

Chapter 31: The Politics of Boom and Bust (1920-1932)

The Republican “Old Guard” Returns

- Warren G. Harding became president in 1920
 - He was known to be relatively gentle, easy-going, and weak-willed in personality
 - People liked him, but it was too easy to sway him politically, and he himself felt unfit for the presidency because he wasn't stern enough
 - He surrounded himself with some corrupted people in his cabinet
 - Charles Hughes, Andrew Mellon, and Herbert Hoover were good cabinet members, but Albert Fall (an anti-conservationist), Harry Daugherty (a corrupt politician) were greatly negatively influenced the country

GOP Reaction at the Throttle

- Harding was very pro-business, similar to President McKinley
 - He wanted to keep a laissez-faire government
 - He enforced this by staffing many of the courts and official positions with his supporters
 - Antitrust laws were “often ignored, circumvented, or feebly enforced by friendly prosecutors”
 - Trade associations were essentially free to create themselves and work against trade unions
- The Supreme Court was very conservative under President Harding
 - Four of the justices were chosen under him (most of them were very conservative)
 - The Supreme Court stopped a child-labor law, went against labor unions, took away minimum wage for women, and prevented special protection of women in Adkins v. Children's Hospital (1923)
 - This even contradicted a previous Supreme Court Case, *Muller v. Oregon*, that gave women extra protection over men
 - This prompted the debate about women's total equality (including benefits) now that they had the equality to vote

The Aftermath of War

- Government control of the economy quickly disappeared under Harding's rule
 - The War Industries Board (which “coordinated the purchase of war supplies”) was taken down
 - Railroads were returned to private companies
 - The Interstate Commerce Commission changed its focus from regulating the railroads to ensuring their profitability
- The government tried to lessen its control of shipping (ensuring a more protectionist economic view with less foreign interaction)
 - The Merchant Marine Act (1920) allowed the Shipping Board to disassemble many of its ships for low prices

- The La Follette Seaman's Act provided cheap food and supplies to American sailors, essentially disallowing them from competing viably with foreign competition
- Labor unions were greatly hurt by the government
 - There was a steel strike in 1919, which was broken up by calling the strikers "reds" (because of the Red Scare and the hate for the communists) and by using racial divisions to weaken the strikers
 - Labor strikes were ruthlessly shut down by the government
 - Wages for labor were cut by 12%
 - Labor unions lost 30% of their members in the 1920s
- Veterans benefitted under Harding
 - The Veterans Bureau (1921) was created in government, as well as the patriotic organization The American Legion (1919)
 - The Legion lobbied for increased veterans' benefits, which eventually passed through Congress with the Adjusted Compensation Act (1924) (even though both Harding and Coolidge vetoed it)

Work, Exchange, and Technology: The primary effect of the Republicans returning to power in the U.S. from the former Democratic administration under Wilson was a change in economic policy to the more conservative Republican pro-business values. For example, labor unions and merchants were discouraged because of their anti-industry, anti-protectionist values. Some progressive acts, including even Supreme Court decisions such as *Muller v. Oregon*, were overturned by this new Republican pro-business legislature. This pro-business stance showed continuity from recent Republican leaders such as McKinley and his high tariff, but the harsh action against anti-business organizations (such as the harsh and absolute suppression of many labor strikers) arguably consolidated the Republican party's strictly pro-business view, a view that persists to today with Republicans such as President Donald Trump supporting business.

America Seeks Benefits Without Burdens

- U.S. officially declared peace with the Central Powers in 1921
- The U.S. was still very isolationist, and the Republicans did not like the idea of the League of Nations
 - However, the U.S. had to get involved in foreign affairs in the Middle East, where there was a feud with Great Britain for oil drilling areas
 - The U.S. won some land for oil drilling
 - The U.S. had to agree with other countries over the issue of disarmament
 - There was the "Disarmament Conference" (1921) that included all the major naval powers of the world (except the new Bolshevik Russia)
 - The countries agreed in the Five-Power Naval Treaty (1922) to scale down the navies of U.S. and Britain and allow Japan to increase by a little (ratio of 5:5:3 of number of battleships and aircraft carriers for U.S.:Britain:Japan)
 - Some concessions were made to Japan for having the smaller end of the deal

