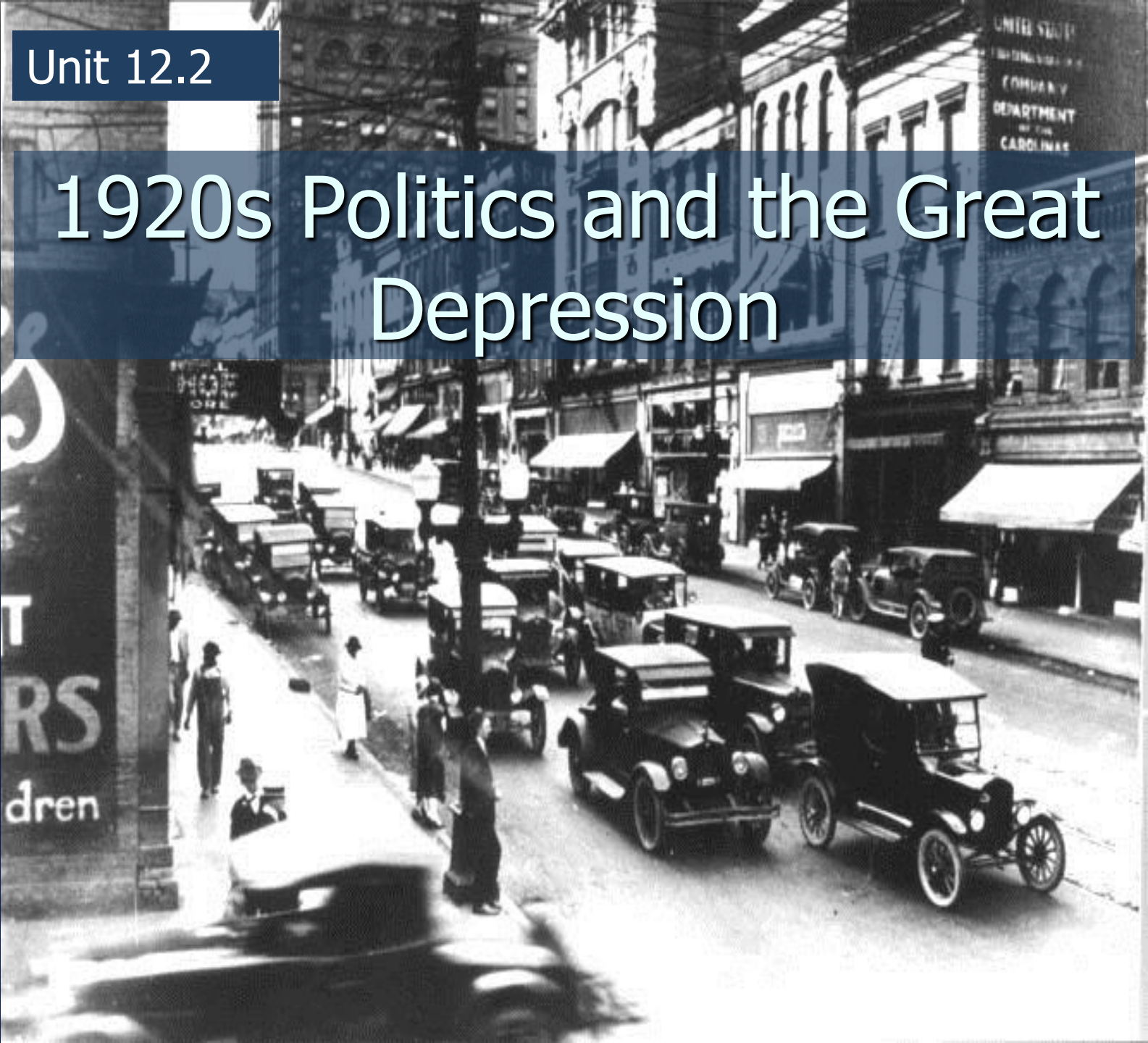


Unit 12.2

1920s Politics and the Great Depression





1920s Politics: Prosperity and Depression

Theme 1

The Republican administrations of the prosperous 1920s pursued conservative, pro-business policies at home and economic unilateralism abroad.



Political Ideology

Liberalism/Progressivism

- Gov't regulation of business
- Federal gov't as an agency of human welfare
- Graduated income tax/lower tariff

Conservatism

- Laissez Faire (“Rugged Individualism”)
- States’ Rights
- Lower taxes/higher tariffs

Equality

Liberty

- Progressive-Republicans and Wilson Democrats: 1900-20
- Democrats: 1932-present

- “Old Guard” Republicans: Gilded Age and 1920s
- Republicans: 20th century
- Southern Democrats: 1877-1994

CYCLES IN AMERICAN HISTORY

Liberalism/Progressivism

- Gov't regulation of business
- Gov't Programs to Help People
- Higher taxes
- Civil Rights

Conservatism

- “Rugged Individualism”
- States' Rights
- Lower taxes
- Moral reform



Equality

Liberty

1. Progressive Era: 1900-1920

3. Democrats: 1932-1952

5. Democrats: 1960-1968

8. Democrats: 1992-2000

10. Democrats: 2008-?

2. Republicans: 1920-1932

4. Republicans: 1952-1960

6-7. Republicans: 1968-76; 1980-92

9. Republicans: 2000-2008

WHO WERE THEY BETWEEN 1900-1932?

Democrats



- Working class
- Irish/“New Immigrants”
- Catholics
- Populists (western farmers)
- Southern Whites

Republicans



- Middle Class/Upper Class
- White Protestants
- African Americans

WHO ARE THEY NOW?

Democrats



- Working class
- African Americans
- Latinos
- Women
- Intellectuals
- Gays/Lesbians

Republicans



- Middle Class/Upper Class
- White males
- Evangelical Christians
- White Southerners

I. Election of 1920:

- A. Republicans nominated Senator **Warren G. Harding** of Ohio (and Calvin Coolidge as vice presidential running mate)





1. Party platform was ambiguous regarding the League of Nations
2. Harding spoke of returning America to **“Normalcy”**
3. Conservative “Old Guard” wing of the party now dominated
 - Progressive Republicans lost much of their influence

