The Politics of Boom and Bust
1920 - 1932
Republican Rule in the 1920s

- Three Republican presidents
  - Warren G. Harding, Calvin Coolidge, Herbert Hoover
  - Dominated by conservative, pro-business philosophy
The Republican “Old Guard” Returns

• Warren G. Harding
  – Looked like a president
  – Good-natured, well-liked
  – In reality a weak, incompetent, of mediocre intelligence
  – Harding could not say no to friends
    • Some corrupt associates took advantage of him (the “Ohio Gang”)
The Republican “Old Guard” Returns

• Harding’s cabinet
  – Some competent and honest
    • Charles Evans Hughes – secretary of state
    • Andrew W. Mellon – secretary of treasury
    • Herbert Hoover – secretary of commerce
  – Two incompetent crooks
    • Albert B. Fall – secretary of the interior
    • Harry M. Daugherty – attorney general
GOP Reaction at the Throttle

• Pro-business group settled in after activism of Progressive and World War I eras
  – McKinley’s presidency followed government policy of keeping out of the economy (laissez-faire)
  – Harding’s administration sought to guide business to profits
    • Put courts and administrative bureaus in hands of fellow pro-business people
    • Antitrust and other regulatory laws ignored or feebly enforced
GOP Reaction at the Throttle

• Reaction (extreme conservatism) in the Supreme Court
  – Harding appointed 4 justices (in only 3 years in office), a reactionary group who kept court well to the right of public opinion for 20 years
  – This court struck down laws on child labor, workers’ rights, government interference in the economy
GOP Reaction at the Throttle

- **Adkins v. Children’s Hospital (1923)**
  - Reversed *Muller v. Oregon* (1908) that said that women deserved special treatment
  - Held that women had vote, and therefore no longer needed special legislation
  - Struck down minimum-wage law for women
GOP Reaction at the Throttle

• Consolidation in business
  – Agreements made to reduce competition and cooperate
  – Secretary of Commerce Hoover encouraged cooperation
    • Cutthroat competition wasteful
    • Voluntary cooperation better than government regulation
The Aftermath of War

• Wartime controls on economy quickly ended
  – Ended progressives’ hopes of more regulation or even nationalization of some industries
• Esch-Cummins Transportation Act of 1920
  – Encouraged private consolidation of railroads
  – Pledged ICC to guarantee their profitability (through its power to set rates)
• Merchant Marine Act of 1920
  – Ships operated by government during war sold cheaply to private interests
The Aftermath of War

• Government support for labor ended after war
  – 1919 – steel strike broken with attacks and exploiting racial / ethnic differences
  – 1922 – 12% wage cut ordered in railroads
    • Resulting strike broken when attorney general issued injunction against the strike
  – 1920 – 1930 – union membership decreased by 30% because of government efforts to weaken unions
The Aftermath of War

• Gains for veterans
  – 1921 – Veterans Bureau created to operate hospitals and other services for veterans
  – American Legion founded in 1919
    • Supported conservative politics and lobbying for veterans benefits in Congress
  – 1924 – Adjusted Compensation Act
    • Money that veterans would have gotten had they stayed in factory jobs (instead of fighting) paid as “bonus” in 20 years
    • Vetoed by Harding (1922); passed over Coolidge’s veto (1924)
America Seeks Benefits Without Burdens

- 1921 – Congress officially declared war ended
  - Treaty of Versailles had been blocked by Senate
- Harding refused to support the League of Nations
  - Sent “unofficial observers”
- Secretary Hughes gained oil rights in Middle East for US from arch-rival Britain
America Seeks Benefits Without Burdens

• Disarmament
  – Harding prodded by businessmen who did not want to finance postwar construction of US ships
  – Contest was shaping up between US, Japan, Britain
    • US was on track to overtake Britain
America Seeks Benefits Without Burdens

• 1921 – 1922 – Washington Naval Conference called in Washington, DC
  – All major powers but Russia invited
  – Ration of 5:5:3 (US, Britain, Japan) on naval battleships and aircraft carriers
  – British and Americans promised to not fortify possessions in Pacific, including Philippines
    • Japanese not subject to these restrictions
## Limits Imposed by Washington Conference, 1921–1922