- The Four-Power Treaty put Britain, Japan, France, and the U.S. together to maintain the Pacific Ocean
- The Nine-Power Treaty (1922) ensured that China stayed open to trade to the major powers of the world
 - There were some loopholes in the deals of the Disarmament Conference, such as the fact that small warships were not counted in the Five-Power Naval Treaty and no military backing in the Four-Power Treaty
- The Kellogg-Briand Pact (1928) was an agreement between 62 countries that war would not be used to resolve disputes between nations, but rather policy changes; this was an attempt to “outlaw” war, an idea popular in the U.S. at the time
 - The Pact was mostly idealistic and somewhat vague, only serving to show the American ideal against war but not enforced

Hiking the Tariff Higher

- Businessmen tried to increase isolationism and protectionism with higher tariffs
 - They were afraid of cheap goods from Europe flooding the American market, especially now that the war was over and the European nations were recovering
 - The Fordney-McCumber Tariff Law (1922) raised taxes again to an average of 38.5%
 - The new Tariff Commission advised the government on tariffs and its creation allowed for tariff changes by up to 50% on goods
 - Presidents Harding and Coolidge generally increased tariffs, and did so on generally commonplace items
- The high tariffs of America prevented Europe from trading with America
 - This was important in war-impooverished Europe, which needed the American market to help it recover
 - European nations generally ended up putting up high tariffs and other protectionist boundaries themselves, which hurt their economy even more

America in the World: Although the U.S. wanted to continue an isolationist view following WWI, it was inevitably drawn into some of the struggles of the post-war era. With the World War involving many countries, the U.S. had to agree with other nations multilaterally for the first time. In the Five-Power Naval Treaty, the Four-Power Treaty, and the Nine-Power Treaty, the U.S. put itself at the forefront of the deals by giving itself (and the other victors) a great deal of power. For example, the Five-Power Naval Treaty authorized itself and Britain to have the largest navies in the world, as well as a slightly smaller navy fellow victor Japan. The U.S. also made somewhat idealistic pacts as well, such as the Kellogg-Briand Pact that theoretically outlawed war, but gave no way to enforce it; this law was broken when the Japanese invaded China at the beginning of WWII. The U.S. also levied high tariffs in its government, which discouraged trade with the recovering European nations. In total, these international policies generally benefitted the U.S. the most and shut out the other nations; this trend of self-serving policies epitomized the “America First” idea of isolationist America in that time period.

The Stench of Scandal

- Colonel Charles R. Forbes robbed the government of \$200 million (1923) by building veterans' hospitals at ripoff prices (and sentenced to jailtime)
- The Teapot Scandal was when the Secretary of the Interior Albert B. Fall secretly accepted a bribe from two petroleum businesspeople (Harry F. Sinclair and Edward L. Doheny) in exchange for leasing oil-rich lands to them
 - The oilmen were acquitted but Fall was sentenced to jail
 - Very scandalous because it involved the Secretary of the Interior, the Secretary of the Navy, the President, rich businessmen, and petroleum reserved for the U.S. navy
- Attorney General Harry Daugherty illegally sold alcohol and was forced to resign
- Harding died on a trip to Alaska
 - He himself believed that he was too morally weak for the job, and as a result his presidency yielded the most political scandal since President Grant

"Silent Cal" Coolidge

- Vice President Calvin Coolidge was quickly inaugurated president upon Harding's death
 - Coolidge as more strong-willed and moral than Harding
 - He was rather mediocre and boring
- Coolidge continued Harding's pro-business and isolationist stance
- Coolidge helped to get rid of political corruption in government by excusing some of the officials

Frustrated Farmers

- During the war, prices of agricultural goods had been high, which helped the farmers
- After the war, with foreign competition re-entering the market and the tractor greatly increasing farmers' output, there were more surpluses and foreign goods, causing prices to drop and another depression to happen for the farmers
- A "farm bloc" formed of representatives from some of the Southern states worked together to try to help agricultural
 - They passed the Capper-Volstead Act, which made agricultural organizations exempt from being considered a trust and therefore immune to antitrust laws
 - They tried (unsuccessfully) to pass the McNary-Haugen Bill, which would make the government buy up agricultural surpluses to keep prices high and sell the surplus to foreign nations
 - Coolidge vetoed it twice, even though Congress had approved it twice as well

