

# How did President Hoover respond to the economic crash of 1929?

At his inauguration in 1929, Hoover told the American people, “Given a chance to go forward with the policies of the last eight years, we shall soon with the help of God be in sight of the day when poverty will be banished from this nation.” Those words came back to haunt Hoover when eight months later, the prosperity he celebrated collapsed in the stock market crash of 1929. The nation ended nearly three decades of barely interrupted economic growth. Like much of the world, the United States fell into the most serious economic depression of all time. Hoover’s reputation was among the first casualties, along with the reverence for business that had been the hallmark of the New Era.

## Herbert Hoover: The Great Engineer

When Hoover became president in 1929, he seemed the perfect choice to lead a prosperous business nation. His rise from poor Iowa orphan to one of the world’s most celebrated mining engineers by the time he was thirty confirmed America’s rags-to-riches ideal. His success in feeding civilian victims of the fighting during World War I won him acclaim as “the Great Humanitarian” and led

Woodrow Wilson to name him head of the Food Administration once the United States entered the war. Hoover's reputation soared even higher as secretary of commerce in the Harding and Coolidge administrations.

Hoover belonged to the progressive wing of his party. "The time when the employer could ride roughshod over his labor[ers] is disappearing with the doctrine of 'laissez-faire' on which it is founded," he declared in 1909. Hoover brought a reform agenda to the White House: "We want to see a nation built of home owners and farm owners. We want to see their savings protected. We want to see them in steady jobs. We want to see more and more of them insured against death and accident, unemployment and old age. We want them all secure."

But Hoover also had ideological and political liabilities. Principles that appeared strengths in the prosperous 1920s — individual self-reliance, industrial self-management, and a limited federal government — became straitjackets when economic catastrophe struck. Moreover, Hoover had never held an elected public office, had a poor political touch, and was too thin-skinned to be an effective politician. Even so, most Americans considered him "a sort of superman" able to solve any problem. But he confided to a friend his fear that "if some unprecedented calamity should come upon the nation ... I would be sacrificed to the unreasoning

disappointment of a people who expected too much.” The distorted national economy set the stage for the calamity Hoover so feared.

## **The Distorted Economy**

In the spring of 1929, the United States enjoyed a fragile prosperity. Although America had become the world's leading economy, it had done little to help rebuild Europe's shattered economy after World War I. Instead, the Republican administrations demanded that Allied nations repay their war loans, creating a tangled web of debts and reparations that sapped Europe's economic vitality. To boost American business, the United States enacted tariffs that prevented other nations from selling their goods to Americans. Fewer sales meant that foreign nations had less money to buy American goods. American banks propped up the nation's export trade by extending credit to foreign customers, deepening their debt.

America's domestic economy was also in trouble. Wealth was badly distributed. Farmers continued to suffer from low prices and chronic indebtedness. The average income of farm families was only \$240 per year. The wages of industrial workers, though rising during the decade, failed to keep up with productivity and corporate profits. Overall, nearly two-thirds of all American families lived on less than

the \$2,000 per year that economists estimated would “supply only basic necessities.” In sharp contrast, the wealthiest 1 percent of the population received 15 percent of the nation’s income — the amount received by the poorest 42 percent. The Coolidge administration worsened the deepening inequality by cutting taxes on the wealthy.

By 1929, the inequality of wealth produced a serious problem in consumption. The rich, brilliantly portrayed in F. Scott Fitzgerald’s novel *The Great Gatsby* (1925), spent lavishly, but they could absorb only a tiny fraction of the nation’s output. For a time, the new device of installment buying — buying on credit — kept consumer demand up. By the end of the decade, four out of five cars and two out of three radios were bought on credit.

Signs of economic trouble began to appear at mid-decade. New construction slowed down. Automobile sales faltered. Companies began cutting back production and laying off workers. Between 1921 and 1928, as investment and loan opportunities faded, five thousand banks failed, wiping out the life savings of hundreds of thousands.