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<td>Italy</td>
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</table>
America Seeks Benefits Without Burdens

• Other treaties made during Washington Naval Conference
  – Four-Power Treaty
    • US, Britain, France, Japan promised to not seek increased holdings or naval strength in Pacific
  – Nine-Power Treaty
    • Made Open Door policy in China international law
America Seeks Benefits Without Burdens

• Effects of the Washington Naval Conference
  – No restrictions placed on small warships
    • Other powers continued building these while US fell behind
  – Congress put stipulations on Four-Power Treaty that made it ineffective
    • No commitment to use armed forces or joint action
America Seeks Benefits Without Burdens

- **Kellogg-Briand Pact (Pact of Paris)**
  - Coolidge’s secretary of state (Kellogg) signed pact with France to “renounce war”
  - 2 million petitions from US public supported move
  - Eventually 62 nations signed
What Are You Laughing At?
America Seeks Benefits Without Burdens

• Weaknesses of the Kellogg-Briand Pact
  – Defensive wars permitted
    • Aggressor nation could make up excuse of self-defense
  – No enforcement provisions
  – Lulled Americans into false sense of security
Hiking the Tariff Higher

- Tariffs supported by business to prevent competition from cheap European imports
- 1922 – Fordney-McCumber Tariff
  - Increased tariffs from average of 27% to 38.5%
  - Designed to offset cheaper costs of foreign production
  - President could increase / decrease tariffs on certain goods by up to 1/2
    - Harding and Coolidge chose to increase, not decrease tariffs
Hiking the Tariff Higher

• Effects of the high tariff policies
  – Europeans needed to sell manufactured goods in US to
    • Achieve economic recovery
    • Pay down war debt to US
    • Purchase manufactured goods from US
  – Tariffs slowed international trade and caused Europeans to retaliate by increasing their tariffs
How a Tariff Works

In the United States
American-made cloth costs $4.00 a roll.

In Britain
British-made cloth costs $4.00 a roll.

A 25% tariff of $1.00 is added to the price.

British-made cloth costs $5.00 a roll in the United States.
The Stench of Scandal

- Scandals of 1920s symbolized greed of Harding and Coolidge eras
- Veterans Bureau Scandal
  - Charles R. Forbes looted $200 million in connection with building veterans’ hospitals
  - Forbes eventually caught in Europe and received 2-year prison sentence
The Stench of Scandal

• Teapot Dome Scandal
  – 1921 – Albert B. Fall (secretary of the interior) got Secretary of the Navy Denby to transfer naval oil reserves at Teapot Dome, Wyoming and Elk Hills, California to control of Interior Department
    • Order signed by Harding
  – Fall leased these lands to oil developers Harry F. Sinclair and Edward L. Doheny
    • Fall received bribes of several hundred thousand dollars from both
The Stench of Scandal

• Outcome of the Teapot Dome Scandal
  – Details came out in March 1923
  – Case against Fall, Sinclair and Doheny dragged on until 1929
    • Fall got 1 year in jail; Sinclair and Doheny were acquitted
  – Increased public’s distrust of government and courts
Juggernaut
(An overwhelming, advancing force that crushes or seems to crush everything in its path.)
The Stench of Scandal

- Attorney General Daugherty’s scandals
  - 1924 - investigated by Senate for illegal sale of pardons and liquor permits
  - 1924 – forced to resign
  - 1927 – tried twice but both juries were hung (failed to agree)
The Stench of Scandal

• Harding’s attempt to escape the scandals
  – 1923 – went on cross-country speaking tour all the way to Alaska
  – August 2, 1923 – coming back, died in Alaska of pneumonia and thrombosis (blood clot in a blood vessel)

• Harding’s legacy
  – Worst revelations of corruption came out after death
  – Too weak to be a good president
“Silent Cal” Coolidge

- 1923 – visiting father in Vermont when news of Harding’s death came
  - His father (a justice of the peace) swore him in by light of 2 kerosene lamps

- Background
  - New Englander
  - Frugal, silent, shy, mediocre leader, honest
“Silent Cal” Coolidge
“Silent Cal” Coolidge