A Three-Way Race for the White House in 1924

- Republicans re-nominated Coolidge for the presidential election of 1924
- The Democrats were very split within their party between various groups over various issues
 - This included the "wets' and 'drys,' urbanites and farmers, Fundamentalists and modernists, northern liberals and southern stand-batters, immigrants and old-stock Americans"
 - They eventually decided on John W. Davis, although he was somewhat conservative
- The Progressive Party nominated Robert La Follette

- He was supported by farmers, the American Federation of Labor, and the Socialist party
- His party wanted the nationalization of the railroads and antitrust laws
- Coolidge won re-election into the presidency by a large margin

Politics and Power: As always, politics was associated with corruption and widespread discontent. Similar to under President Grant, being too lenient in the presidency caused much political scandal, such as the Teapot Dome which involved some of the offices closest to the President. On the other hand too much strictness on the farmer masses — which formed a great deal of the population at the time — caused great discontent amongst farmers against the federal government, even gaining enough power and support to pass laws such as the Capper Volstead Act and the McNary-Haugen Bill that specifically aim themselves towards benefiting farmers. Harding's successor Calvin Coolidge ended up being more of a happy medium of economic leniency, as well as a high moral standard, which prevented both political scandal and lashbacks from the public.

Foreign-Policy Floundering

- The U.S. disregarded its anti-interventionist policy in Latin America
 - It kept troops in Nicaragua and the Dominican Republic
 - There were disputes with Mexico about drilling for oil
- There was the confusion between America and the Allies about war debts
 - The U.S. had loaned \$10 billion to the Allies both before and after the war and then demanded its money back
 - The Allies believed that the loan should be a war cost, similar to human lives; they should expect it back
 - The Allies also justified their cause by saying that the high American tariffs had made it almost impossible to pay off the debt

Unraveling the Debt Knot

- To try to pay off the \$20 billion of debt to the U.S., France and Britain tried to make Germany pay \$32 billion to them, who in turn could pay back to the U.S.
 - The Germans responded by allowing their money to inflate, which meant that the \$32 billion was worth a lot less than it used to be
 - This inflation in turn also threw the German economy into chaos
 - The U.S. didn't want to have inflated money pay back their loans
- The U.S. created the Dawes Plan (1924) that helped solve the problem of debt
 - It allowed the U.S. to give loans to Germany
 - Germany in turn could give money to France and Britain, who could give money to America again
 - This allowed all of the countries to stay out of bankruptcy, passing money on, until the U.S. stock market and the end of the loans to Germany
 - This caused all of the debtor nations to the U.S. (except Finland) to default, so that the U.S. never received its full loan back

- The inability of the European nations to pay America back greatly influenced the American decision to remain neutral at the beginning of WWII

American and National Identity: In a time when money was being owed to the U.S., America felt that it should “do the right thing” and loan money out to the needy European nations. The reasoning behind that was largely idealistic, similar to the idealistic but impractical anti-war Kellogg-Briand Pact: the U.S. believed that if the cycle of money — loans to Germany, which would pay France and Britain and other victors, who would pay back the U.S. — continued for long enough, then the original \$10 billion loan from the U.S. to Europe would be repaid. However, the Americans learned a difficult lesson when it hit the depression of the 1930s, and the cycle of money-lending and loan-repaying in Europe collapsed, resulting in America not being repaid of its loans. This gave the U.S. a dose of practicality and a stronger sense of mistrust and disdain for foreign countries that strengthened isolationism, which was then a strong part of the popular national identity of the U.S.