## **The Crash of 1929**

Even as the economy faltered, Americans remained upbeat. Hoping for even bigger slices of the economic pie,

Americans speculated wildly in the stock market on Wall Street. Between 1924 and 1929, the values of stocks listed on the New York Stock Exchange increased by more than 400 percent. Buying stocks on margin — that is, putting up only part of the money at the time of purchase — accelerated. Some people got rich this way, but those who bought on credit could finance their loans only if their stocks increased in value. A Yale economist assured doubters that stock prices had reached “a permanently high plateau.” Former president Calvin Coolidge declared that, at current prices, stocks were a bargain. But President Hoover observed, “The only trouble with capitalism is capitalists. They’re too damned greedy.”

Finally, in the autumn of 1929, the market hesitated. Investors nervously began to sell their overvalued stocks. The dip quickly became a panic on October 24, the day that came to be known as Black Thursday. More panic selling came on Black Tuesday, October 29, the day the market suffered a greater fall than ever before. In the next six months, the stock market lost six-sevenths of its total value.

It was once thought that the crash alone caused the Great Depression. It did not. In 1929, the national and international economies were already riddled with severe problems. But the dramatic losses in the stock market crash and the fear of risking what was left acted as a great brake

on economic activity. The collapse on Wall Street shattered the New Era's confidence that America would enjoy perpetually expanding prosperity.

## **Hoover and the Limits of Individualism**

When the bubble broke, Americans expressed relief that Hoover sat in the White House. Not surprisingly for a man who had been such an active secretary of commerce, Hoover acted quickly to arrest the decline. In November 1929, to keep the stock market collapse from ravaging the entire economy, Hoover called a White House conference of business and labor leaders. He urged them to join in a voluntary plan for recovery: Businesses would maintain production and keep their workers on the job; labor would accept existing wages, hours, and conditions. Within a few months, however, the bargain fell apart. As demand for their products declined, industrialists cut production, sliced wages, and laid off workers. Poorly paid or unemployed workers could not buy much, and their decreased spending led to further cuts in production and further loss of jobs. Thus began the terrible spiral of economic decline.

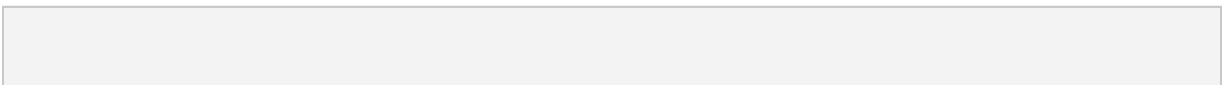
To deal with the problems of rural America, Hoover got Congress to pass the Agricultural Marketing Act in 1929. The act created the Farm Board, which used its budget of \$500

million to buy up agricultural surpluses and thus, it was hoped, raise prices. But prices continued to fall. To help end the decline, Hoover joined conservatives in urging protective tariffs on agricultural goods, and the Hawley-Smoot tariff of 1930 established the highest rates in history. The same year, Congress also authorized \$420 million for public works projects to give the unemployed jobs and create more purchasing power. In three years, the Hoover administration nearly doubled federal public works spending.

But with each year of Hoover's term, the economy weakened. Tariffs did not end the suffering of farmers because foreign nations retaliated with increased tariffs of their own that crippled American farmers' ability to sell abroad. In 1932, Hoover hoped to help hard-pressed industry with the [Reconstruction Finance Corporation \(RFC\)](#), a federal agency empowered to lend government funds to endangered banks and corporations. The theory was trickle-down economics: Pump money into the economy at the top, and in the long run the people at the bottom would benefit. Or, as one critic put it, "Feed the sparrows by feeding the horses." In the end, very little of what enemies of the RFC called a "millionaires' dole" trickled down to the poor.

Meanwhile, hundreds of thousands of workers lost their jobs each month. By 1932, an astounding one-quarter of the American workforce (nearly thirteen million people) was unemployed. There was no direct federal assistance, and state services and private charities were swamped. The depression that began in 1929 devastated much of the world, but no other industrialized nation provided such feeble support to the jobless. Cries grew louder for the federal government to give hurting people relief.

Hoover was no do-nothing president, but there were limits to his conception of the government's proper role in fighting the economic disaster. He compared direct federal aid to the needy to the "dole" in Britain, which he thought destroyed the moral fiber of the chronically unemployed. "Prosperity cannot be restored by raids on the public Treasury," Hoover declared. Besides, he said, the poor could rely on their neighbors to protect them "from hunger and cold." In 1931, he allowed the Red Cross to distribute government-owned agricultural surpluses to the hungry. In 1932, he relaxed his principles further to offer small federal loans, not gifts, to the states to help them in their relief efforts. But Hoover's restricted notions of legitimate government action proved vastly inadequate to address the problems of restarting the economy and ending human suffering.





