered long-term effects from poor diet and inadequate medical care.
- Social and Psychological Effects
  - 1928-1932, suicide rate rises over 30%
  - Admissions to state mental hospitals triple

### Stresses on Families

- Living conditions declined as families crowded into small houses or apartments.
- Men felt like failures because they couldn't provide for their families.
- Working women were accused of taking jobs away from men.

### Discrimination Increases

- Competition for jobs produced a rise in hostilities against African Americans, Hispanics, and Asian Americans.
- Lynchings increased.
- Aid programs discriminated against African Americans.

## PSYCHOLOGICAL EFFECTS OF THE GREAT DEPRESSION



- One of the immediate concerns of FDR was to raise the self confidence of the people.....
- He had to get people back on their feet by putting them back to work.....

PSYCHO

## PSYCHOLOGICAL EFFECTS OF THE GREAT DEPRESSION



Run on the banks.....Bread and food lines.....

PSYCHO

## PSYCHOLOGICAL EFFECTS OF THE GREAT DEPRESSION



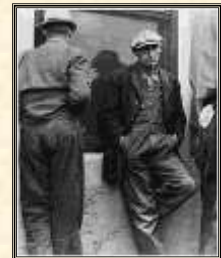
- People lost their homes, possessions and property.
- Families lived in Hoovervilles or shantytowns.

PSYCHO

## PSYCHOLOGICAL EFFECTS OF THE GREAT DEPRESSION



•No hope, despair, emotional pain, depression and guilt.




•When you have millions of "unhappy" men out of work, you have the potential for social chaos.

PSYCHO




## BONUS ARMY



- **Bonus Army March** in the summer of 1932 over 20,000 veterans from WWI marched on Washington, DC.
- Demanded their Bonus promised to them by the government for fighting in WWI.
- They were out of work and wanted to feed their families.




## BONUS ARMY



- Bonus Army refused to leave Washington, DC until Congress gave them their Bonus. Congress voted not to give the Bonus to the veterans.
- They were ordered to leave by President Hoover but disobeyed the order. Eventually, President Hoover would order the army to force these veterans out of Washington, DC

## BONUS ARMY




### Battle of Washington


• July 28, 1932

- President Hoover orders the army to remove Bonus Army from Washington, D.C.
- General Douglas MacArthur, later a WWII hero, was part of removing the Bonus Veterans.

## BONUS ARMY



- August 28, 1932, Battle of Washington, D.C., US troops supplied with tanks fought skirmishes, made arrests and burnt down the camps of the Bonus veterans.
- The American people were appalled how President Hoover solved the problem. People felt Hoover had no compassion and would blame him for the Depression. He would not be re-elected in 1932.



Political cartoon showing President Herbert Hoover trying to deal with the Great Depression (1930).

## DUST BOWL

•The **Dust Bowl** was an ecological and human disaster that took place in the southwestern Great Plains region, including Oklahoma, in the 1930's.

•It was caused by misuse of land and years of sustained drought.

•Millions of hectares of farmland became useless, and hundreds of thousands of people were forced to leave their homes---many migrated to California.

•As the land dried up, great clouds of dust and sand, carried by the wind, covered everything and the word "**Dust Bowl**" was coined.







## The Election of 1932

### Franklin Roosevelt

- ❖ Believed government had a responsibility to help people in need and provide **direct relief**.
- ❖ Believed capitalism and laissez faire needed to be **reformed**.
- ❖ Governmental involvement in people's lives was a **good source** for those in need.

### Herbert Hoover

- ❖ Believed that federal government should not try to **fix people's problems**.
- ❖ He believed **direct relief** would destroy people's self-respect.
- ❖ He believed it would create a big government which would violate **laissez faire**.

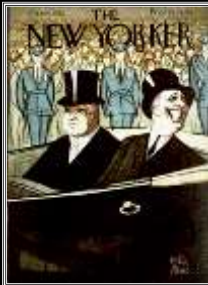


• **Democrat** Franklin D. Roosevelt, beat the **Republican**, Herbert Hoover, who was running for reelection.

• **FDR** promised relief for the unemployed, help for farmers and a balanced budget.

• **Prohibition**, whether it should be repealed or not.

### 1932 ELECTION



• **FDR and Hoover at FDR's inaugural**

• Americans believed FDR could get the country out of the depression and put people back to work.....

### FRANKLIN AND ELEANOR ROOSEVELT



• Democrats

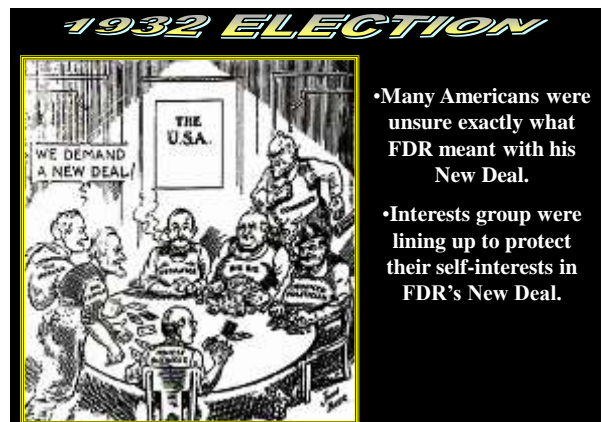
• FDR appealed to the common man because he was crippled

• Eleanor became the eyes and ears for her husband

• Promised to help the people through the Great Depression by direct governmental involvement

FDR & ELEANOR

### An Unfortunate Wait - - - By Cluett



• Many Americans were unsure exactly what FDR meant with his New Deal.

• Interest groups were lining up to protect their self-interests in FDR's New Deal.





## ***FIRESIDE CHATS***



"I pledge to you, pledge myself to a **NEW DEAL** for the American People."  
 "The only thing we have to fear...is fear itself."

- President Roosevelt began the "***fireside chats***" on a weekly basis as a way to reassure the American people.
- His comforting voice, calming words, confidence in the country and the American people helped restore faith of the American people in democracy.