

Republican Resurgence and Decline

- ❖ **What characterized the conservatism in the presidencies of Harding, Coolidge, and Hoover?**
- ❖ **What drove the growth in the American economy in the 1920s?**
- ❖ **What were the causes of the Great Depression?**

- **Progressive political condition had fragmented**

- **Reasons why Progressivism declined:** radicals were not affected by war's aftermath, organized labor resented Wilson's Progressive administration, farmers thought wartime price controls discriminated against them, liberals drifted away, popular support for Prohibition and religious fundamentalism, large middle class became interested in building business civilization
- **Progressivism's final national triumphs were forgone before the war's end**
 - 18th and 19th Amendment
- **Progressivism did not disappear in the 1920s**
 - Key leadership in Congress
 - Impulse for 'good government' remained strong
 - Public service persisted

"Normalcy"

The Election of 1920

- **Americans were weary of idealistic crusades, suspicious of leaders**
 - Conservatives were favored
- **Republicans nominated Warren Harding**
 - **"Normalcy" policy**
 - Restoration, not revolution
 - Contrasted with Wilson's grand internationalism
- **Harding's normalcy reflected his own conservative values**
 - Public was unaware of his escapades
 - Didn't hope to be one of the great presidents, but the best loved
- **Democrats nominated James Cox**
 - Franklin Roosevelt won vice president nomination
- **Democrats suffered from breakup of Wilsonian coalition and conservative postwar mood**
 - People favored Harding's return to normalcy
 - Cox only won states in the Democratic South

Early Appointments and Policy

- **Harding's administration was similar to Ulysses Grant**
 - Cabinet had people of mixed abilities and skill levels
 - Secretary of State: Charles Hughes
 - Commerce Department: **Herbert Hoover**

- Treasury Department: **Andrew Mellon**
- Agriculture Department: Henry Wallace
- Lesser offices went to members of **“Ohio gang”**—group that Harding met with to avoid stress of White House
- **Harding loved politics, until he became president**
 - Self-doubt overwhelmed him during his presidency
 - Preferred to relax with Ohio gang
- **Harding administration dismantled many components of Progressivism**
 - Appointed conservatives to Supreme Court, including William Taft
 - Federal child-labor and minimum wage law for women was struck down
 - Against union strikes and federal regulation
- **Harding administration—Secretary of Treasury Mellon established pro-business tone, reminiscent of McKinley**
 - Reduction of government spending and lower taxes
 - **Budget and Accounting Act of 1921**: created Bureau of Budget
 - Efficiency and nonpartisanship was brought to the budget preparation process
 - Mellon insisted that tax reduction go to the rich
- **Group in Congress fought to preserve graduated income tax**
 - **Mellon eventually won out**
 - Congress lowered income taxes
 - Revenue Act of 1926 favored high-income groups
- **Mellon favored high tariffs**
 - **Fordney-McCumber Tariff**: increased rates on chemical and metal products and extended duties to agricultural imports
- **Higher tariffs had unexpected consequences**
 - During the war, US had transformed from debtor nation to creditor nation
 - Mellon insisted that European powers repay all that they had borrowed
 - **High tariffs made it hard for nations to sell products to the US and obtain dollars**
- **Republicans exercised more lenient program of government regulation of corporations**
 - Named commissioners would promoted “friendly” regulation
 - Advocates of big business were appointed to committees
 - **Harding proved to be more progressive than Wilson in one idea**
 - He reversed policy of excluding African Americans from federal positions
 - Spoke out against vigilante racism
 - Senate failed to pass anti-racism bill

Administrative Corruption

- **Members of Ohio gang used White House connections to benefit themselves**
 - Corruption in Veterans Bureau
 - Corruption in Justice Department
 - Corruption in Prohibition Bureau
- **Teapot dome was a major scandal**
 - Similar to Watergate scandal that would happen 50 years later
 - Teapot Dome was set aside as naval oil reserve

- Albert B. Fall of Interior Department let companies exploit the deposits
- **Harding himself avoided corruption**
- **Harding died after a speaking tour in Alaska**
- **The nation was heartbroken**
 - Harding had pardoned Eugene Debs
 - Grief yielded to scorn and contempt
 - Revelation of scandals enraged the public
 - Nan Britton published book in which she claimed to have had an affair with Harding
- **Harding's administration was viewed as one of the worst in American history**
 - Scandals obscured accomplishments
 - He led the nation out of turmoil
 - Created foundation for economic boom
 - Promoted diversity and civil rights
 - Appointed Jews and spoke against KKK
 - No previous president had promoted women's rights as forcefully as did Harding

