

A.P. U.S. HISTORY NOTES

Chapter 35: "The Politics of Boom and Bust"

~ 1920 – 1932 ~

- I. The Republican "Old Guard" Returns
 1. Newly elected President **Warren G. Harding** was tall, handsome, and popular, but he had a mediocre mind and he did not like to hurt people's feelings.
 - i. Neither could he detect the corruption of his cabinet.
 2. His cabinet did have some good officials, though, such as Secretary of State **Charles Evans Hughes**, who was masterful, imperious, incisive, and brilliant, Secretary of Commerce **Herbert Hoover**, and Secretary of the Treasury **Andrew W. Mellon**.
 3. However, people like Senator **Albert B. Fall** of New Mexico, a scheming anti-conservationist, became secretary of the interior, and **Harry M. Daugherty** took over reigns as attorney general.
 - i. These two became the worst of the scandalous cabinet members.
- II. GOP Reaction at the Throttle
 1. A good man but a weak one, Harding was the perfect front for old-fashioned politicians to set up a McKinley style old order back onto the U.S.
 - i. It hoped to improve on laissez-faire, and one of the examples of this was the Supreme Court, where Harding appointed four of the nine justices, including **William H. Taft**, former president of the United States.
 2. In the early 1920s, the Supreme Court killed a federal child-labor law.
 - i. In the case of *Adkins vs. Children's Hospital*, the court reversed its ruling in the *Muller vs. Oregon* case by invalidating a minimum wage law for women.
 3. Under Harding, corporations could expand again, and anti-trust laws were not as enforced or downright ignored.
 4. Men sympathetic to railroads headed the **Interstate Commerce Commission**.
- III. The Aftermath of the War
 1. Wartime government controls disappeared (i.e. the dismantling of the **War Industries Board**) and Washington returned control of railroads to private hands by the **Esch-Cummins Transportation Act** of 1920.
 2. The **Merchant Marine Act** of 1920 authorized the **Shipping Board**, which controlled about 1500 vessels, to get rid of a lot of ships at bargain prices, thus reducing the navy.
 3. Labor lost much of its power, as a strike was ruthlessly broken in 1919, and the **Railway Labor Board** ordered a wage cut of 12% in 1922.
 - i. Labor membership shrank by 30% from 1920 to 1930.
 4. In 1921, the **Veterans' Bureau** was created to operate hospitals and provide vocational rehabilitation for the disabled.
 - i. Many veterans wanted the monetary compensation promised to them for their services in the war.
 - ii. The **Adjusted Compensation Act** gave every former soldier a paid-up insurance policy due in twenty years, and was passed by Congress twice (the second time to override president **Calvin Coolidge's** veto).
- IV. America Seeks Benefits Without Burdens
 1. Since America had never ratified the **Treaty of Versailles**, it was still technically at war with Germany, so in July of 1921, it passed a simple joint resolution ending the war.

2. The U.S. did not cooperate much with the **League of Nations**, but eventually, “unofficial observers” did participate in conferences.
 3. In the Middle East, Secretary Hughes secured for American oil companies the right to share in the exploitation of the oil riches there.
 4. Disarmament was another problem for Harding, who had to watch the actions of Japan and Britain for any possible hostile activities.
- V. Ship-Scrapping at the Washington Conference
1. The **Washington “Disarmament” Conference** of 1921-22 resulted in a plan in which a 5:5:3 ratio of ships that could be held by the U.S., Britain, and Japan (in that order) was proposed by Hughes, surprising many delegates (the Soviet Union, which was not recognized by the U.S., was not invited and did not attend).
 2. The **Five-Power Naval Treaty** of 1922 embodied Hughes’s ideas on ship ratios, but only after Japanese received compensation.
 3. A **Four-Power Treaty**, which bound Britain, Japan, France, and the U.S. to preserve the status quo in the Pacific, replaced the 20-year-old **Anglo-Japanese Alliance**.
 4. The **Nine-Power Treaty** of 1922 kept the open door open in China.
 5. However, despite all this apparent action, there were no limits placed on small ships, and Congress only approved the Four-Power Treaty on the condition that the U.S. was *not* bound, thus effectively rendering that treaty useless.
 6. **Frank B. Kellogg**, Calvin Coolidge’s Secretary of State, won the Nobel Peace Prize for his role in the **Kellog-Briand Pact (Pact of Paris)**, which said that all nations that signed would no longer use war as offensive means.
- VI. Hiking the Tariff Higher
1. 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%.
 - i. Presidents Harding and Coolidge were much more prone to increasing tariffs than decreasing them.
 2. 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.
- VII. The Stench of Scandal
1. However, scandal rocked the Harding administration in 1923 when **Charles R. Forbes** was caught with his hand in the till and resigned as the head of the Veterans’ Bureau.
 - i. He and his accomplices looted the government for over \$200 million.
 2. The **Teapot Dome Scandal** was the most shocking of all.
 - i. Albert B. Fall leased land in Teapot Dome, Wyoming, and Elk Hills, California, to oilmen **Harry F. Sinclair** and **Edward L. Doheny**, but not until Fall had received a “loan” (actually a bribe) of \$100,000 from Doheny and about three times that amount from Sinclair.
 3. There were reports as to the underhanded doings of Attorney General Daugherty, in which he was accused of the illegal sale of pardons and liquor permits.
 4. President Harding, however, died in San Francisco on August 2, 1923, of pneumonia and thrombosis, and he didn’t have to live through much of the uproar of the scandal.
- VIII. Calvin Coolidge: A Yankee in the White House
1. New president Calvin Coolidge was serious and never spoke more than he needed to.
 2. 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.
- IX. Frustrated Farmers