- Coolidge’s philosophy on government
  - Believed government should support business, not right social wrongs
    - “the man who builds a factory builds a temple; the man who works worships there”
  - Supported Secretary of the Treasury Mellon’s tax and spending cuts
  - Approved of business consolidation and profit
  - Not politically affected by the scandals because of his transparent honesty
Shrinking Federal Spending, 1919-1929

23-2 Shrinking Federal Spending, 1919–1929

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<td>3.0</td>
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<td>1929</td>
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</tbody>
</table>
History of US Top Income Tax Rates, 1913 - 2006

Source: Congressional Joint Committee on Taxation
Trim Wherever You Can
Cash Register Chorus

WHAT A FRIEND
WE HAVE IN COOLIDGE!
Frustrated Farmers

• Problems for farmers in 1920s: overproduction and declining prices
  – High prices paid during the war drastically declined
  – Much faster gasoline-powered tractors and excess farm tracts cultivated during war led to increased production (and therefore lowered prices)
Frustrated Farmers

• Government attempts to help farmers
  – 1921 - bipartisan “farm bloc” came together in Congress
  – Capper-Volstead Act – exempted farmers’ marketing cooperatives from antitrust regulation
  – McNary-Haugen Bill – plan to keep prices high by having farm surpluses bought by government and sold abroad; would be paid for by special tax on farmers
    • Passed by wide margins in Congress, but vetoed twice by Coolidge and never became law
A Three-Way Race for the White House in 1924

- Republicans
  - Nominated Coolidge
    - “Keep Cool and Keep Coolidge”
A Three-Way Race for the White House in 1924

- **Democrats**
  - Splits in party reflected cultural tensions of 1920s
    - “wets” / “dries”; urbanites / farmers; Fundamentalists / Modernists; northern liberals / southern conservatives; immigrants / “native” Americans
  - Finally nominated corporation lawyer John W. Davis, who was just as conservative as Coolidge
A Three-Way Race for the White House in 1924

- Progressives
  - Nominated Robert La Follette
  - Main support was from hurting farmers
  - Also got support from more liberal / progressive groups like AFL
  - Platform called for government ownership of railroads and relief for farmers
  - Wanted constitutional amendment to limit Supreme Court’s power to invalidate laws of Congress
A Three-Way Race for the White House in 1924

• Results
  – Coolidge soundly won with 54% of the popular vote
  – La Follette only won Wisconsin, but polled well across Midwest and mountain states
  – Davis got South and cities with large immigrant populations
Election of 1924

1924

Electoral Vote Total: 531
- Republican (Coolidge): 25.5% (136 votes)
- Democratic (Davis): 72% (382 votes)
- Progressive (La Follette): 2.5% (13 votes)

Popular Vote Total: 29,090,208
- Republican: 15,725,016
- Democratic: 8,386,503
- Progressive: 155,833

Map showing the results of the 1924 U.S. presidential election, with states shaded in blue for Republican, red for Democratic, and green for Progressive.
Foreign-Policy Floundering

• Isolationist spirit
  – Senate refused to abide by decisions of World Court (part of the League of Nations)
  – Coolidge halfheartedly (and unsuccessfully) pursued further naval disarmament agreements
Foreign-Policy Floundering

- Intervention in Latin America provoked resentment
  - Dominican Republic until 1924
  - Haiti, 1914 – 1934
  - Nicaragua, off-and-on since 1909, 1926 – 1933
  - Mexican nationalization of oil reserves
    - US businessmen demanded armed intervention
    - Coolidge used diplomacy to avoid war but preserve US property rights
U.S. Involvement in Latin America and the Caribbean, 1895-1941

- U.S. possessions in 1900
- U.S. protectorates or areas of temporary occupation

- Border dispute March 1916–February 1917
- U.S. intervention April–November 1914
- U.S. intervention 1909–1910
- Occupied 1912–1925
- Occupied 1926–1933
- Independent from Colombia 1903
- Protectorate 1903–1939
- Purchased from Denmark for $25 million in 1917
- Ceded to U.S. by Spain in 1898
- Protectorate 1898–1934
- Occupied 1898–1902
- 1906–1909
- 1912
- 1917–1922
- Protectorate 1915–1936
- Occupied 1915–1934
- U.S. intervention in border dispute, 1895–1896
- U.S. intervention in monetary dispute, 1902
Foreign-Policy
Floundering