## REVIEW

Why did the American economy collapse in 1929?



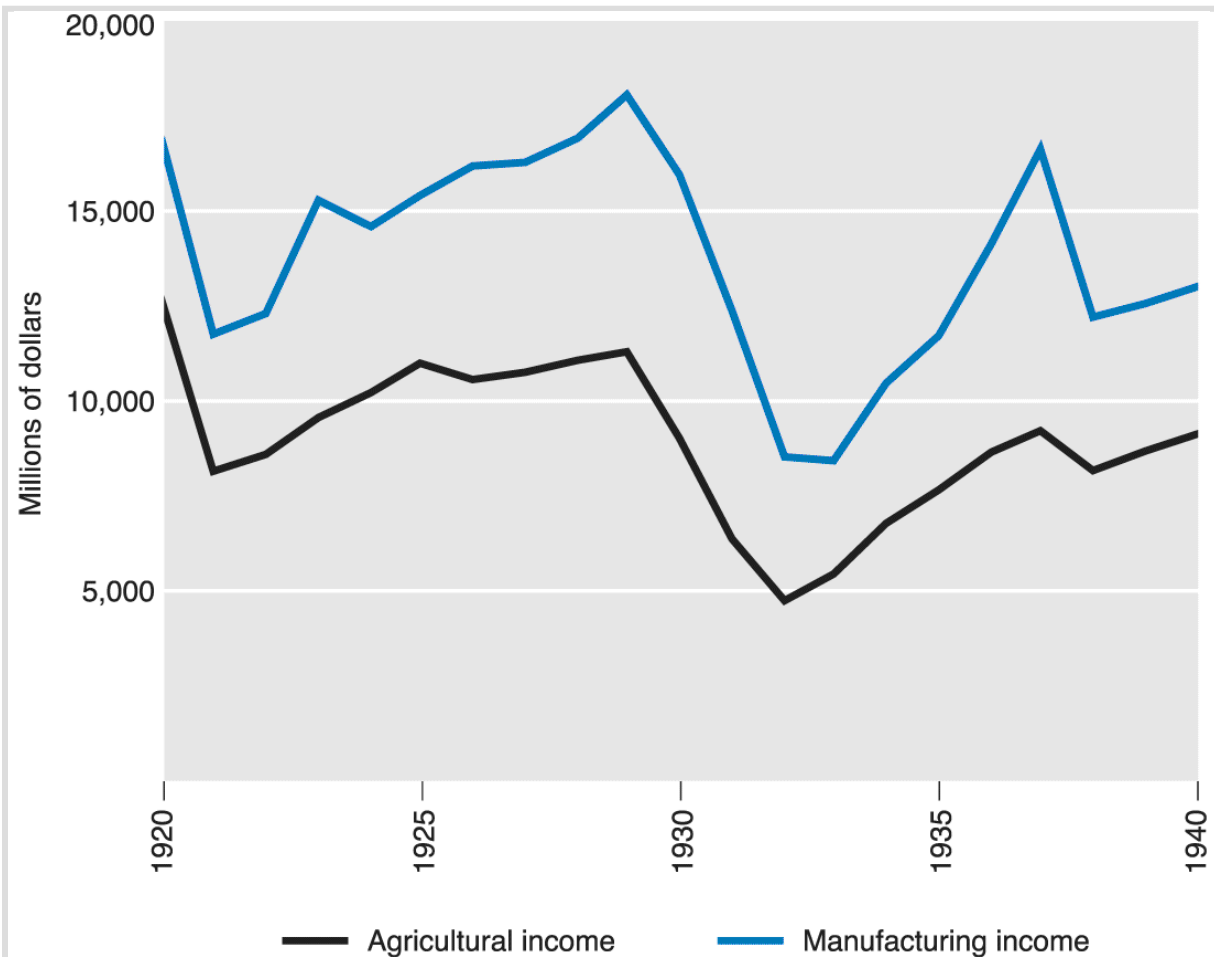
# What impact did the economic depression have on everyday life?