1. **World War I** had given the farmers much prosperity, as they had produced much food for the soldiers.
 - i. New technology in farming, such as the **gasoline-engine tractor**, had increased farm production dramatically.
 2. However, after the war, these products weren't needed, and the farmers fell into poverty.
 3. Farmers looked for relief, and the **Capper-Volstead Act**, which exempted farmers' marketing cooperatives from antitrust prosecution, and the **McNary-Haugen Bill**, which sought to keep agricultural prices high by authorizing the government to buy up surpluses and sell them abroad, helped a little.
 - i. However, Coolidge vetoed the second bill...twice.
- X. A Three-Way Race for the White House in 1924
1. Coolidge was chosen by the Republicans again, while Democrats nominated **John W. Davis** after 102 ballots in Madison Square Garden.
 - i. The Democrats also voted by one vote NOT to condemn the **Ku Klux Klan**.
 2. Senator **Robert La Follette** led Progressive Party as the third party candidate.
 - i. He gained the endorsement of the **American Federation of Labor** and the shrinking **Socialist Party**, and he actually received 5 million votes.
 - ii. However, Calvin Coolidge easily won the election.
- XI. Foreign-Policy Floundering
1. Isolationism continued to reign in the Coolidge era, as the Senate did not allow America to adhere to the **World Court**, the judicial part of the League of Nations.
 2. In the Caribbean and Latin America, U.S. troops were withdrawn from the Dominican Republic in 1924 but remained in Haiti from 1914 to 1934.
 - i. Coolidge took out troops from Nicaragua in 1925, and then sent them back the next year, and in 1926, he defused a situation with Mexico where the Mexicans were claiming sovereignty over oil resources.
 - ii. However, Latin Americans began to resent the American dominance of them.
 3. The European debt to America also proved tricky.
- XII. Unraveling the Debt Knot
1. Because America demanded that Britain and France pay their debts, those two nations put huge reparation payments on Germany, which then, to pay them, printed out lots of paper money that cause inflation to soar.
 - i. At one point in October of 1923, a loaf of bread cost 480 million marks.
 2. Finally, in 1924, **Charles Dawes** engineered the **Dawes Plan**, which rescheduled German reparations payments and gave the way for further American *private* loans to Germany.
 - i. Essentially, the payments were a huge circle, with American never really gaining any money or repaid in genuine.
 - ii. Also, the U.S. gained bitter enemies in France and Britain who were angry over America's apparent greed and careless nature for others.
- XIII. The Triumph of Herbert Hoover, 1928
1. In 1928, Calvin Coolidge said, "I do not choose to run," and his logical successor immediately became economics genius Herbert Hoover.
 - i. Hoover was opposed by New York governor **Alfred E. Smith**, a man who was blanketed by scandal (he drank during a Prohibitionist era and was a Roman Catholic).
 2. Radio turned out to be an important factor in the campaign, and Hoover's personality sparkled on this new medium (compared to Smith, who sounded stupid and boyish).
 3. Hoover had never been elected to public office before, but he had made his way up from poverty to prosperity, and believed that other people could do so as well.

