

SECTION 3

Hoover Responds

Guide to Reading

Main Idea

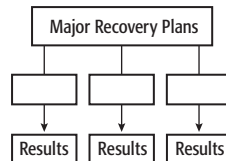
President Hoover's philosophy of government guided his response to the Depression.

Key Terms and Names

public works, Reconstruction Finance Corporation, relief, foreclose, Bonus Army

Reading Strategy

Categorizing As you read about Hoover's response to the Depression, complete a graphic organizer by listing his major initiatives and their results.



Reading Objectives

- **Evaluate** President Hoover's attempts to revive the economy.
- **Analyze** the limitations of Hoover's recovery plans.

Section Theme

Groups and Institutions President Hoover began using new government agencies to improve the nation's slumping economy.

Preview of Events

◆ 1931

October 1931
National Credit Corporation created

◆ 1932

January 1932
Congress approves Reconstruction Finance Corporation

◆ 1933

July 1932
Congress passes Emergency Relief and Construction Act; soldiers rout the Bonus Marchers

★ An American Story ★



Joseph Heffernan

In December 1929, Mayor Joseph Heffernan of Youngstown, Ohio, listened impatiently to fellow public officials assembled in the Cleveland Chamber of Commerce hall. He had been called to one of a series of conferences on unemployment that President Hoover had arranged. At the conference, Heffernan grew restless as he listened to the other speakers. He felt that it would take too long to pass their confident proposals for ending unemployment, and by that time, it would be too late to prevent a depression. He asked the other conference members, "Why not tell people the truth?"

Youngstown business leaders criticized Heffernan for trying to tell his constituents how bad the economic outlook was. Heffernan later recalled that one of them said to him, "Don't emphasize hard times and everything will be all right."

The man who rebuked Mayor Heffernan expressed what many, including President Hoover himself, believed in late 1929: The country merely needed to regain its confidence. As the crisis worsened, Hoover took steps to help the economy recover, but only within the limits of his philosophy of government.

—adapted from *The Great Depression*

Promoting Recovery

On Friday, October 25, the day after Black Thursday, President Hoover issued a statement assuring the nation that industry was "on a sound and prosperous basis." In March 1930 he told the public that "the worst effects of the crash . . . will have passed during the next 60 days." Critics derided his optimism as conditions worsened. Hoover,



however, hoped to downplay the public's fears. He wanted to avoid more bank runs and layoffs by urging consumers and business leaders to become more rational in their decision making.

Voluntary Efforts and Public Works Despite his soothing words, Hoover was seriously worried about the economy. He organized a series of conferences, bringing together the heads of banks, railroads, and other big businesses, as well as labor and government officials.

He won a pledge from industry to keep factories open and to stop slashing wages. By 1931, however, business leaders had abandoned those pledges. Hoover's next step was to increase **public works**—government-financed building projects. The resulting construction jobs could replace some of those lost

in the private sector. He urged governors and mayors throughout the nation to increase public works spending.

Hoover's actions did spur construction increases, but the effort made up for only a small fraction of the jobs lost in the private sector. The only way the government could create enough new jobs would be to massively increase government spending, which Hoover refused to do.

The problem was that someone had to pay for public works projects. If the government raised taxes to pay for them, it would take money away from consumers and hurt businesses that were already struggling. If the government decided to keep taxes low and run a budget deficit instead—spending more money than it collected in taxes—it would have to borrow the money from banks. If the government did this, less

Different Viewpoints

What Should the Government's Role in the Economy Be?

The government's role in the economy was an important issue in the 1932 presidential election, when the country was in the throes of the Depression. President Herbert Hoover explained, in a 1928 speech why a limited government role was best, while President Franklin Roosevelt argued in his inaugural address in 1933 that an expanded government role was necessary.

from Hoover's Madison Square Garden Address, 1928

"During one hundred and fifty years we have built up a form of self-government and a social system which is peculiarly our own. . . . It is founded upon a particular conception of self-government in which decentralized local responsibility is the very base. . . .

During the war we necessarily turned to the government to solve every difficult economic problem. . . . However justified in time of war, if continued in peacetime it would destroy . . . our progress and freedom. . . . The acceptance of these ideas would have meant the destruction of self-government through centralization of government. It would have meant the undermining of the individual initiative and enterprise through which our people have grown to unparalleled greatness."

from Roosevelt's Inaugural Address, 1933

"Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.