In 1930, suffering on a massive scale set in. Men and women hollow-eyed with hunger grew increasingly bewildered and angry in the face of cruel contradictions. They saw agricultural surpluses pile up in the countryside and knew that their children were going to bed hungry. They saw factories standing idle, yet they knew that they and millions of others were willing to work. The gap between the American people and leaders who failed to resolve these contradictions widened as the depression deepened. By 1932, America's economic problems had created a dangerous social and political crisis.

## The Human Toll

Statistics only hint at the human tragedy of the Great Depression. When Hoover took office in 1929, the American economy stood at its peak. When he left in 1933, it had reached its twentieth-century low ([Figure 23.2](#)). In 1929, national income was \$88 billion. By 1933, it had declined to \$40 billion. In 1929, unemployment was 3.1 percent, or 1.5 million workers. By 1933, unemployment stood at 25 percent, almost 13 million workers. In Cleveland, Ohio, 50 percent of the workforce was jobless, and in Toledo, 80

percent. By 1932, more than 9,000 banks had shut their doors, wiping out millions of savings accounts.



Roark et al., *The American Promise*, 8e, Value Edition © 2020 Bedford/St. Martin's

### **FIGURE 23.2 Manufacturing and Agricultural Income, 1920-1940**

After economic collapse, recovery in the 1930s began under New Deal auspices.

#### **Description**

"The graph has years along the horizontal axis and income in millions of dollars along the vertical axis. The agricultural income stood at 12,800 million dollars in 1920 but declined to 8,000 million dollars in 1921. It picked up steadily during the subsequent years to 11,000 million dollars

by 1928 but, saw a steep decline to 5,000 million dollars in early 1930s after which it climbed again gradually mid-1935 onward. However, it could only account for 9,000 million dollars by 1940. On the other hand, income from manufacturing was 16,500 million dollars in 1920 but declined to 12,500 million dollars in 1921. It then picked up slowly over the course of years to cross 15,000 million dollars in 1925 and continued to increase until 1928 when the income from manufacturing stood at 17,000 million dollars. This was followed by a massive decline to 8,000 million dollars by 1932. The income began to rise again year after year from 1933 and peaked at 16,500 million dollars by 1936. Though it dropped to 13,500 million dollars soon after this, it again began picking up slowly and stood at 13,600 million dollars by 1940.

All data are approximate.”

Jobless, homeless victims wandered in search of work, and the tramp, or hobo, became one of the most visible figures of the decade. Riding the rails or hitchhiking, a million vagabonds moved southward and westward looking for seasonal agricultural work. Other unemployed men and women, sick or less hopeful, huddled in doorways, overcome, one man remembered, by “helpless despair and submission.” Scavengers haunted alleys behind restaurants in search of food. One writer told of an elderly woman who always took off her glasses to avoid seeing the maggots crawling over the garbage she ate. In 1931, four New York City hospitals reported ninety-five deaths from starvation. “I don’t want to steal,” a Pennsylvania man wrote to the governor, “but I won’t let my wife and boy cry for something

to eat.... How long is this going to keep up? I cannot stand it any longer.”

Rural poverty was most acute. Tenant farmers and sharecroppers, mainly in the South, revealed how poverty could crush the human spirit. Eight and a half million people, three million of them black, crowded into cabins without plumbing, electricity, or running water. They subsisted — just barely — on salt pork, cornmeal, molasses, beans, peas, and whatever they could hunt or fish. When economist John Maynard Keynes was asked whether anything like this degradation had existed before, he replied, “Yes, it was called the Dark Ages and it lasted four hundred years.”

There was no federal assistance to meet this human catastrophe, only a patchwork of strapped charities and broke state and local agencies. For a family of four without any income, the best the city of Philadelphia could do was provide \$5.50 per week. That was not enough to live on, but better than Detroit, which allotted 60 cents a week before the city ran out of money altogether.

The deepening crisis roused old fears and caused some Americans to look for someone to blame. During the 1920s, cheap agricultural labor from Mexico flowed legally across the U.S. border, welcomed by the large farmers. In the

1930s, however, the public denounced the newcomers as dangerous aliens who took jobs from Americans.