"Silent Cal"

- **Vice President Calvin Coolidge assumed Presidency**
- **Coolidge thought presidency should revert to its Gilded Age stance of passive deference to Congress**
- **Americans embraced Silent Cal**
 - Simple and direct, strong principles
 - Shortest inaugural address
 - **He was more conservative than Harding**
 - Favored success of big business
 - "The man who builds a factory builds a temple"
 - Focused on industrial development
 - Strove to end government regulation of business and reduce taxes

The Election of 1924

- Coolidge distanced himself from scandal
- **Republicans nominated Calvin Coolidge**
- Democrats were divided between new urban culture and traditional rural culture
- **Democrats nominated John Davis**
- **New farmer-labor coalition organized Progressive party and nominated Robert La Follette**
- **Voters preferred to "keep cool with Coolidge"; Coolidge won**

The New Era

- **Prosperity and technological achievements characterized a New Era**
 - Those in the large middle class were absorbed into the New Era
 - Republican presidency favored business interests

The Growing Consumer Culture

- **More people had money and leisure**
 - Growing advertising industry
 - Installment buying
- **Consumer-goods industries fueled economic boom from 1922 to 1929**
 - Commodities became widely available
 - Motion pictures, radio, telephones, automobiles
 - Social transformations
- **By 1908 there were nearly 10,000 movie theaters across the nation**
 - Hollywood became center of production
- ***Birth of a Nation* became a triumph of cinematic art**
 - Based on *The Clansman*, featured stereotypes
 - Blatantly racist film
 - By mid-1930s every city and most small towns had movie theaters
 - Chief form of mass entertainment
- **Radio broadcasting had spectacular growth**
 - News bulletins, scheduled programs, commercials
 - Columbia Broadcasting System (CBS)
 - Federal Radio Commission was established to regulate
 - Coolidge was first president to address the nation by radio

Airplanes, Automobiles, and the Economy

- **Wilbur and Orville Wright built and flew the first airplane at Kitty Hawk, North Carolina**
 - American pilots flew British or French planes during WWI
 - Aircraft industry opened during the war
 - Kelly Act: federal government subsidized airplane industry
 - Air Commerce Act: provided federal funds to aid advancement of air transportation and navigation
- **Aviation industry received psychological boost in 1927 when Charles Lindbergh Jr. made the first solo transatlantic flight**
- **Amelia Earhart became first woman to fly solo across the Atlantic**
 - Congress awarded her the Distinguished Flying Cross
 - Outstanding American Woman of the Year
- **The most significant economic and social development of the early 20th century was the automobile**
 - Ford Motor Company
 - Ford's reliable Model T (Tin Lizzie) democratized the automobile
- **Production of automobiles stimulated steel, rubber, glass, and textile industries**
 - Also gave rise to gigantic market for oil products
 - Movement of good roads, financed by gas tax
 - Encouraged suburban sprawl
- **Automobile industry became leading example of modern mass-production**
 - Assembly line

Stabilizing the Economy

- **Drive for efficiency powered the wheels of mass production and consumption became cardinal belief of Republican leaders**
 - Herbert Hoover made fortune on mining operations
 - Hoover developed philosophy in *American Individualism*
 - Cooperative individualism, *associationalism*
 - Hoover supported middle way between regulation and hands-off tradition
- **Hoover transformed the Commerce Department into the government's most dynamic agency**
 - Sought new markets for business
 - Conferences on efficient design, production, distribution
 - Move toward standardization
 - Hoover created Bureau of Aviation and Federal Radio Commission
- **Hoover's priority was the trade-association movement**
 - Through trade associations, competing business leaders would share information
 - Advantages would be predictable costs, prices, markets, more stable employment
 - Supreme Court upheld legality of sharing information

The Business of Farming

- **Agriculture remained the weakest part of the economy during the 1920s**
 - Briefly after the war, farmers' hopes soared
 - Overproduction brought lower prices for crops
 - Early taste of depression in the South
- **Most successful farms were getting larger, more efficient, more mechanized**
 - Tractors, plows, harvesters, fertilizers, methods of animal breeding
- **Most farmers were struggling to survive**
 - Sought political remedies
 - McNary-Haugen bill sought to secure equality for agriculture in benefits of the protective tariff
 - It was a plan to dump farm surpluses on the world market in order to raise prices in the home market
 - Goal was to achieve "parity"—raise domestic farm prices
- **McNary-Haugen bill passed, but was vetoed by Coolidge**
 - Denied plan for government fixing of prices
 - Dismissed as unsound and unconstitutional
 - **McNary-Haugenism did not fail:** debates made farm problem a national issue
 - Political alliance between South and West began to emerge