B. Democrats nominated James Cox who supported the U.S. joining the League of nations

-- Franklin D. Roosevelt was his vice presidential running mate

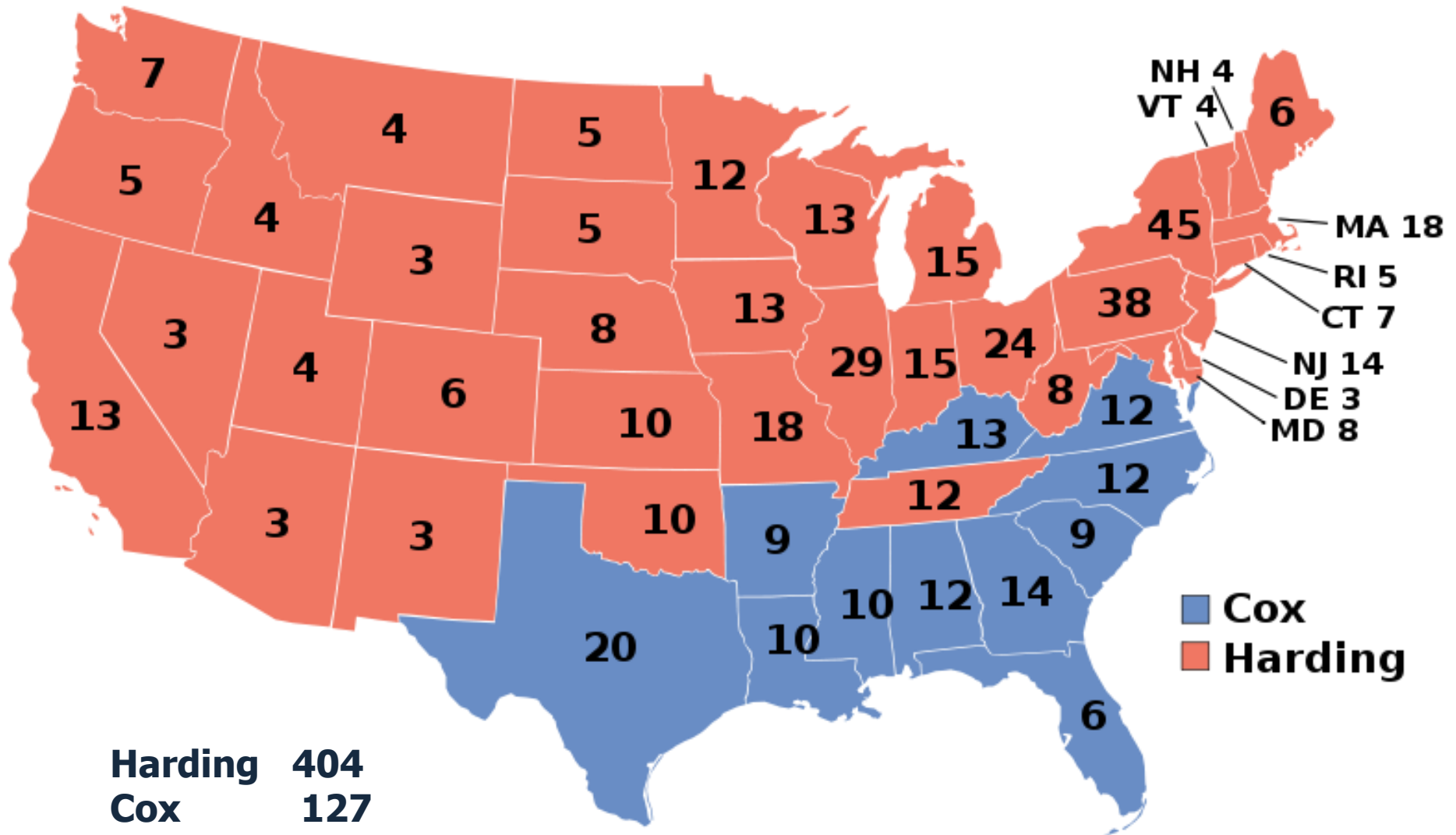




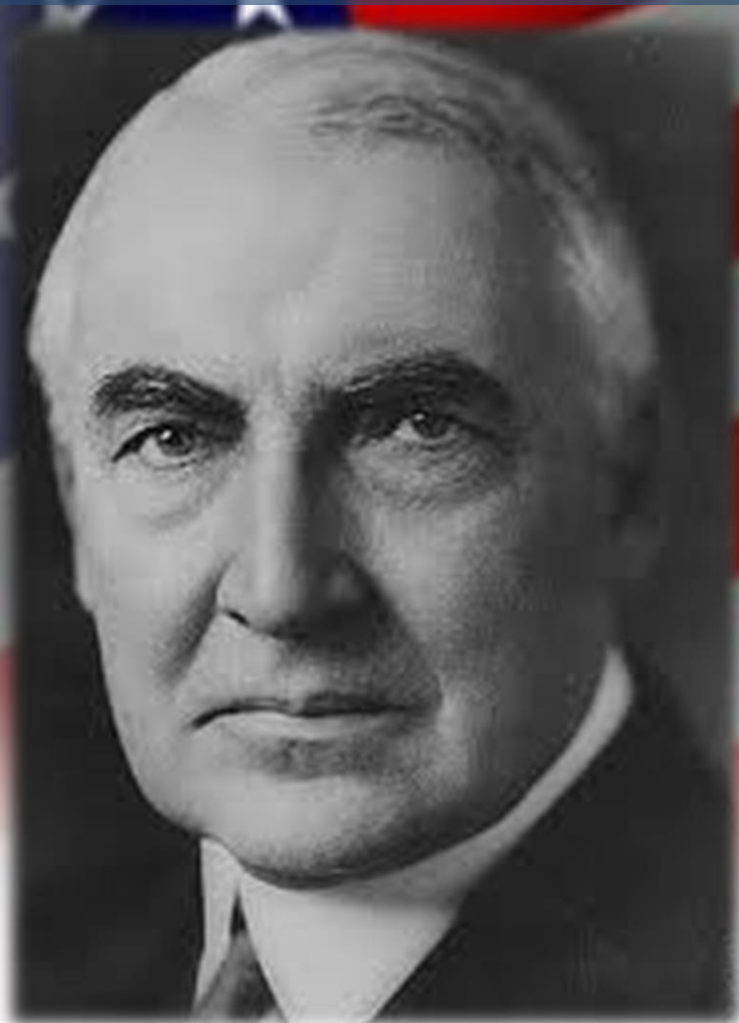
C. Results

1. Harding defeated Cox 404-127
2. Women voted for the first time in a presidential election
3. Eugene Debs received 6% of popular vote while sitting in jail
4. Republicans turned the election into a mandate to block U.S. entry into the League of Nations.

Election of 1920



President Warren G. Harding
1921-1923
Republican



Presidential Rankings: C-Span Survey, 2009

- | | | |
|-----------------------|-----------------------|-----------------------|
| 1. Abraham Lincoln | 15. Bill Clinton | 29. Zachary Taylor |
| 2. Franklin Roosevelt | 16. William McKinley | 30. Benjamin Harrison |
| 3. George Washington | 17. John Adams | 31. Martin Van Buren |
| 4. Theodore Roosevelt | 18. George H.W. Bush | 32. Chester Arthur |
| 5. Harry Truman | 19. John Quincy Adams | 33. Rutherford Hayes |
| 6. John Kennedy | 20. James Madison | 34. Herbert Hoover |
| 7. Thomas Jefferson | 21. Grover Cleveland | 35. John Tyler |
| 8. Dwight Eisenhower | 22. Gerald Ford | 36. George W. Bush |
| 9. Woodrow Wilson | 23. Ulysses Grant | 37. Millard Fillmore |
| 10. Ronald Reagan | 24. William Taft | 38. Warren Harding |
| 11. Lyndon Johnson | 25. Jimmy Carter | 39. William Harrison |
| 12. James Polk | 26. Calvin Coolidge | 40. Franklin Pierce |
| 13. Andrew Jackson | 27. Richard Nixon | 41. Andrew Johnson |
| 14. James Monroe | 28. James Garfield | 42. James Buchanan |



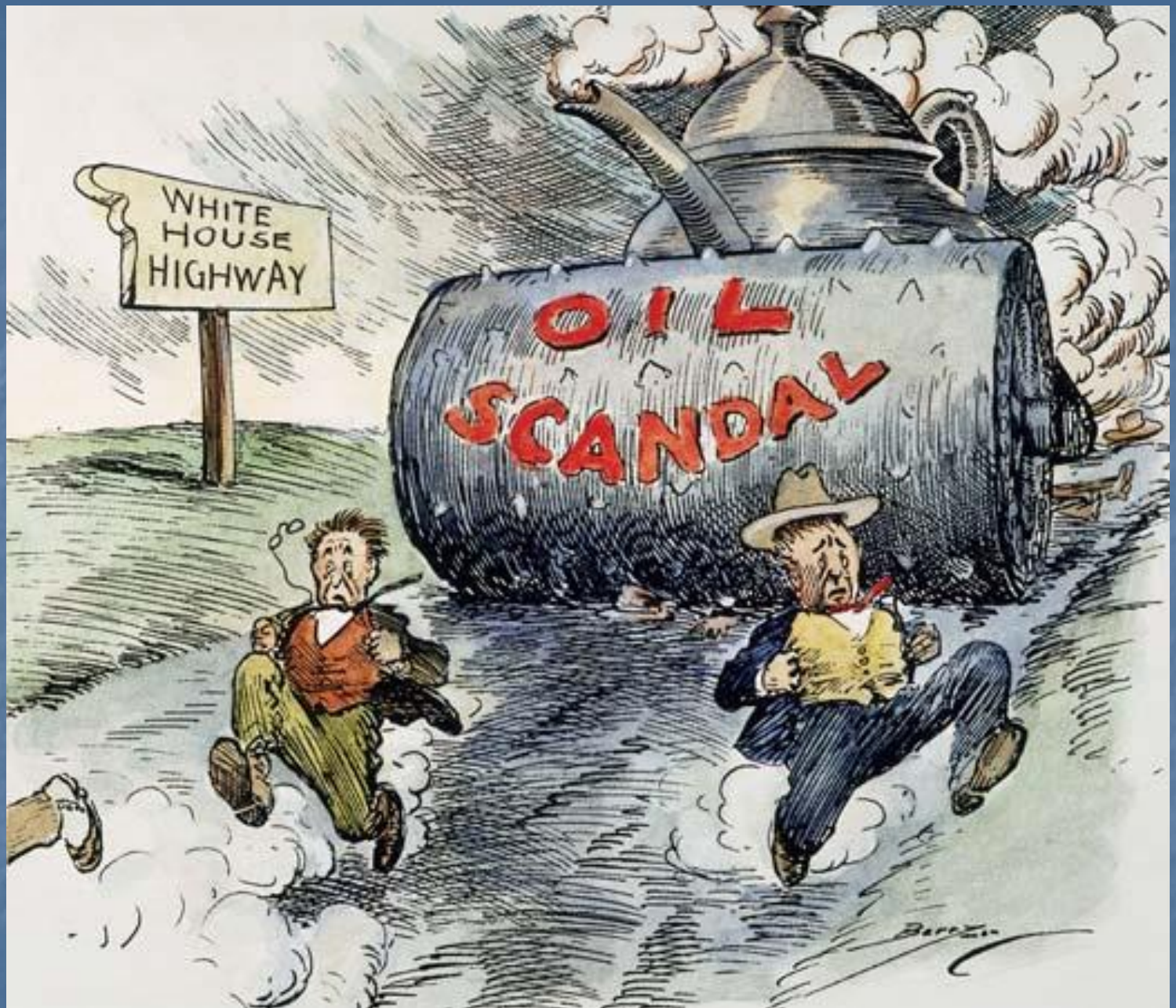
II. Harding's administration

A. Scandal

1. "Ohio Gang" or "Poker Cabinet"
 - Harding used his connections with friends in his cabinet to make money in some instances
2. Veterans Bureau chief stole about \$200 million from funds to build veterans' hospitals



- 3. Teapot Dome Scandal, 1923:** one of the biggest presidential scandals of the century
- a. 1921, Sec. of Interior Albert Fall transferred naval oil reserves to the Interior Dept.
 - b. Harding signed the order
 - c. Fall took a \$400,000 bribe to lease the land to oilmen
 - d. Scandal became public after Harding's death in 1923
 - Oilmen were acquitted
 - The case undermined Americans' faith in the courts and public officials