The Triumph of Herbert Hoover, 1928

- Herbert Hoover, the Secretary of Commerce under Coolidge, was nominated as the presidential nominee for the Republicans in 1928
 - He was known for his moral rectitude and hard work, from which he became a self-made millionaire; he embodied the “American Dream”
 - Being an industrial engineer and a millionaire, he was pro-business and generally went against socialism
 - However, he did support labor unions and nationalization of the radio
 - “His real power lay in his integrity, his humanitarianism, his passion for assembling the facts, his efficiency, his talents for administration, and his ability to inspire loyalty in close associates”
- Al Smith, the governor of New York, was nominated to be the presidential nominee for the Democrats in 1928
 - He had a “colorful personality”; i.e., he was easygoing and happy and likeable in personality
 - He was Roman Catholic, from the cities, and promoted alcohol; all of these were not very popular among the people who were primarily Protestant, anti-alcohol, and recently from a rural majority
- Herbert Hoover won the presidential election of 1928 with 444 electoral votes to 87 for Al Smith
 - He was the first Republican president to win states that were a part of the Confederacy and all off the Border States

President Hoover’s First Moves

- There was general prosperity at the beginning of Hoover’s rule
 - However, the “unorganized wage earners and especially the disorganized farmers” were not still poor
- To help the farmers, the Agricultural Marketing Act (1929) was passed, which created the Federal Farm Board that helped farmers by buying up surpluses to keep prices high

- The Federal Farm Board created the Grain and Cotton Stabilization Corporations to manage wheat and cotton, respectively
 - Both of these failed when there were too many surpluses, and the prices of wheat remained low and the farmers poor
- The farmers looked on a high tariff and little foreign competition as their last hope
 - Congress passed the Hawley-Smoot Tariff (1930) that raised tariffs to an extremely high rate (60% from the already-high 38.5% from the Fordney-McCumber Act of 1922)
 - The high tariff increased resentment from European nations, who found it even harder to trade with the U.S. than before

The Great Crash Ends the Golden Twenties

- The stock market was on the verge of collapse by 1929 because profits had risen so lucratively just in paper money and people thought it would never stop
- In October of 1929, Britain raised interest rates for investors
 - Many American investors in Britain took out their money from the stock market to pay the British
 - This led to more and more Americans pulling out their money all of a sudden, especially on Black Tuesday (October 29, 1929), on which over 16 million stock shares were sold and the stock market collapsed
- The stock market lost \$40 billion by the end of the year (more than WWI had cost to the U.S.)
 - This in turn led to over 4 million unemployed workers in the U.S., which became around 12 million by 1931
 - Over 5,000 banks had collapsed
 - Many people became very poor and had to sell property because they could not afford it

Hooked on the Horn of Plenty

- There were many factors that caused the Great Depression
 - Overproduction was the main one: the U.S. was producing too many goods but not having an adequate amount of demand
 - The credit system was faulty and overexpanded
 - High tariffs in the U.S. and subsequently in Europe caused the restriction of trade, which weakened both the U.S. and the European nations' economies
 - This led to the collapse of many European nations right after the collapse of the American one
 - In 1930 there was a drought in the Mississippi Valley, worsening the depression for farmers
- "Hoovervilles" were the name given to "towns" of makeshift houses created by the newly-homeless during the Depression

Work, Exchange, and Technology: The Great Depression was of utmost importance during the presidency of President Harding. Economic policies meant to continue the smooth exchange of goods and were passed even before the Depression, such as the Hawley-Smoot Tariff and the Agricultural Marketing Act, both of which benefitted American farmers. However, by limiting the exchange of goods with

foreign nations with high tariffs such as the Hawley-Smoot Tariff, the U.S. invited financial disaster when the European nations did the same with heightened tariffs and none of the major world powers could help each other when the chain of events causing the Great Depression came and people panicked. However, the depression taught the U.S. that high tariffs and complete isolationism were bad in an increasingly globalized and interdependent economy, which paved the way for mostly free-trade policies in the future.

Rugged Times for Rugged Individualists

- Herbert Hoover's reputation dropped because he failed to keep the country profitable
- Hoover decided (at first) not to give government handouts to the people
 - He believed that giving money to the people would weaken their virtue of self-reliance, which the people should build by themselves in order to rebuild the national economy
 - Eventually Hoover was forced to give out federal money
 - However, he gave the money not directly to the people, but to "railroads, banks, and rural credit corporations" to create a trickle-down effect (i.e., if these large industries were prosperous, then their prosperity would continue down the economic ranks to the poorer people)
 - This strategy was criticized by people thinking that he was only supporting big business