• International debt problem most difficult
  – Tangle of private loans (made by US citizens and banks), Allied war debts, German reparations
  – US had loaned out $20 billion by 1922 and $10 billion more in the 1920s
    • Still not enough to fix Europe’s economy
Foreign-Policy Floundering

- Key part of international debt problem was $10 billion loaned by US to Allies during WWI
  - US wanted to be paid
  - Allies thought US should write it off
    - They had suffered the casualties
    - Their money had gone to finance boom in US economy
    - US’s tariffs made it impossible for them to sell goods to earn money to repay debts
Unraveling the Debt Knot

- US insistence on repayment led to cycle of financial problems in Europe
  - France and Britain demanded reparations from Germany of $32 billion
    - France even sent troops to Ruhr Valley (Germany’s principal industrial region) when repayment lagged
  - Berlin inflated its currency to repay debts
  - Coolidge at first refused to compromise
    - “They hired [borrowed] the money, didn’t they?”
Let’s See You Collect It

“Let’s see you collect it.”
—New York World.

REPARATIONS
$55,000,000,000,000
# German Inflation

## Value of German Currency, 1914-1923

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of German Marks to the U.S. Dollar</th>
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<td>November 1923</td>
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</tr>
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</table>
Unraveling the Debt Knot

• Dawes Plan of 1924
  – Negotiated by Coolidge’s 1924 running mate, Charles Dawes
  – Rescheduled German repayments and provided more private loans to Germany
Unraveling the Debt Knot

• The Dawes Plan further complicated the international financial system
  – US bankers loaned money to Germany
  – Germany paid reparations to France and Britain
  – Allies paid war debts to US

• This system would break down if US credit ended
  – This occurred with 1929 crash
Aspects of the Financial Merry-go-round, 1921–1933

- U.S. INVESTORS
- WALL STREET BANKERS: Private $ loans to GERMANY
- GERMANY: Reparations to GREAT BRITAIN, FRANCE
- GREAT BRITAIN: Debt payments from FRANCE
- FRANCE: Allied war debt payments to U.S. TREASURY
- U.S. TREASURY: Allied war debt payments from FRANCE
Unraveling the Debt Knot

• Effects of the financial meltdown (beginning in 1929)
  – European nations defaulted on their debts
  – US never got its money
  – Bitter feelings against US in Europe
  – A cause of intense isolationism in the US in the 1930s
The Triumph of Herbert Hoover, 1928

**Background on Hoover**

- **Mixture of 2 centuries**
  - 19th century ideas of industry, thrift, self-reliance
  - 20th century ideas of efficiency and other ideas from Progressive era

- **Traveled abroad as mining engineer and during WWI**
  - Made him determined to avoid foreign entanglements
  - Strengthened his belief in individualism and free enterprise

- **Not a typical politician**
  - Never before elected to public office
  - Not used to criticism, compromise and asking for votes
  - Real power was in humanitarianism, organization, and honesty
The Triumph of Herbert Hoover, 1928

• Republicans
  – Coolidge chose not to run in the 1928 election
  – Herbert Hoover nominated
    • Popular with people; unpopular with political bosses
  – Platform credited conservative policy with prosperity of 1920s and supportive of prohibition
The Triumph of Herbert Hoover, 1928

- Democrats
  - Still divided between urban, modern and rural, fundamentalist groups (as in 1924)
  - Nominated Alfred E. Smith
    - Liberal, wise-cracking, colorful personality
    - “wet” when US still supported Prohibition
    - Too abrasively urban
    - Roman Catholic, when most people were Protestant and prejudiced
The Triumph of Herbert Hoover, 1928

• The campaign
  – Radio played important role
    • Hurt Smith because of his New York accent
    • Hoover sounded statesmanlike preaching “rugged individualism”
  – Lower-level campaigners on both sides sunk to attacks
    • “A Vote for Al Smith Is a Vote for the Pope”
    • Democrats were party of “Rum, Romanism, and Ruin”
The Triumph of Herbert Hoover, 1928