A 1924 political cartoon shows fallout from the Teapot Dome Scandal



4. Attorney General Harry Daugherty forced to resign for illegal sale of pardons and liquor permits

a. He was acquitted in two trials

b. One of his advisors committed suicide

B. Harding died in 1923 while on a speech tour

1. The scandals had not yet reached the public

2. Stress from the scandals may have contributed to his death

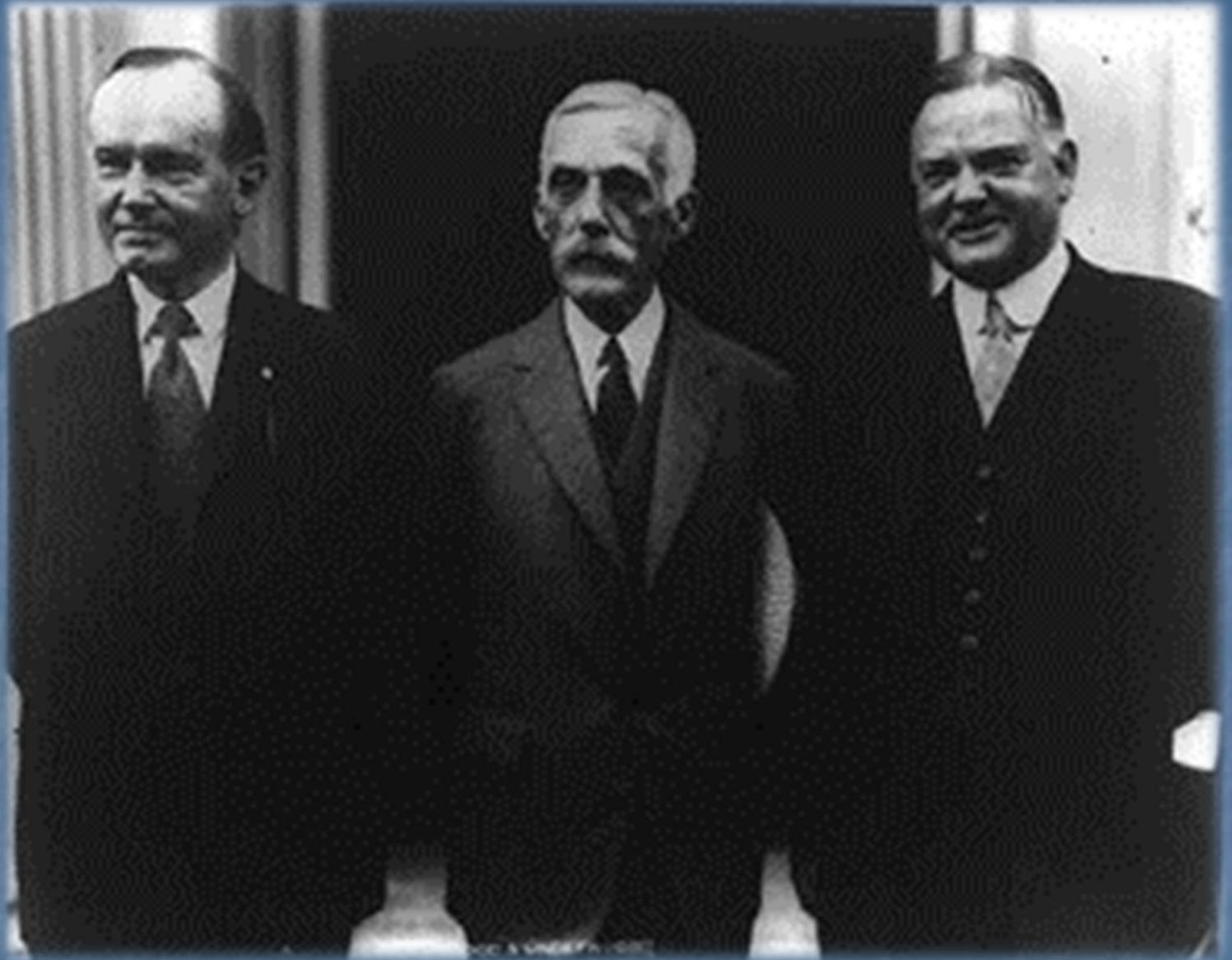
3. V.P. Coolidge became president



C. Significant members of Harding's cabinet

1. Secretary of State Charles Evans Hughes led several important international peace conferences
2. **Andrew Mellon**, Secretary of the Treasury: lowered the national debt and taxes for the wealthy





Calvin Coolidge, Andrew Mellon and
Herbert Hoover



3. **Herbert Hoover**, Secretary of Commerce

- a. Only major progressive cabinet member; sought reform
- b. Promoted increased cooperation between government and business
- c. Made headlines for humanitarian role in the Mississippi Flood of 1927





4. The Republican "Old Guard" dominated Harding's cabinet
-- Resembled the McKinley-style old order of the Gilded Age



D. Conservative economic agenda of the 1920s (initiated by Harding; advanced by Coolidge & Hoover)

1. Role of gov't is to make business more profitable

a. **“Trickle down” theory:**

tax cuts for corporations and the wealthy

- Put forth by Andrew Mellon
- Tax cuts would result in more business investment thus creating more jobs
- Tax burden shifted to the middle class

Percentage Share of Total Income Taxes Paid by Income Class: 1920, 1925, and 1929

Income Class	1920	1925	1929
Under \$5,000	15.4%	1.9%	0.4%
\$5,000-\$10,000	9.1%	2.6%	0.9%
\$10,000-\$25,000	16.0%	10.1%	5.2%
\$25,000-\$100,000	29.6%	36.6%	27.4%
Over \$100,000	29.9%	48.8%	62.2%

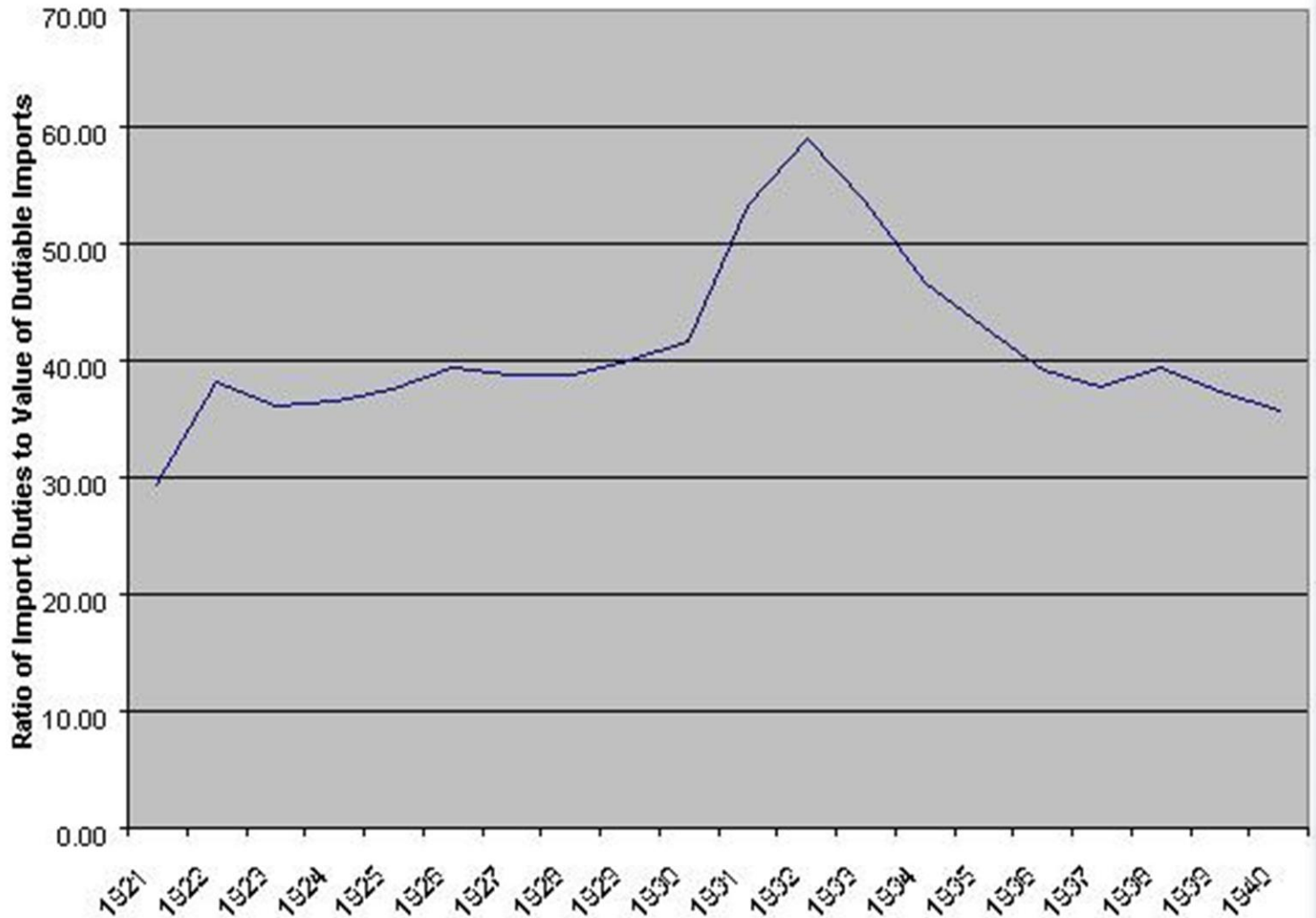
Source: Internal Revenue Service.