. . . The task can be helped . . . by national planning for and supervision of all forms of transportation and of communications and other utilities which have a definitely public character. There are many ways in which it can be helped, but it can never be helped merely by talking about it. We must act and act quickly.

. . . We now realize as we have never realized before our interdependence on each other; . . . that if we are to go forward, we must move as a trained and loyal army willing to sacrifice for the good of a common discipline."

Learning From History

- Analyzing Arguments** What did Hoover fear would happen if government programs started during World War I were continued after the war?
- Making Inferences** Do you think Roosevelt would have agreed with Hoover's assessment of the government's role during World War I? Why or why not?



money would be available for businesses that wanted to expand and for consumers who wanted mortgages or other loans. Hoover feared that deficit spending would actually delay an economic recovery.

The Midterm Election As the congressional elections of 1930 approached, most Americans felt that worsening unemployment posed a grave threat to their well-being. Citizens blamed the party in power for the stumbling economy. The Republicans lost 49 seats and their majority in the House of Representatives; they held on to the Senate by a single vote.

Reading Check **Examining** Why did Hoover oppose deficit spending?

Pumping Money Into the Economy

Hoover soon turned his attention to the problem of money. There was very little in the economy now that so many banks had collapsed. The government, he believed, had to make sure that banks could make loans to corporations so they could expand production and rehire workers.

White Angel Breadline In 1932 a wealthy woman nicknamed the “White Angel” set up a breadline in San Francisco. Dorothea Lange captured the hopelessness of the Depression in this famous photograph of the breadline.



GOVERNMENT

Trying to Rescue the Banks The president asked the Federal Reserve Board to put more currency into circulation, but the Board refused. In an attempt to ease the money shortage, Hoover set up the National Credit Corporation (NCC) in October 1931. The NCC created a pool of money to enable troubled banks to continue lending money in their communities. Hoover then persuaded a number of New York bankers to contribute to the NCC. Their contributions, however, did not meet the nation’s needs.

By 1932 Hoover concluded that the only way to provide funding for borrowers was for the government to do the lending. He requested that Congress set up the **Reconstruction Finance Corporation** (RFC) to make loans to banks, railroads, and agricultural institutions. By early 1932, the RFC had lent about \$238 million to approximately 160 banks, 60 railroads, and 18 building-and-loan organizations. The RFC was overly cautious, however. It failed to increase its loans in sufficient amounts to meet the need, and the economy continued its decline.

Direct Help for Citizens From the start, Hoover strongly opposed the federal government’s participation in **relief**—money that went directly to impoverished families. He believed that only state and city governments should dole out relief. By the spring of 1932, however, they were running out of money.

In 1932 political support was building for a relief measure, and Congress passed the Emergency Relief and Construction Act. Although reluctant, Hoover signed the bill on July 21. The new act called for \$1.5 billion for public works and \$300 million in loans to the states for direct relief. By this time, however, the new program could not reverse the accelerating collapse.

Reading Check **Summarizing** Why did Hoover oppose the federal government’s participation in relief programs?

In an Angry Mood

In the months after the Wall Street crash, Americans had seemed resigned to bad economic news. By 1931, however, they were growing increasingly discontented, and open acts of revolt began to occur.

Hunger Marches In January 1931, around 500 men and women in Oklahoma City, shouting angrily about hunger and joblessness, broke into a grocery store and looted it. Crowds began showing



Picturing History

Poverty and Plenty Spattered with milk, dairy farmers are shown here destroying their product in a vain effort to drive up prices. For the hungry and unemployed, like the families at left, the farmers' actions were unthinkable. [Why did the farmers think their actions would drive up prices?](#)

up at rallies and “hunger marches” held by the American Communist Party, which was eager to take advantage of national problems to change the American form of government. On December 5, 1932, a freezing day in the nation’s capital, around 1,200 hunger marchers assembled and chanted, “Feed the hungry, tax the rich.” Police herded them into a blocked-off area, where they had to spend the night sleeping on the sidewalk or in trucks. The police denied them food, water, and medical treatment until some members of Congress insisted on the marchers’ right to petition their government. They were then released and permitted to march to Capitol Hill.

Farmers Revolt In the summer of 1932, farmers also took matters into their own hands. Beginning in the boom days of World War I, many farmers had heavily mortgaged their land to pay for seed, feed, and equipment. After the war, prices sank so low that farmers could not even earn back their costs, let alone make a profit. Between 1930 and 1934 creditors **foreclosed** on nearly one million farms, taking possession of them and evicting the families.