Government officials, most prominently those in Los Angeles County, targeted Mexican residents for deportation, regardless of citizenship status. As many as half a million Mexicans and Mexican Americans were deported or fled to Mexico.

The depression deeply affected the American family. Young people postponed marriage. When they did marry, they produced few children. White women, who generally worked in low-paying service areas, did not lose their jobs as often as men who worked in steel, automobile, and other heavy industries. Idle husbands suffered a loss of self-esteem.

“Before the depression,” one unemployed man reported, “I wore the pants in this family, and rightly so.” Jobless, he lost self-respect and also “the respect of my children, and I am afraid that I am losing my wife.” Employers discriminated against married women workers, but necessity continued to drive women into the marketplace. As a result, by 1940, some 25 percent more women were employed for wages than in 1930.

## **Denial and Escape**

President Hoover assured Americans that economic recovery was on its way, but makeshift shantytowns, called

“Hooverilles,” that sprang up on the edges of America’s cities contradicted the president’s optimism. Newspapers, used as cover by those sleeping on the streets, were “Hoover blankets.” An empty pocket turned inside out was a “Hoover flag,” and jackrabbits caught for food were “Hoover hogs.” Bitter jokes circulated about the increasingly unpopular president. One told of Hoover asking for a nickel to telephone a friend. Flipping him a dime, an aide said, “Here, call them both.”

While Hoover practiced denial, most Americans sought refuge from reality at the movies. Throughout the depression, between 60 million and 75 million people (nearly two-thirds of the nation) scraped together enough change to fill the movie palaces every week. Box office hits such as *42nd Street* and *Gold Diggers of 1933* capitalized on the hope that prosperity lay just around the corner. But a few filmmakers grappled with realities rather than escape them. *The Public Enemy* (1931) taught hard lessons about gangsters’ lawbreaking. Indeed, under the new production code of 1930, designed to protect public morals, all movies had to find some way to show that crime did not pay.

Despite Hollywood’s efforts to keep Americans on the right side of the law, crime increased. In the countryside, the plight of people who had lost their farms to bank



foreclosures led to the romantic idea that bank robbers were only getting back what banks had stolen from the poor.

Woody Guthrie, a folksinger from Oklahoma, captured the public's tolerance for outlaws in his tribute to a murderous bank robber with a choirboy face, "The Ballad of Pretty Boy Floyd." Guthrie sang that there were two kinds of robbers, those who used guns and those who used pens, and he observed that robbers with guns, like Pretty Boy Floyd, never drove families from their homes. Named Public Enemy No. 1, Floyd was shot and killed by police in 1934. His funeral in Oklahoma was attended by between twenty and forty thousand people, many of whom viewed Floyd as a tragic figure, a victim of the hard times.

## **Working-Class Militancy**

The nation's working class bore the brunt of the economic collapse. By 1931, William Green, head of the American Federation of Labor (AFL), had turned militant. "I warn the people who are exploiting the workers," he shouted, "that they can drive them only so far before they will turn on them and destroy them. They are taking no account of the history of nations in which governments have been overturned. Revolutions grow out of the depths of hunger."

The American people were slow to anger, but on March 7, 1932, several thousand unemployed autoworkers gathered at the gates of Henry Ford's River Rouge factory in Dearborn, Michigan, to demand work. Pelted with rocks, Ford's private security forces responded with gunfire, killing four demonstrators. Forty thousand outraged citizens turned out for the unemployed men's funerals.

Farmers mounted uprisings of their own. When Congress refused to guarantee farm prices, several thousand farmers created the National Farmers' Holiday Association in 1932, so named because its members planned to take a "holiday" from shipping crops to market. Farm militants also resorted to what they called "penny sales." When banks foreclosed and put farms up for auction, neighbors warned others not to bid, bought the foreclosed property for a few pennies, and returned it to the bankrupt owners. Activism won farmers little in the way of long-term solutions, but one individual observed that "the biggest and finest crop of revolutions you ever saw is sprouting all over the country right now."