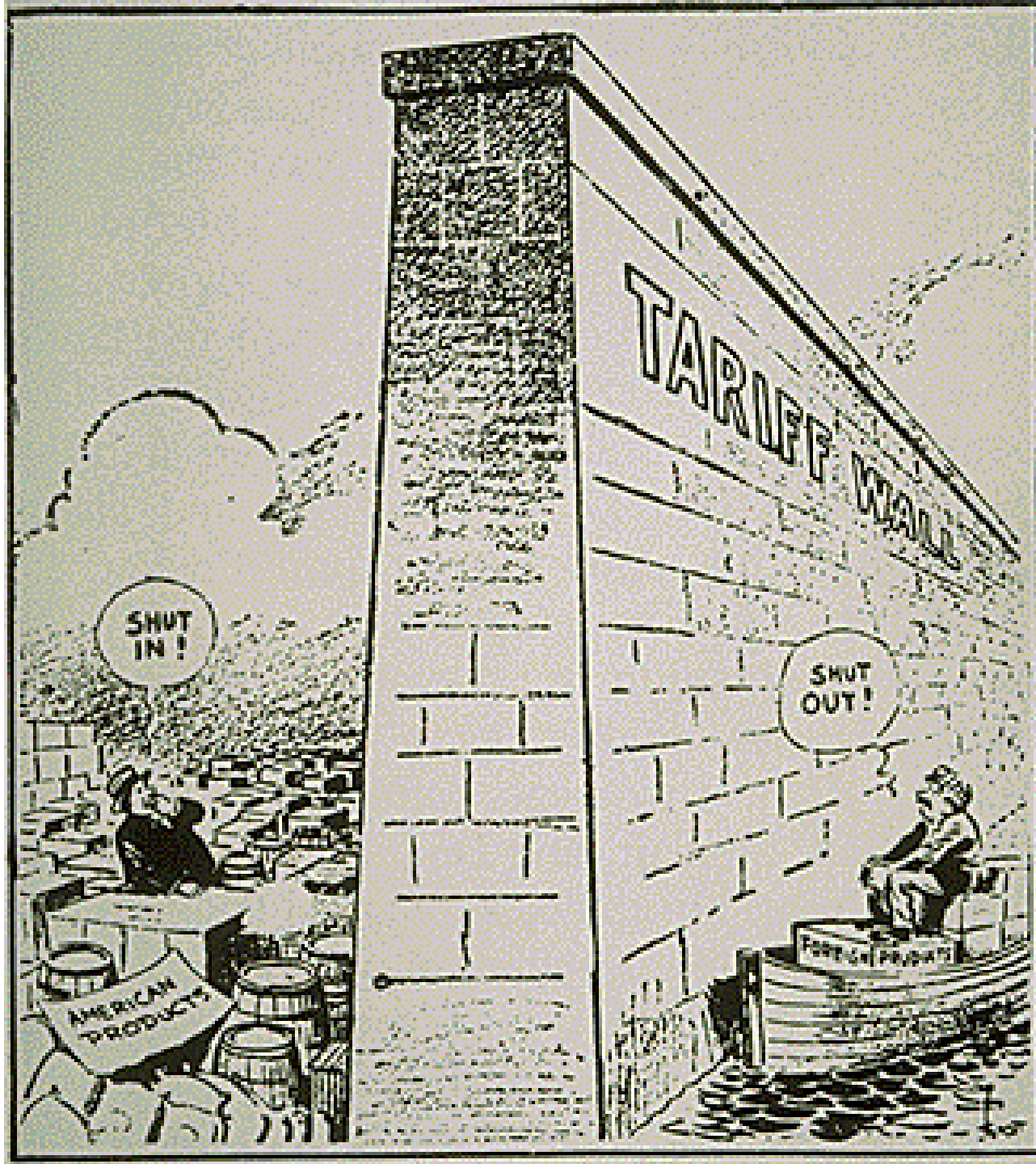
b. Higher tariffs: **Fordney-McCumber Tariff (1922)**

- Businessmen feared cheap goods from Europe
- Tariffs up from 27% to 38.5%
- Duties on farm produce also increased
- Impact
 - Europeans' post-WWI recovery was hurt
 - Europeans struggled to pay back debts to U.S.
 - Europe retaliated with higher tariffs on U.S. goods

U.S. Tariff Rates, 1921-1940



“It Works Both Ways,” c. 1922





2. Federal government's role should be limited and stay out of the way of business (*laissez faire*)
 - a. Less gov't regulation in the 1920s than during the progressive era
 - b. Harding appointed men to regulate agencies who didn't like progressive regulation



3. Gov't helped facilitate consolidation of industries (monopoly)
 - a. Antitrust laws not enforced by Attorney General Daugherty
 - b. Industrialists set up **trade associations** where firms in an industry would cooperate
4. Businessmen ran the government as they were seen as experienced in management



5. Rejected federal gov't programs to help common people or local economies
 - a. Did little to help Mississippi Flood victims
 - b. Rejected a plan to provide hydroelectric power in the Tennessee Valley
 - c. Conservatives believed local communities and charity should solve local issues



6. Conservatives were appointed to the Supreme Court
 - a. Harding appointed 4 justices in less than 3 years
 - b. The Court reversed many of labor's gains and restricted gov't intervention in the economy
 - *Adkins v. Children's Hospital* (1923):
invalidated a minimum-wage law for women



7. Conservatives were anti-union
 - a. Conservatives shocked by the 1919 Seattle General Strike, Boston Police Strike, steel strike, and others
 - b. 30% drop in union membership between 1920 and 1930
 - c. 1922 railroad strike ended by one of the most sweeping injunctions in U.S. history



8. Reduction of national debt by making gov't smaller
 - a. National debt increased from from \$1.2 billion in 1914 to \$24 billion in 1921
 - b. Bureau of the Budget was created by Congress in 1921 to reduce the national debt
 - c. Secretary of Treasury Andrew Mellon reduced the national debt from \$26 billion to \$16 billion

President Calvin Coolidge

1923-1929
Republican





III. The Coolidge presidency

A. Coolidge carried on Harding's conservative agenda

B. The farm problem

1. Causes

a. Recovery of European farmers brought less demand for U.S. farm products

b. Machines increased production which led to lower prices

-- Gasoline-powered tractor revolutionized farming





2. A depression hit farmers in the 1920s as 25% of farms were sold for debt or back taxes
3. McNary-Haugen Bill
 - a. Bipartisan "farm bloc" from agricultural states sought to aid farmers
 - b. Planned to keep agricultural prices high by authorizing the gov't to purchase surpluses and sell them abroad
 - c. Gov't losses would be regained by a tax on farmers
 - d. Coolidge vetoed the bill twice



C. Election of 1924

1. Party Nominations

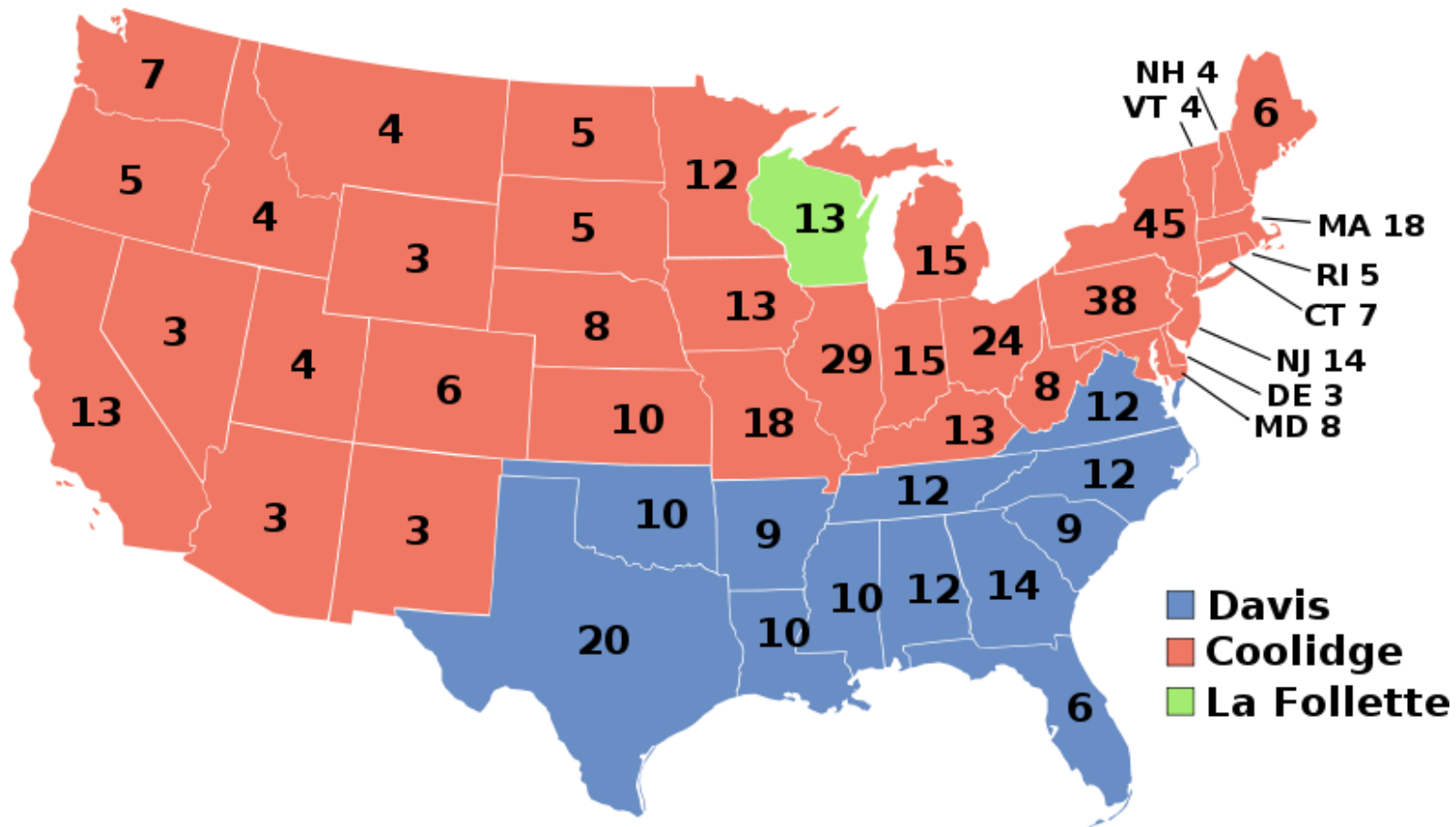
a. Republicans nominated Coolidge

b. Democrats nominated conservative businessman John W. Davis

c. The new Progressive party nominated Senator Robert La Follette

- Endorsed by the AFL and shrinking Socialist party
- Most support came from farmers