Setbacks for Unions

- **Urban workers shared affluence of 1920s**
- **Organized labor did no better than organized agriculture**
 - Harding endorsed collective bargaining and tried to reduce workday but Congress opposed
 - Red Scare and strikes of 1919 left uneasy impression
 - Postwar depression of 1921 weakened unions

- Business groups in Chicago designated the open shop the “American plan” of employment
- Discrimination against unionists
- **To suppress unions, employers required “yellow-dog” contracts that forced workers to agree to stay out of a union**
 - Owners also used labor spies, blacklists, intimidation, coercion
- **Prosperity, propaganda, welfare capitalism, active hostility combined to cause union membership to drop**
 - Samuel Gompers died
 - **Railway Labor Act was an exception**
 - Abolished the Railway Labor Board and substituted Board of Mediation
 - Also provided for the formation of labor unions without interference

The Gastonia Strike of 1929

- **Anti-union sentiment was fiercest in the South during the 1920s**
 - Wave of violent strikes
 - Most unrest centered in large textile mills
 - Demand for cotton plummeted after war
 - Owners closed mills, slashed prices, rigid quotas for each worker
- **This “stretch-out” system provoked workers to rebel**
 - Many joined United Textile Workers
 - Mill owners forcefully suppressed
 - Gastonia Strike escalated into prolonged conflict
- **Loray Mill was the largest in the South, workforce was slashed in 1928**
 - 1,000 workers walked off the job
 - Encouraged by National Textile Workers Union, Communist rival to UTW
 - Many young women among strikers
 - **Gastonia, a newspaper, reported militant women**
- **NTWU commitment to racial equality was the most upsetting thing to local prejudices**
 - Communist party organizers insisted racial justice
 - But few of the strikers embraced racial equality
 - Leaders in black community feared backlash and discouraged African Americans to strike
- **Loray Mill’s managers refused to negotiate**
 - North Carolina governor dispatched national guard units
 - Gang of masked men destroyed the union headquarters
 - Many were killed in skirmishes
- **Seven strikers were eventually convicted of conspiracy to commit murder**
 - Loray Strike collapsed
 - NTWU did not have enough funds to feed the strikers

President Hoover, the Engineer

Hoover Versus Smith

- **Coolidge did not run for reelection**

- Nation was surprised
- **Hoover mounted campaign**
 - Republican platform: credit, cost cutting, debt reduction, tariff
 - Rejected McNary-Haugen program but promised farm board
- **Democrats nominated Alfred Smith**
 - Did not endorse McNary-Haugen
 - Pledged equality for agriculture
 - Promised to enforce Volstead Act, like Republicans—Prohibition
 - Not much different from Republicans
- **Two candidates had essential similarities**
 - Hoover: Quaker, engineer, architect
 - Smith: Catholic, anti-Prohibition, similar to Hoover, rural citizens distrusted
 - KKK opposed Smith
- **Election of 1928: more people voted than ever before**
 - **Hoover won, even in Democratic South**
 - Hoover was called the Wonder Boy by Coolidge
- **Defeat of Democrats concealed realignment**
 - Smith's image, handicap in the hinterlands, swung big city votes to Democratic side
 - Coalition of urban workers and unhappy farmers was in the making

Hoover in Control

- **1929 dawned with high hopes, business seemed good, income was rising**
- **Hoover's program to stabilize business carried over into program for agriculture**
 - Offered **two main remedies**: federal help for cooperative marketing, higher tariffs on imported farm products
 - **Agricultural Marketing Act**: set up Federal Farm Board to set up "stabilization corporations"
 - Failed because the Great Depression came at the same time
- **Farmers gained even less from tariff revision**
 - Hawley-Smoot Tariff carried duties to an all time high
 - Raised prices paid by consumers

The Economy Out of Control

- **Tariff did nothing to check a deepening crisis of confidence**
 - New era of *permanent* growth
 - Get-rich-quick schemes powered by greed
 - **Speculative mania**
 - **Florida real-estate bubble burst**
- **Stock values began to soar with increasing speculation**
 - Mellon tax reduction gave people more income
 - One could buy stock on margin and borrow rest from a broker
- **Gamblers in the market ignored warning signs**
 - Production was catching up with demand
 - Business inventories rose