• Results
  – “Hoovercrats”
    • Southerner Democrats broke from Smith because of his Catholicism, “wettism”, foreignism, liberalism
    • Hoover swept 5 states of former Confederacity and all 3 border states
  – Hoover won in a landslide with 58% of the vote
While Such Things are Possible There is Nothing Very Wrong with Our Country
President Hoover’s First Moves

• 2 groups were not sharing in prosperity of 1920s
  – Farmers and unorganized wage earners

• Hoover’s attempts to help farmers had to be kept in line with individualist, small-government beliefs
President Hoover’s First Moves

• Agricultural Marketing Act (1929)
  – Designed to help farmers help themselves
  – Federal Farm Board lent money to farmers to buy, sell, and store surpluses

• 1930 – Farm Board created 2 agencies to buy up surpluses
  – Both flooded with under-priced farm produce
President Hoover’s First Moves

• Hoover’s actions on the tariff
  – Farmers hoped tariff would protect them from cheap foreign food imports
  – Hawley-Smoot Tariff of 1930
    • Initial tariff added to by lobbyists
    • Raised average from 38.5% under Fordney-McCumber Act of 1922 to 60%
Tariff Levies on Dutiable Imports, 1821 - 2003

Tariff Levies on Dutiable Imports, 1821–2003 (ratio of duties to value of dutiable imports)

(Sources: Historical Statistics of the United States, Statistical Abstract of the United States, relevant years, and United States International Trade Commission.)
American Tariff Policy, 1930

AMERICAN TARIFF POLICY
“A mighty fortress is our gold”
—Nebelspalter, Zurich
President Hoover’s First Moves

• Effects of the Hawley-Smoot Tariff
  – Reversed worldwide trend towards more reasonable tariffs
  – Widened huge trade gaps between US and foreigners
  – Plunged US and world deeper into (already begun) depression
  – Forced US to retreat further into isolationism
The Great Crash Ends the Golden Twenties

• March 4, 1929 – Hoover comes into office
  – Economy and stock market booming
  – Few thought the “long boom” would end

• Stock market speculation
  – Paper wealth, not based on company’s actual worth
  – A few people warned of crash, but were ignored
The Great Crash Ends the Golden Twenties

- **October 1929 - the Great Crash**
  - British raised interest rates to bring back money to Britain from abroad (primarily the US)
  - Foreign and domestic investors began a sell-off
  - October 29, 1929 – “Black Tuesday”
    - Scramble to sell of over 16 million shares
  - December 1929 - $40 billion in paper wealth erased
Wall St. Lays an Egg

WALL ST. LAYS AN EGG

Going Dumb Is Deadly to Hostess In Her Serious Dance Hall Profesh

Drop in Stocks Ropes Showmen

Kidding Kissers in Talkers Burns Up Fans of Screen's Best Lovers

Wall St. Lays an Egg

Hunk on Winchell

Many Weep and Call Off Christmas Orders — Legit Shows Hit

Merger's Halted

The most dramatic event in the financial history of America is the collapse of the New York Stock Market. The stage was Wall Street, but the onlookers covered the country. Estimates are that...

Talker Crashes Olympia

Boys who used to whistle and girls who used to giggle when love scenes were flashed on the screen are in action again. A couple of years ago they began to take the love stuff seriously and delicately, but the talkers are reviving the old habit for film exploitation. Heavy loving scenes of silent picture days accustomed to charming audiences into applause of silent scenery when kissing the leading lady is getting the bird instead of the heartbeats. The sound accompaniment is making it tough.

Such a picture romancer as John Gilbert is getting laughs in place...
Oct. 29, Dies Irae (Day of Wrath)
Index of Common Stock Prices (1926=100)
Panicked Stock Traders Crowd the Sidewalks outside the New York Stock Exchange
Reading a Stock Ticker
Man Checks His Horoscope as the Stock Ticker Spits out Bad News
The Great Crash Ends the Golden Twenties

• Effects of the Crash
  – Unemployed workers
    • 1930 – 4 million
    • 1932 – 12 million
  – Workers searched for nonexistent jobs
  – Wages slashed, even when workers didn’t lose their jobs
  – 5,000 banks failed, erasing the life savings of thousands of Americans
  – Homes and farms foreclosed on
  – Breadlines and soup kitchens formed
  – Men hit with guilt of not being able to provide for families
Bank Failures