2. Coolidge defeated Davis and La Follette 382-136-13





MEMORY DEVICE FOR 1920s CONSERVATISM

HALT:

Higher tariffs

Anti-Union

Laissez faire

Trickle Down theory



IV. Election of 1928

A. Nominations

1. **Herbert Hoover** was the Republican nominee
-- Platform of prosperity and prohibition

2. **Al Smith** nominated by Democrats

a. First Irish Catholic nominated by a major party

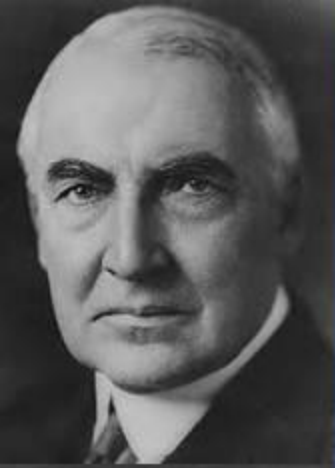
b. Rural America and the South opposed him





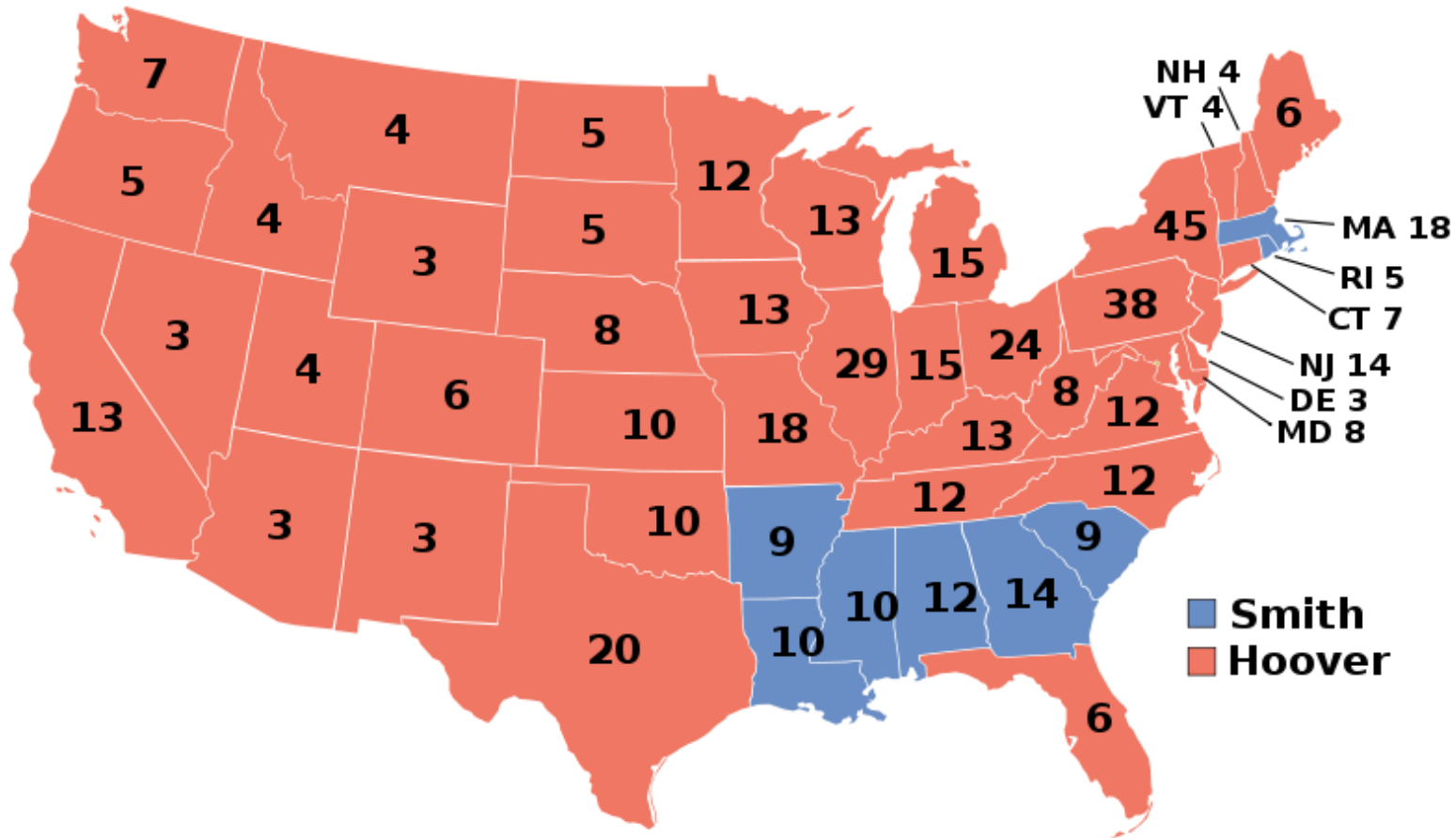
B. Campaign

1. Radio was used significantly for the first time
2. Hoover warned of “socialism” and preached “rugged individualism”
3. Religious bigotry surfaced regarding Smith’s Catholicism



C. Hoover defeated Smith 444-87

-- First time in 52 years a Republican won a former Confederate state





President Herbert Hoover

1929-1933
Republican





Theme #2

The great crash of 1929 led to a severe, prolonged depression that devastated the American economy and spirit, and resisted Hoover's limited efforts to correct it.

V. Hoover's presidency

A. Herbert Hoover

1. Organized food drives for war-torn Belgium during WWI
2. Effective leadership of the Food Administration during WWI
3. Successful businessman who hated socialism and excessive gov't regulation
4. As Secretary of Commerce, he supported some progressive ideas
5. Claimed in 1928: "Poverty will be banished from the nation"





B. The Great Crash of 1929

1. **Bull market:** stock values continued to rise during the '20s
2. **On margin** buying of stocks allowed investors to purchase stocks with little money down
3. **Overspeculation:** investors gambled prices would continue to rise
 - Hoover tried unsuccessfully to curb speculation



4. **“Black Tuesday,”** October 29, 1929, the stock market crashed
5. Traditional historical interpretation places the crash as the immediate cause of the Great Depression
 - a. However, no direct connection has been proven
 - b. The recession began two months *before* the crash
 - c. U.S. did not sink into depression until December 1930 when several banks failed

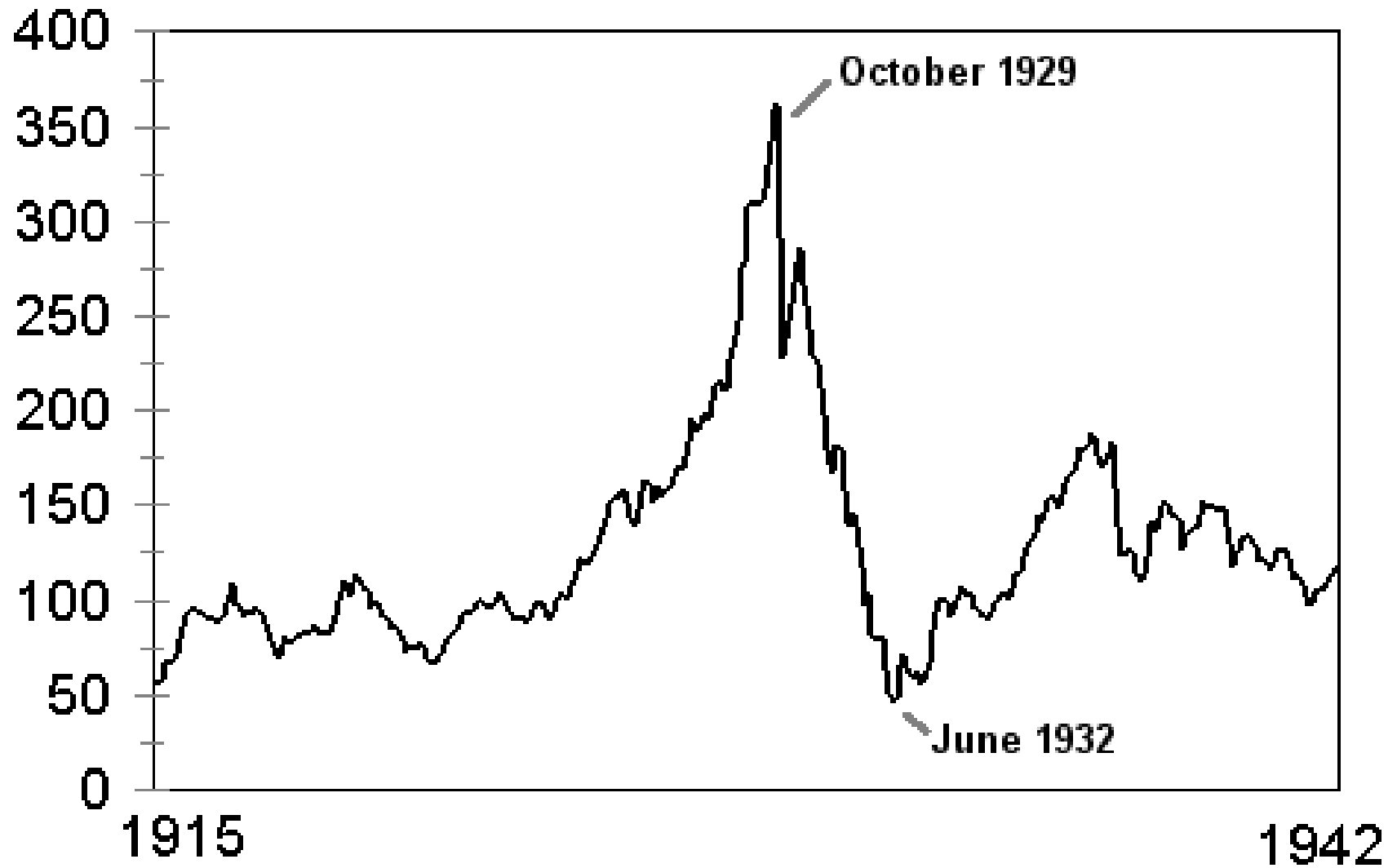


Panic hits Wall Street on Black Tuesday



- d. Some economists put the cause of the depression as late as 1931 when major European banks collapsed
- e. After “Black Tuesday” stock prices fell to 1926 levels (still strong)
- f. The stock market regained much of its losses by mid-1930s