- Rate of spending slowed
- **By 1929 stock market entered fantasy world**
 - Caution was ignored
 - Orgy of mad speculation
 - Hoover urged stock exchange and Federal Reserve offices to discourage speculation

The Crash and Its Causes

- **Stock values tumbled, wild scramble to unload stocks followed**
- **Leading bankers formed a pool to buy stocks to halt the slide**
- **Tuesday, October 29 was the most devastating single day in the market's history**
 - Plunge in prices fed on itself
- **Business and government leaders initially expressed confidence that markets would rebound**
- **Collapse of stock market revealed that economic prosperity was previously built on weak foundations**
 - Income decreased, banks closed, farms foreclosed
- **Stock market crash did not cause the Great Depression, revealed major structural flaws in economy**
 - Wages kept low while prices kept high
 - Imbalance between productivity and purchasing power
 - Rate of investment plummeted
 - high tariffs and installment buying deflation were concealed by foreign loans
 - corporate structure collapse when trouble came
- **Government policies also contributed to the economic debacle**
 - Tax reductions led to oversaving by the public
 - Diminished demand for goods
 - Hostility toward labor unions discouraged collaborative bargaining
 - High tariffs discouraged foreign trade
 - Lax enforcement of antitrust laws
- **Gold standard contributed to depression too**
 - Policy makers tightened money supplies
 - The only way to restore economic stability was to let prices and wages fall
 - Passive government leaders turned recession into depression

The Human Toll of the Depression

- **Collapse caused immense social hardships**
 - Those who kept jobs saw decrease in wages
 - 1933 13 million people out of work
 - Hobos, tramps, train hopping, scavenging for food
 - Hoover blankets: poor people covered themselves with newspaper to keep warm
 - Suicide rate soared

Hoover's Efforts at Recovery

- **Few leaders acknowledged the magnitude of crisis**
 - Thought economy would cure itself

- Hoover was not passive
- Hoover set firm limits on government action
- Hoover believed business structure was sound, people only needed hope
 - Let first shock of depression fall on corporate profits rather than wage earners
 - Unions agreed to not strike
 - Good times weren't actually around the corner
- Hoover hurried government construction project in order to provide jobs
 - Federal Reserve returned to an easier credit policy
 - Congress passed tax reduction
 - Federal Farm Board stepped up loans
 - Hawley-Smoot Tariff devastated foreign trade
- Depressed economy hurt Republicans
 - Hoovervilles: settlements across the country
 - Democrats won majority in House and enough to control Senate
- Economic indicators renewed hope in 1931
 - Another shock occurred
 - Failure of Austria's largest bank triggered financial panic in central Europe
 - Hoover proposed moratorium on reparations and debt payments
 - Europeans withdrew money from America, gold standard abandoned

Congressional Initiatives

- Demand for federal action impelled Hoover to employ government power
 - Congress set up **Reconstruction Finance Corporation** for emergency loans to banks, insurance companies
 - Hoover's critics found favoritism to business
- **Glass-Steagall Act: broadened definition of commercial loans that the Federal Reserve would support**
 - Released gold use to back notes
 - **Federal Home Loan Act** created banks for home mortgages
- **Dubious "trickle down" theory**
 - Contraction of credit devastated debtors
- Congress was overflowing with bills for federal relief measures
 - Hoover accepted federal-directed relief
 - **Emergency Relief Act:** gave Reconstruction Finance Corporation \$300 million for relief loans to states

Farmers and Veterans in Protest

- Government relief for farmers had been abandoned
 - Government quit buying crop surpluses
 - Desperate farmers defied the law
 - Militant **Farmer's Holiday Association**
- Desperate talk of revolution
 - Communist party began to draw crowds
 - Few Americans converted to communism
- Fear of revolt arose when unemployed veterans converged on capital—"Bonus Expeditionary Force"

- **Purpose was to get immediate payment**
- **Hoover persuaded Congress to pay for the veterans**
 - Policeman killed two veterans
 - Hoover dispatched soldiers under MacArthur and Eisenhower and Patton
- **Administration insisted that Bonus Army consisted mainly of Communists and criminals –not evidenced**
- **Hoover worked hard, but stress took a toll on his health and morale**