Depression Indicators

Bank Failures

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Business Failures

Depression Indicators

Business Failures

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Unemployment
A Run on a Bank after the Wall Street Crash
Unemployment Line During the Depression
A Breadline During the Depression
Hooked on the Horn of Plenty

- What caused the Depression?
  - Causes still debated today between conservative and liberal historians
  - There were many causes, not just one
Causes of the Great Depression

**CAUSES**

- Wealth is unequally distributed among the population
- Many people go into debt on installment plans
- Old and decaying industrial base makes U. S. industry less competitive
- Industry and agriculture overproduce
- Government pursues unsuccessful economic policies
- Stock market crash leads to financial panic

**EFFECTS**

- People suffer widespread unemployment, hunger, poverty, and homelessness
- Industrial and farm production falls
- World economic crisis develops
- Democrats win victory in 1932
- Roosevelt initiates the New Deal
Hooked on the Horn of Plenty

• Uneven distribution of income
  – Wages had hardly risen compared to productivity and profits
  – Top 5% of richest Americans took home 33% of all income
Growing Income Inequality in the 1920s

![Graph showing growing income inequality in the 1920s]
Hooked on the Horn of Plenty

• Stock market speculation
  – Hope to get rich by “playing the market”
  – People invested to sell the stock at a higher price later, not because of the profits the company would make
  – Buying on margin allowed borrowing of most of the cost of buying a stock
  – Increased speculation and hurt stock market, banks, and borrowers when stocks declined and loans could not be repaid
Buying on Margin

- **Buying Stock**
  - Amount Paid: $100
  - Amount Borrowed from Broker: $900

- **Selling Stock**
  - Amount Paid: $100
  - Sold for: $1,500
  - Sold for: $500
  - Profit: $500
  - Loss: $500

- Total Amount Owed to Broker: $900
Hooked on the Horn of Plenty

• Excessive use of credit
  – Installment buying stimulated by advertising led to increasing consumer debt and overproduction by business
Consumer Borrowing in the 1920s
Skating on Thin Ice

—Chapin in the St. Louis Star.
Hooked on the Horn of Plenty

• Overproduction of consumer goods
  – Too much money went to rich who could invest in new factories; too little money went to poor who could buy products
  – Led to glut of products that could not be purchased
Hooked on the Horn of Plenty

- Weak farm economy
  - 1/2 of all Americans still lived in rural areas
  - Farmers had never shared in prosperity of 1920s
  - Suffered from overproduction, high debt, and low prices since end of World War I
  - Further hit with severe droughts during 1930s
Hooked on the Horn of Plenty

• Government policies
  – Lack of regulation over business
  – High tariffs hurt international trade
  – Low taxes that further shifted share of wealth to rich and put tax burden on middle class
Hooked on the Horn of Plenty

- Global economic problems
  - World more interdependent because of banking, manufacturing, and trade
  - Europe had never recovered from World War I
  - US insisted on repayment of war debts
  - High tariffs did not allow Allies to earn dollars to pay back debt
  - Depression hit worldwide
The World and Nation in the Most Distressing Economic Situation Ever Known
Rugged Times for Rugged Individualists

- Hoover’s dilemma
  - Distressed by widespread misery, but rejected idea of government handouts to poor
  - After local agencies’ relief broke down, Hoover forced to depart from “rugged individualist” philosophy
An awful big contract.
Rugged Times for Rugged Individualists

- Hoover’s compromise between individualism and socialism
  - He would assist those at the top of the economic pyramid (such as banks and railroads)
  - If these were restored, relief would trickle down to poor
Rugged Times for Rugged Individualists

• Criticism of Hoover’s actions
  – He had used government money to help European poor during WWI, but would not help Americans
  – He was willing to lend money to bankers (popularly seen as a prime cause of Depression)
  – He would help agricultural organizations to feed animals, but would not feed people
Blame It on Hoover
Rugged Times for Rugged Individualists