Dow-Jones Industrial Average





VI. Long-term Causes of the Depression

A. Weak industries

1. Cotton industry hurt by rise in synthetic materials
2. Railroad industry hurt by the automobile and airplane
3. Coal industry hurt by electrical, oil and chemical industries
4. Low food prices hurt farmers





B. **Overproduction** of goods by manufacturers

1. Consumers began to spend less on goods:

underconsumption

a. Consumers & farmers had exhausted their credit

b. Immigration laws of the 1920s reduced population growth, which reduced aggregate demand

2. Warehouses were full of products that went unsold

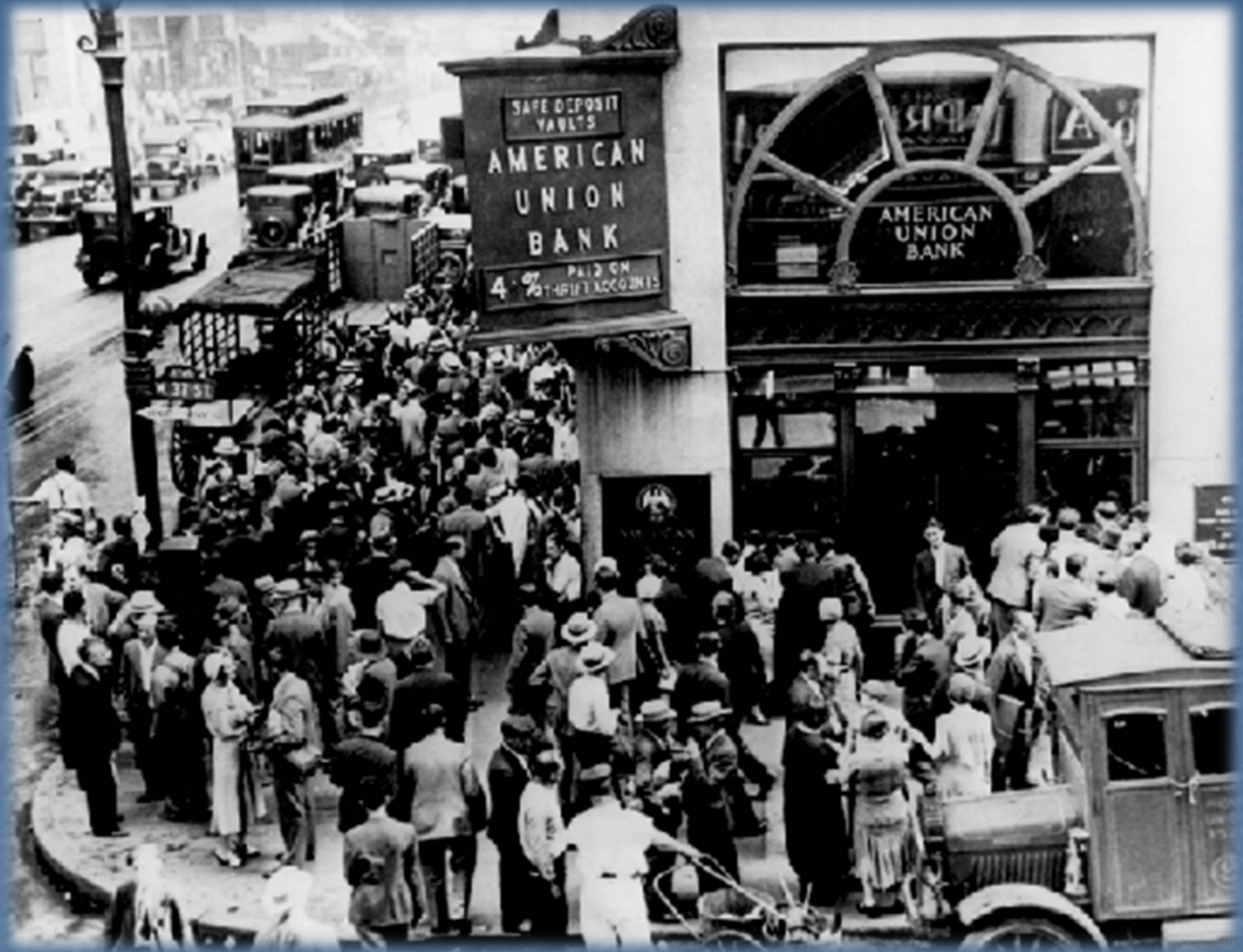


C. Uneven distribution of income

1. 5% of the population received 30% of the total income.
2. One-half of country lived below the poverty line.
-- These were potential customers

D. Unstable banking system

1. Due to mismanagement and overspeculation
2. 1% of banks controlled 46% of bank resources
3. **Runs on banks** caused many banks to close after the crash



New York's American Union Bank suffers a bank run on June 30, 1931



E. **Weak international economy**

1. U.S. protectionist trade policies hurt foreign trade
 - a. Fordney-McCumber Tariff, 1922
 - b. **Hawley-Smoot Tariff, 1930**
 - Highest tariff in U.S. history
 - 23 nations retaliated with tariffs on U.S. goods
2. U.S. in 1929 less affected by the weak international economy as it represented a fraction of the overall U.S. economy
 - Later, loan defaults by Europeans worsened U.S. crisis