4. There was, once again, below-the-belt hitting on both sides, as the campaign took an ugly turn, but Hoover triumphed in a landslide, with 444 Electoral votes to Smith's 87.
- XIV. President Hoover's First Moves
1. Hoover's **Agricultural Marketing Act**, passed in June of 1929, was designed to help the farmers help themselves, and it set up a **Federal Farm Board** to help the farmers.
 - i. In 1930, the Farm Board created the **Grain Stabilization Corporation** and the **Cotton Stabilization Corporation** to bolster sagging prices by buying surpluses.
 2. The **Hawley-Smoot Tariff** of 1930 raised the tariff to an unbelievable 60%!!!
 3. Foreigners hated this tariff that reversed a promising worldwide trend toward reasonable tariffs and widened the yawning trade gaps.
- XV. The Great Crash Ends the Golden Twenties
1. Herbert confidently predicted an end to poverty very soon, but on October 29, 1929, a devastating crash caused by overspeculation and overly high stock prices built only upon non-existent credit struck the nation.
 - i. Losses, even in blue-chip securities, were unbelievable, as by the end of 1929, stockholders had lost over \$40 million in paper values (more than the cost of World War I)!!!
 - ii. By the end of 1930, 4 million Americans were jobless, and two years later, that number shot up to 12 million.
 - iii. Over 5000 banks collapsed in the first three years of the **Great Depression**.
 - iv. Lines formed at soup kitchens and at homeless shelters.
- XVI. Hooked on the Horn of Plenty
1. The Great Depression might have been caused by an overabundance of farm products and factory products; the nation's capacity to produce goods had clearly outrun its capacity to consume or pay for them.
 2. Also, an over-expansion of credit created unsound faith in money, and many bought too much to pay.
 3. Britain and France, which had never fully recovered from World War I, worsened.
 4. In 1930, a terrible drought scorched the Mississippi Valley and thousands of farms were sold to pay for debts.
 5. By 1930, the depression was a national crisis, and hard-working workers had nowhere to work; thus, people turned bitter and also turned on Hoover.
 - i. Villages of shanties and ragged shacks were called **Hoovervilles** and were inhabited by the people who had lost their jobs.
- XVII. Rugged Times for Rugged Individualists
1. Hoover unfairly received the brunt of the blame for the Great Depression, but he did pass measures that made the depression less severe than it could have been.
 - i. Critics noted that he could feed millions in Belgium (after World War I) but not millions at home in America.
 2. He did not believe in government tampering of the economic machine, and he felt that depressions like this were simply parts of the natural economic process.
 - i. However, by the end of his term, he had started to take steps for the government to help the people
- XVIII. Herbert Hoover: Pioneer for the New Deal
1. Finally, Hoover voted to withdraw \$2.25 billion to start projects to alleviate the suffering of the depression.
 - i. The **Hoover Dam** of the Colorado River was one such project.
 2. The **Muscle Shoals Bill**, which was designed to dam the Tennessee River and was ultimately embraced by the **Tennessee Valley Authority**, was vetoed by Hoover.

3. Early in 1932, Congress, responding to Hoover's appeal, established the **Reconstruction Finance Corporation**, which became a government lending bank.
 - i. However, giant corporations were the ones that benefited most from this, and the RFC was another one of the targets of Hoover's critics.
 4. In 1932, Congress passed the **Norris-La Guardia Anti-Injection Act**, which outlawed anti-union contracts and forbade the federal courts to issue injunctions to restrain strikes, boycotts, and peaceful picketing.
 5. Remember that in past depressions, the American public was often forced to "sweat it out," not wait for government help.
- XIX. Routing the Bonus Army in Washington
1. Many veterans which had not been paid their compensation marched to Washington, D.C. to demand their *entire* bonus/
 - i. The "**Bonus Expeditionary Force**" erected unsanitary camps and shacks in vacant lots, creating health hazards and annoyance.
 - ii. Riots followed after troops came in to intervene (after Congress tried to pass a bonus bill but failed), and many people died.
 - iii. Hoover falsely charged that the force was led by riffraff and reds, and the American opinion turned even more against him.
- XX. Japanese Militarists Attack China
1. In September 1931, Japan, alleging provocation, invaded Manchuria and shut the Open Door.
 2. Peaceful peoples were stunned, as this was a flagrant violation of the League of Nations covenant, and a meeting in Geneva, Switzerland, was arranged.
 3. An American actually attended, but instead of driving Japan out of China, the meeting drove Japan out of the League, thus weakening it further.
 4. Secretary of State **Henry Stimson** did indicate that the U.S. probably would not interfere with a League of Nations embargo on Japan, but he was later restrained from taking action.
 - i. Since the U.S. did no effective thing, the Japanese bombed Shanghai in 1932, and even then, outraged Americans didn't do much to change the Japanese minds.
- XXI. Hoover Pioneers the Good Neighbor Policy
1. Hoover was deeply interested in relations south of the border, and during his term, U.S. relations with Latin America and the Caribbean improved greatly.
 - i. Since the U.S. had less money to spend, it was unable to dominate Latin America as much, and later, **Franklin D. Roosevelt** would build upon these policies.