Even those who had proved their patriotism by serving in World War I rose up in protest against the government. In 1932, tens of thousands of unemployed veterans traveled to Washington, D.C., to petition Congress for the immediate payment of the pension (known as a "bonus") that Congress

had promised them in 1924. Hoover feared that the veterans would spark a riot and ordered the U.S. Army to evict the [Bonus Marchers](#) from their camp on the outskirts of the city. Tanks destroyed the squatters' camps while five hundred soldiers wielding bayonets and tear gas sent the protesters fleeing. The spectacle of the army driving peaceful, petitioning veterans from the nation's capital further undermined public support for the beleaguered Hoover.

The Great Depression — the massive failure of capitalism — catapulted the Communist Party to its greatest size and influence in American history. Some 100,000 Americans — workers, intellectuals, college students — joined the Communist Party in the belief that only an overthrow of the capitalist system could save the victims of the depression. In 1931, the party, through its National Miners Union, moved into Harlan County, Kentucky, to support a strike by brutalized coal miners. Mine owners unleashed thugs against the strikers and eventually beat the miners down. But the Communist Party gained a reputation as the most dedicated and fearless champion of the union cause.

The left also led the fight against racism. While both major parties refused to challenge segregation in the South, the Socialist Party, led by Norman Thomas, attacked the system of sharecropping that left many African Americans in near

servitude. The Communist Party also took action. When nine young black men in Scottsboro, Alabama (the [Scottsboro Boys](#)), were arrested on trumped-up rape charges in 1931, a team of lawyers sent by the party saved the defendants from the electric chair.



Bettmann/Getty Images.

**“Scottsboro Boys”** Nine black youths, ranging in age from thirteen to twenty-one, were convicted of the rape of two white women and sentenced to death by an all-white jury in March 1931. None was executed, and eventually the state dropped the charges against the youngest four and granted paroles to the others. The last Scottsboro Boy left jail in 1950.

Radicals on the left often sparked action, but protests by moderate workers and farmers occurred on a far greater scale. Breadlines, soup kitchens, foreclosures, unemployment, government violence, and cold despair drove patriotic men and women to question American capitalism. “I am as conservative as any man could be,” a Wisconsin farmer explained, “but any economic system that has in its power to set me and my wife in the streets, at my age — what can I see but red?”

#### REVIEW

What was the human toll of the depression?



# Conclusion: Why did the hope of the 1920s turn to despair?

In the aftermath of World War I, America turned its back on progressive crusades and embraced conservative Republican politics, the growing influence of corporate leaders, and business values. Changes in the nation's economy — Henry Ford's automobile revolution, mass production, advertising — propelled fundamental change throughout society. Living standards rose, economic opportunity increased, and Americans threw themselves into private pleasures — gobbling up the latest household goods and fashions, attending baseball and football games and boxing matches, gathering around the radio, and going to the movies. As big cities came to dominate American life, the culture of youth and flappers became the leading edge of what one observer called a "revolution in manners and morals." At home in Harlem and abroad in Paris, American literature, art, and music flourished.

For many Americans, however, none of the glamour and vitality had much meaning. Instead of seeking thrills at the speakeasies, plunging into speculation on Wall Street, or escaping overseas, the vast majority struggled to earn a decent living. Blue-collar America did not participate fully in

white-collar prosperity. Rural America was almost entirely left out of the Roaring Twenties. Country folk, deeply suspicious and profoundly discontented, championed prohibition, revived the Klan, attacked immigration, and defended old-time Protestant religion.

The crash of 1929 and the depression that followed starkly revealed the economy's crises of international trade and consumption. Hard times swept high living off the front pages of the nation's newspapers. Different images emerged: hoboes hopping freight trains, strikers confronting police, malnourished sharecroppers staring blankly into the distance, empty apartment buildings alongside cardboard shantytowns, and mountains of food rotting in the sun while guards with shotguns chased away the hungry.

The depression hurt everyone, but the poor were hurt most. As farmers and workers sank into misery, businessmen rallied around Herbert Hoover to proclaim that private enterprise would get the country moving again. But things fell apart, and Hoover faced increasingly radical opposition. Membership in the Socialist and Communist parties surged, and more and more Americans contemplated desperate measures. By 1932, the depression had nearly brought the nation to its knees. America faced its greatest crisis since the Civil War, and citizens demanded new leaders who would save them from the "Hoover Depression."