VII. Effects of the Depression

A. By 1932, 23% banks had failed (nearly 6,000)

1. Many banks invested in stocks before the crash

2. An additional 4,000 banks failed between December 1932 and FDR's inaugural in March 1933

B. Massive business failures

1. 20,000 in 1929; 30,000 in 1932

2. Business investment decreased by nearly 95%

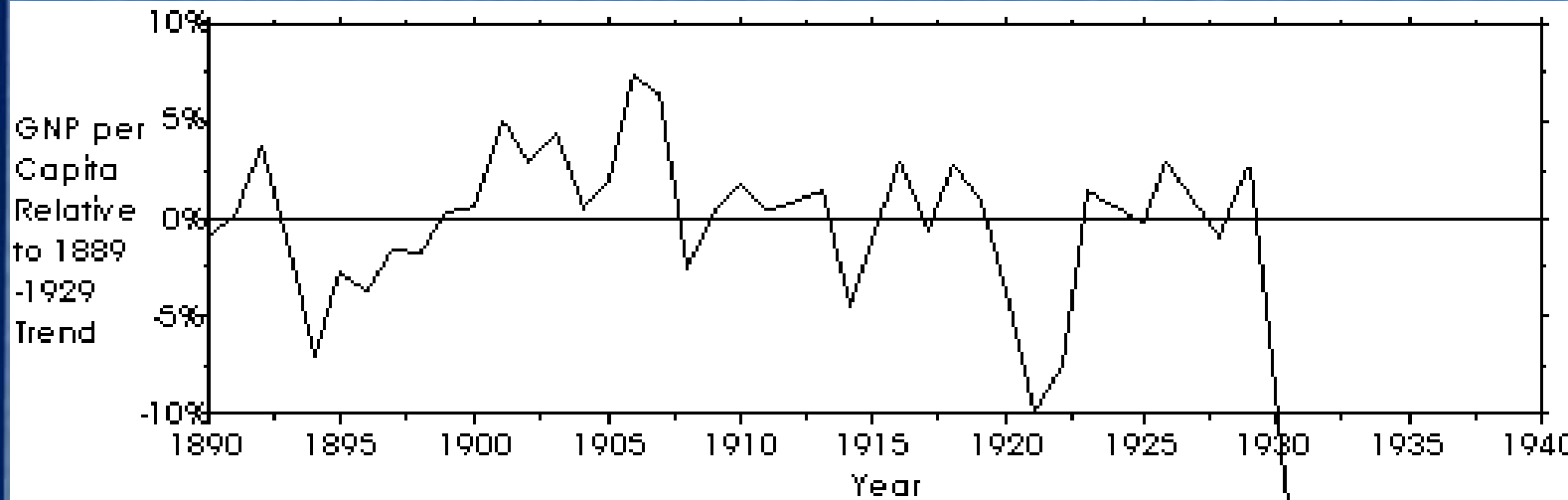


U.S. Gross Domestic Product, 1929-1941



Source: U.S. Department of Commerce and MBG Information Services

The U.S. Business Cycle: 1890-1940



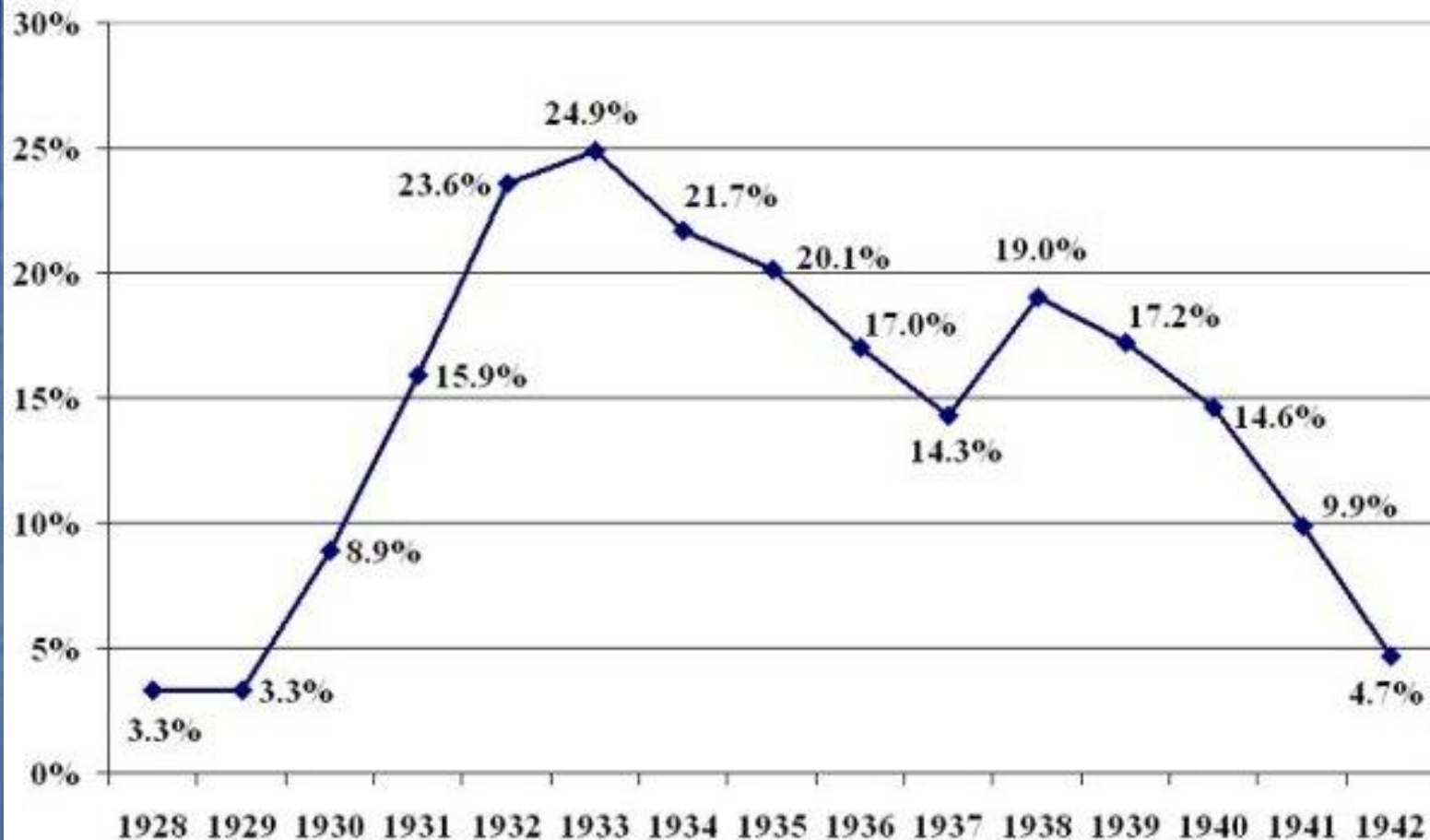


C. Unemployment reached 25% by 1932 (13 million), excluding farmers

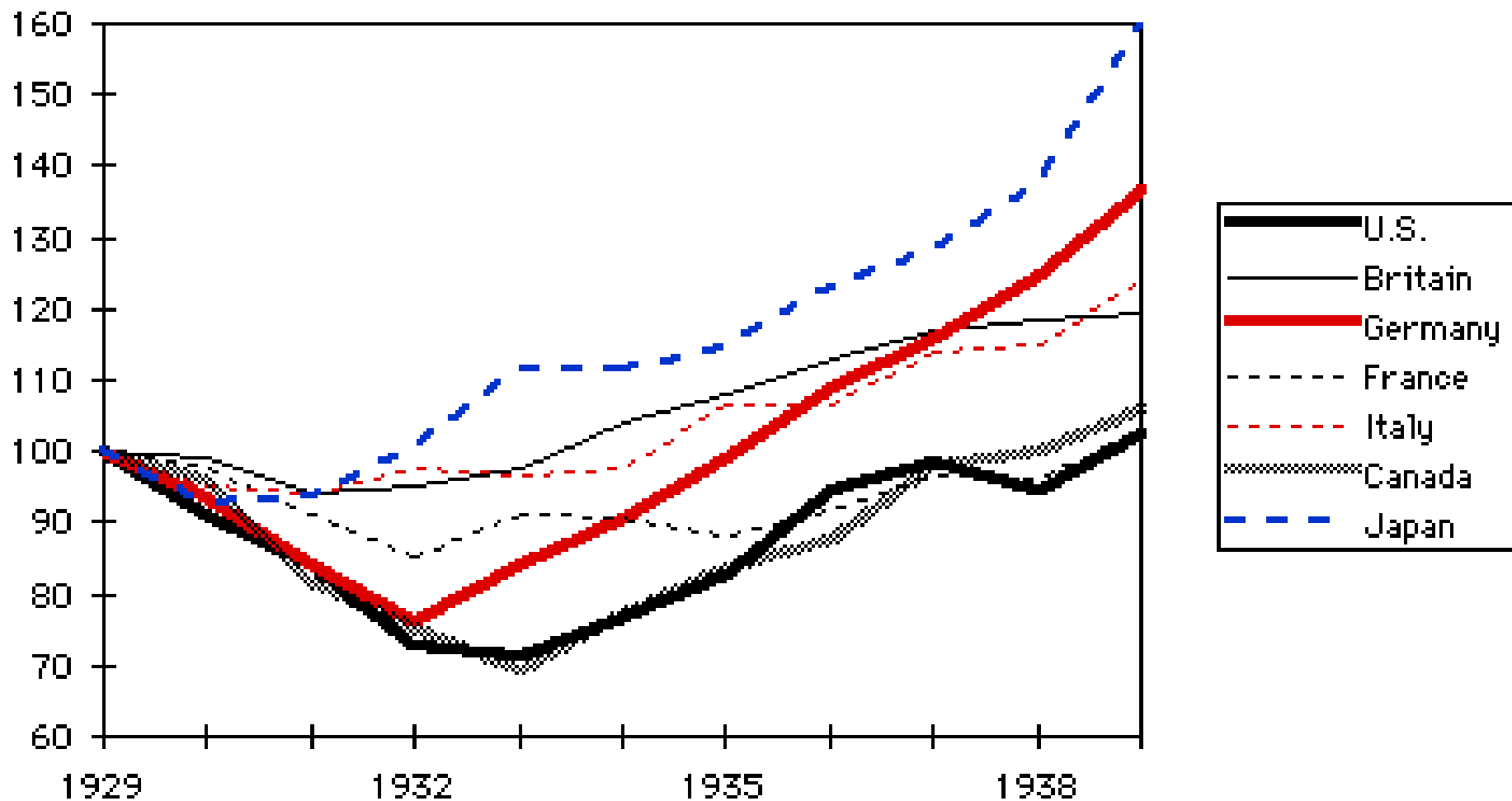
1. As high as 33% if farmers included
2. Low-skilled workers were most affected
 - African Americans and immigrants were especially hard hit
3. Unemployment had been as low as 3.2% in 1929