Hoover Battles the Great Depression

- Hoover asked for large public works projects to try to stimulate the economy
 - Congress ended up giving \$2.25 billion to fund these projects
 - This included the Hoover Dam (completed 1936 under FDR)
 - Hoover still blocked anything that was socialistic
 - He blocked the Muscle Shoals Bill, which was a public works project but involved government sales in competition with private companies
- The Reconstruction Finance Corporation (RFC) (1932) was created to carry out Hoover's idea of government handouts
 - The RFC was given half a billion dollars to lend out to "insurance companies, banks, agricultural corporations, railroads, and even hard-pressed state and local governments"
 - It was very beneficial, particularly to the government and to the subsidized businesses
- Hoover helped labor unions with the Norris-La Guardia Anti-Injunction Act (1932) that prevented antiunion contracts and prevented the government from creating injunctions to "restrain strikes, boycotts, and peaceful picketing"
 - This trend of helping the poor masses through policy change was continued through with in FDR's presidency
- Hoover's presidency was hampered by Congress
 - Many Republicans did not agree with his policies and turned against him
 - The Democrats had gained a majority of both houses during his presidency
 - Both the insurgent Republicans and the Democrats opposed his policies

Routing the Bonus Army in Washington

- Many WWI veterans who were to receive the bonus in 1945 wanted to receive their entire bonus in 1932 from government
 - The Bonus Expeditionary Force (BEF) (1932) marched to Washington and set up shacks in a giant “Hooverville,” declaring that they would stay there until they received their bonus
 - Hoover evacuated them with the army under General MacArthur, but it turned out to be brutal and greatly diminished Hoover’s popularity

Culture and Society: From the engenderment of the U.S. with the American Patriots against Great Britain, Americans have always fought against economic injustices, whether they were true or not. The Patriots fought against the “high taxes” from Britain, even though their taxes were much lower than those of mainland Great Britain; similarly, the soldiers of the BEF claimed stakes to the bonuses that were not to be materialized for another 13 years to get immediate benefits during a hard time. While this strike was shut down by the government, this shows the weak hold that the people had on the government during this time. This followed a trend of shutdowns of labor unions and any other “socialistic” practices; the BEF ended with a terrifying military evacuation. This showed the great cultural influence of the “Red Scare” upon the people during this time, especially in the government.

Japanese Militarists Attack China

- Japan attacked China because it knew that there was an economic depression in the western powers (Europe and America) and that they wouldn’t fight back
 - The U.S. didn’t have a strong economic relationship with China but it still believed that the Japanese invasion was immoral
 - The Japanese violated various agreements with the League of Nations and more
- The League of Nations did not act
 - The lack of backing from the U.S. weakened their ability to act
- The U.S. did not act militarily
 - They gave the Stimson Doctrine (1932) that “declared that the United States would not recognize any territorial acquisitions achieved by force”
 - There were minor boycotts of Japanese products in the U.S., but this had very little effect and was mostly symbolic
- WWII was essentially begun by the Japanese aggression and invasion of China, unchecked by other world powers

Hoover Pioneers the Good Neighbor Policy

- Because of the economic depression, the U.S. had less money to invest in and intervene in other countries, particularly the South American countries that many American troops were stationed in
 - As a result of the less amount of money, the support for interventionist policies in Latin America

- The U.S. finally withdrew troops from Haiti and Nicaragua due to this newfound sentiment
- This was the beginning of the “Good Neighbor Policy” of FDR

America in the World: The Great Depression caused a profound change in the foreign policy of the U.S. Rather than looking to dominate the American continents, the Depression made the U.S. lose interest in any sort of interventionism whatsoever to focus its efforts on the domestic economic issue, and the U.S. consequently pulled out troops from Latin America. Similarly, the U.S. avoided intervening in east Asia where Japan attacked China without provocation. This decision to not involve itself in a world event with an economic trading partner shows the evolving, more cautious side of American politics: the need of avoiding a war was greater than the cause of losing a single trading partner. This essentially was the end of the American imperialism that had begun under McKinley and Theodore Roosevelt, and the creation of the “Good Neighbor” policy under FDR that promised non-intervention and better interactions with Latin American countries, which eased relations and lessened hostilities between the U.S. and Latin American countries.