• Why this criticism was unfair
  – Hoover’s actions probably prevented a worse collapse with more suffering
  – His spending on relief was revolutionary for the time, because it turned away from decades of laissez-faire beliefs, and laid groundwork for New Deal
Awful Job to Quiet Anything Around Here
Hoover Battles the Great Depression

- Hoover finally recommended that Congress appropriate massive sums for public works
  - Total of $2.25 billion spent
Hoover Battles the Great Depression

- Hoover Dam
  - Along Colorado River
  - Begin in 1930; completed in 1936
  - Created huge lake for irrigation, flood control, electric power
  - Jobs created to build the dam
Hoover Battles the Great Depression

• Muscle Shoals Bill
  – Would dam the Tennessee River to generate electricity
  – Vetoed by Hoover because government would be competing with private citizens (electric companies)
Hoover Battles the Great Depression

• 1932 – Reconstruction Finance Corporation (RFC)
  – $1/2 billion government lending bank
  – Indirect relief to insurance companies, banks, agricultural organizations, railroads, some state and local governments
  – No loans to individuals

• Criticism of RFC
  – Set up too late to do much good
  – Benefited giant corporations more than people
Hoover Battles the Great Depression

- 1932 – Norris-La Guardia Anti-Injunction Act
  - Outlawed “yellow-dog” contracts (agreement not to join a union as a condition of employment)
  - Forbade federal courts from issuing injunctions to prevent strikes
Hoover Battles the Great Depression

• Hoover’s actions in retrospect
  – Slow but significant move to more government intervention in economy
  – Hurt by uncooperative Congress
    • 1928 – 1930 – Republican controlled
    • 1930 – 1932 – Democrat controlled House and slight Republican majority in Senate
    • Congress “played politics with human misery” (Hoover)
Routing the Bonus Army in Washington

- World War I soldiers wanted early bonus paid by government
  - Voted in 1924; payable in 1945
- Bonus Expeditionary Force (BEF)
  - 20,000 men marched on Washington to demand entire bonus
  - Set up public camps
    - Public health problem
    - Threat to Congress
Routing the Bonus Army in Washington

• Bonus bill failed in Congress by narrow margin
  – Hoover arranged payment by rail for return trip home

• Several thousand refused to leave
  – Riots kill 2 people
Routing the Bonus Army in Washington

- Hoover ordered army out under General Douglas MacArthur to disperse the Bonus Army
  - Used bayonets and tear gas; burned shanties
  - Much more brutal tactics than Hoover intended
Bonus Army Shantytown
MacArthur Directs the Attack to Drive the Bonus Army
Police and Bonus Army Campers Clash
Dispersal Of Veterans With Tear Gas
Burning Camp at Anacostia Flats
Routing the Bonus Army in Washington

- Hoover further attacked
  - Brutality of Bonus Army dispersal
  - Depression
    - “Hooverville”, “Hoover blankets”
Hard Times are Still Hoovering Over US
Japanese Militarists Attack China

- September 1931 – Japanese imperialists attack Manchuria
- Americans stunned by naked aggression
  - Flagrant violation of League of Nations and other international agreements
  - Minority demanded action (boycott to blockade)
Japan Invades Manchuria, 1931
Japan as Breaker of Treaties After Manchuria
A Japanese Soldier Bayoneting a Kellogg Pact Dummy Hanging in the Doorway to Manchuria
Japanese Militarists Attack China

• US takes paper action
  – Refused to cooperate with League of Nations to put economic pressure on Japan
  – Stimson Doctrine
    • Secretary of State Henry L. Stimson
    • US would not recognize territorial acquisitions gained by force
Japanese Militarists Attack China

• Japan is not deterred
  – 1932 – Japan bombs Shanghai, killing many civilians
  – US remains isolationist – refusal during Depression to intervene in China

• World War II may have started in 1931 in Manchuria
  – League of Nations had power but not will to stop aggression, especially without support of US
Hoover Pioneers the Good Neighbor Policy

- “Good Neighbor” policy
  - Hoover interested in improving relations with Latin America
  - 1928 – took a goodwill tour of area, but on a US battleship
  - Withdrew troops from Haiti and Nicaragua
  - Expanded by FDR in 1930s