Unemployment: 1928-1942

Great Depression Unemployment Rates



Real National Product in the Great Depression, 1929=100





D. Total wages dropped 41% from 1929 to 1932

1. Partly due to **deflation**

2. Increase in child labor resulted



E. By 1932, 25% of farmers lost their farms

-- A major cause was the large drop in food prices





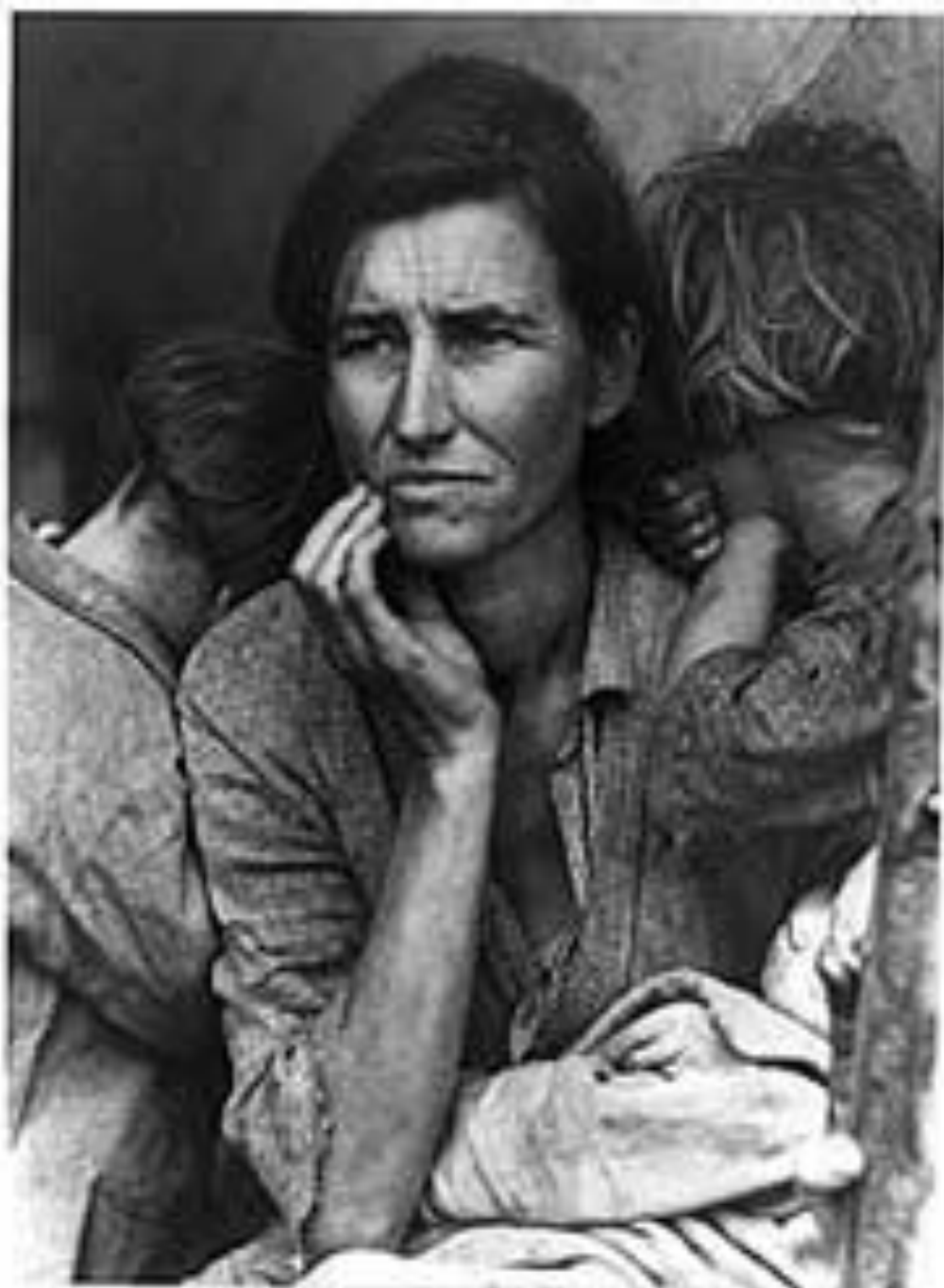
F. Human suffering

1. People experienced loss of self-worth
2. Many families broke up; marriage and birth rates declined
3. 3 million people became hobos who lived in **“Hoovervilles”**
4. Malnutrition was rampant in certain areas

Dorothea Lange

Government-sponsored photographers like Dorothea Lange documented the suffering that occurred during the Great Depression.





Migrant Mother, Dorothea Lange, 1936





HOOVERVILLES





A Hooverville in Central Park, New York City

**JOBLESS MEN
KEEP GOING
WE CAN'T TAKE CARE OF OUR OWN
CHAMBER OF COMMERCE**

MB
43100





G. The Depression was the longest and most devastating in U.S. history

1. U.S. was hardest hit among industrial countries
2. International reparations and war debts structure collapsed
3. U.S. exports dropped
4. Not until U.S. preparation for World War II did the U.S. economy recover



VIII. Hoover's response to the Great Depression

A. Hoover did not respond quickly enough

1. Believed the biggest cause of the depression was the weak international economy

2. Domestic measures to curb the depression were slow to appear



B. Farming

1. Pre-crash: Agricultural Marketing Act (1929)

- a. Designed to help farmers help themselves
- b. Indicated Hoover's progressive tendencies
-- Coolidge vetoed such measures

2. **Federal Farm Board** created in 1930 with a revolving fund of \$500 million

- a. Lent funds to buy, sell, and store agricultural surpluses
- b. Failed due to overproduction



C. Attempts at economic recovery

1. Volunteerism

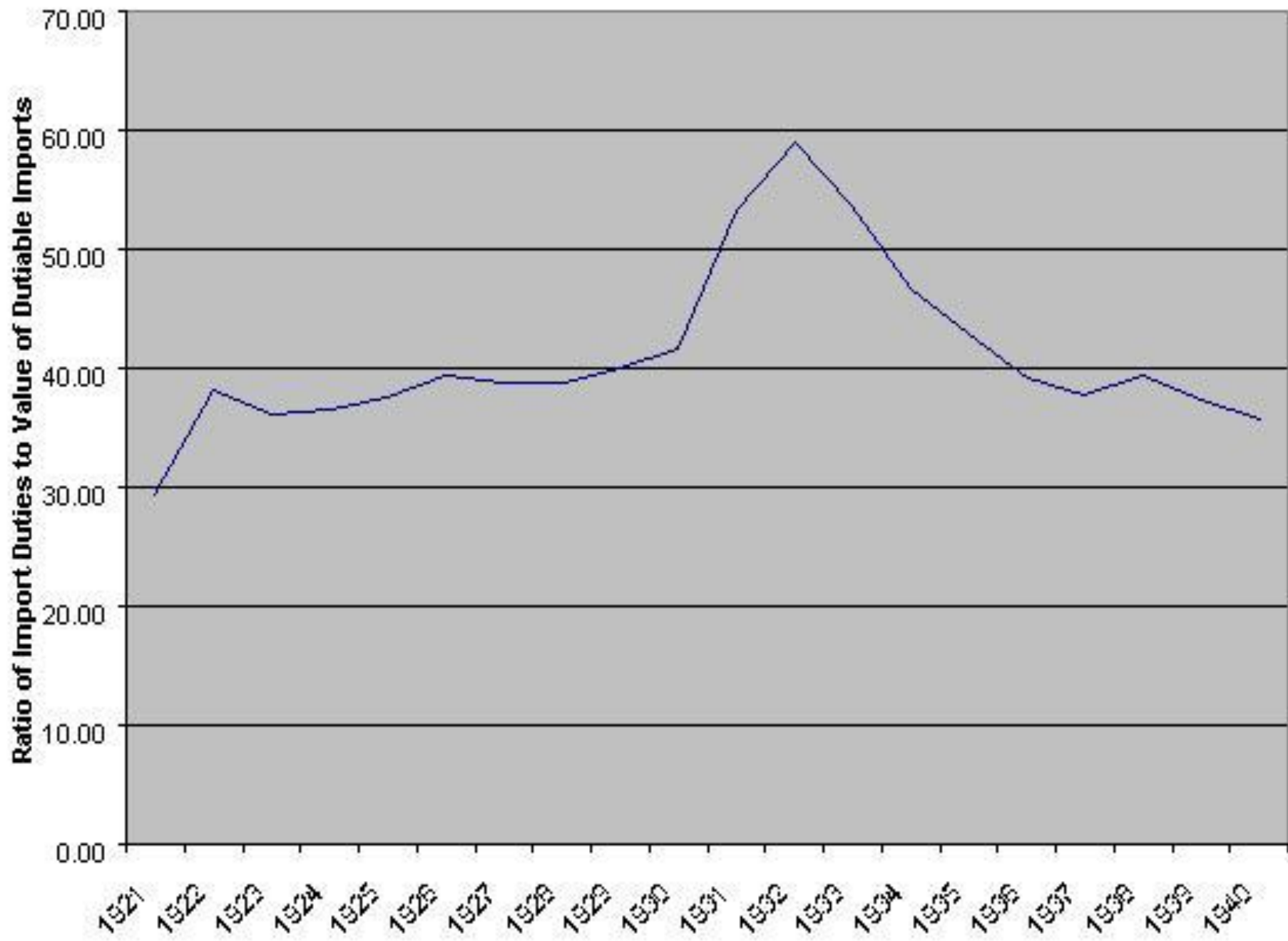
- a. Hoover believed in voluntary cooperation
- b. Urged businesses to avoid lay-offs and wage cuts
- c. Secured no-strike pledges from labor leaders
- d. Urged citizens to contribute to charities
 - In reality, private charity not adequate to meet the economic calamity





2. **Hawley-Smoot Tariff (1930)**

- a. Highest peace-time tariff in U.S. history
- b. Exacerbated the international economic depression
- c. U.S. became more isolationist in response to international economic chaos





3. Public works

- a. 1930, Congress provided \$750 million for infrastructure
- b. Hoover Dam construction began in 1931 (completed in 1936)
- c. Efforts did not yield significant results



Hoover Dam

Photo by Ansel Adams, 1942



4. **Moratorium** on international debt, 1931

- a. Hoover arranged a one-year freeze on international debt payments in order to help the European economy
- b. Its impact was limited as the international economy was already deeply damaged



5. Reconstruction Finance Corporation (RFC), 1932

- a. Gov't loaned hundreds of millions of dollars to banks, railroads, and other financial institutions as a stimulus
- b. Hoover authorized \$300 million to states for relief and public works projects
 - "Mini blue-print" for the New Deal
- c. Result: helped save some firms in basic industries



6. **Norris-LaGuardia Anti-Injunction Act, 1932:**

Outlawed "yellow dog" contracts and forbade federal injunctions against strikes, boycotts and picketing

7. Revenue Act of 1932 further reduced demand by taxing personal income and mandating a balanced budget

D. Bonus Army

1. 14,000 unemployed veterans marched on Washington in 1932 asking Congress for early payment of WWI-era bonuses
2. The Senate refused (at Hoover's insistence) and half the marchers went back home







3. 5,000 marchers remained and erected a Hooverville near the Capitol, demanding early payment of their bonuses
4. Hoover called in the U.S. Army to remove the Bonus Army
5. Hoover was seen by many as heartless and suffered enormous political damage

A Bonus Army camp







E. Hoover Evaluated

1. Despite not doing enough, Hoover advocated more direct gov't involvement than any previous president in U.S. history
2. His focus on maintaining a balanced budget through increased taxes further decreased demand
3. By refusing to get off the gold standard, the U.S. money supply remained stagnant

4. Refusal of large-scale relief resulted in misery among the masses