Some farmers began destroying their crops in a desperate attempt to raise crop prices by reducing the supply. In Nebraska grain growers burned corn

to heat their homes in the winter. In Iowa food growers forcibly prevented the delivery of vegetables to distributors. Georgia dairy farmers blocked highways and stopped milk trucks, emptying the milk cans into ditches.

The Bonus Marchers In appreciation of the World War I service of American soldiers and sailors, Congress in 1924 had enacted a \$1,000 bonus for each veteran, to be distributed in 1945. The economic crisis, however, made the wait more difficult. In 1931 Texas congressman Wright Patman introduced a bill in the House of Representatives that authorized early payment of the veterans’ bonuses. The bill later passed the House and moved to the Senate for debate.

In May 1932 several hundred Portland, Oregon, veterans set off on a month-long march to Washington to lobby Congress to pass the legislation. As they moved east, other veterans joined them until they numbered about 1,000. Wearing ragged military uniforms, they trudged along the highways or rode the rails, singing old war songs and reminiscing about army days. The press termed the marchers the “**Bonus Army.**”

Once in Washington, the marchers camped in Hoovervilles. As weeks went by, additional veterans joined them, until the Bonus Army swelled to



ignored Hoover's orders to clear the buildings but to leave the camps alone. He sent cavalry, infantry, and tanks to clear the veterans from the city.

A Federal Trade Commission member, A. Everette McIntyre, watched as the infantry "fixed their bayonets and also fixed their gas masks over their faces. At orders they brought their bayonets at thrust and moved in. The bayonets were used to jab people to make them move." Soon unarmed veterans were on the run with 700 soldiers at their heels. The soldiers tear-gassed stragglers and burned the shacks. Tear gas killed a baby boy.

The nationwide press coverage and newsreel images of veterans under assault by troops presented an ugly picture to the public. The routing of the veterans hounded the president throughout his 1932 re-election campaign.

Hoover failed to resolve the crisis of the Depression, but he did more to expand the economic role of the federal government than any previous president. The Reconstruction Finance Corporation marked the first time the federal government had established a federal agency to stimulate the economy during peacetime. It was the image of the routed Bonus Marchers and the lingering Depression, however, that shaped the public's perception of President Hoover.

 **Reading Check** **Evaluating** How did Americans react as the Depression continued?

Picturing History

Clearing Out the Bonus Marchers Fierce battles resulted when President Hoover ordered the Washington, D.C., police to evict the Bonus Army from public buildings and land they had been occupying. [How did the public feel when they saw or heard about this event?](#)

15,000. President Hoover acknowledged the veterans' petition rights but refused to meet with them.

When the Senate voted the new bonus bill down, veterans waiting outside the Capitol began to grumble, until one of their leaders started them singing "America." Gradually their anger cooled, and many returned home. A significant number of the marchers, however, stayed on since they had no job prospects. Some moved from the camps to unoccupied buildings downtown.

In late July, Hoover ordered the buildings cleared. The police made the first try, but one of them panicked and fired into a crowd, killing two veterans. The Washington, D.C., government then called in the army. Army chief of staff Douglas MacArthur

SECTION 3 ASSESSMENT

Checking for Understanding

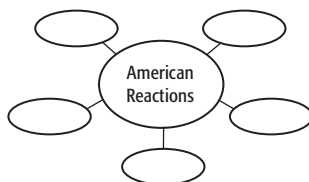
- Define:** public works, relief, foreclose.
- Identify:** Reconstruction Finance Corporation, Bonus Army.
- Summarize** three major initiatives taken by Hoover to improve the economy and the results of each.

Reviewing Themes

- Groups and Institutions** What did business leaders promise Hoover they would do to help the economy? Did they keep their promises?

Critical Thinking

- Interpreting** How did President Hoover's philosophy of government guide his response to the Depression?
- Organizing** Use a graphic organizer similar to the one below to list American reactions to the Depression.



Analyzing Visuals

- Picturing History** Study the photographs on page 671. The farmers shown would rather dump their milk than sell it. What did they hope to achieve by their actions?

Writing About History

- Persuasive Writing** Imagine that you are a veteran of World War I. Write a letter to members of Congress explaining your circumstances and asking them to give you your bonus early.