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The Relation of Herbert Hoover to Congress, 1929-1933

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THE RELATION OF HERBERT HOOVER TO CONGRESS, 1929-1933

By

Loretta Kehoe

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I

HERBERT HOOVER - AN EVALUATION

Seldom, if ever, in the history of the United States, has a president assumed office under more favorable conditions and with greater expectations of achievement than did Herbert Hoover on March 4, 1929. In more or less specific contrast to his predecessors, Warren G. Harding and Calvin Coolidge, he had but limited political experience to recommend him, so it was as an expert administrator that he was elected. Throughout the first World War he had served the country both at home and abroad in administrative positions. From close personal contacts he had come to know the American people with a sympathetic understanding and to have an appreciation of the problems of foreign peoples as well. During the Presidential campaign he had been portrayed as "a superman whose engineering genius would reform and elevate the

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2 This refers to the positions he held as Chairman of the American Commission for the Relief of Belgium from 1914 to 1917; United States Food Administrator in 1917 and 1918; and Director General of the American Relief Administration in the months following the Armistice in November, 1918. A detailed explanation is given in Appendix A.

art of government.

As Secretary of Commerce during the Harding and Coolidge administrations, he had been an "integral part of the government." Here he had instituted significant changes and had gained a reputation as "a stickler for business and administrative efficiency." Working closely with leaders of finance, business, and industry, he had built up the economic structure of the nation, which led to a period of unprecedented prosperity.

4 Orphaned at the age of ten, Hoover's childhood was one of deprivation and hard work. (His father died in 1880 and his mother in 1884.) Due in part, no doubt, to his early hardships, he determined to make something of himself through his own efforts. Over the protests of his Quaker relatives, with whom he had made his home after the death of his parents, he registered in the engineering course at the newly opened Leland Stanford Junior College in 1891. It was necessary for him to work his way through college and even at this early period of his life he established a record for accomplishment.

Upon his graduation in the pioneer class in 1895, he served his apprenticeship at the practical work of mining engineer in Nevada County, California. Having proved that he was capable of greater responsibility, he sought wider fields for the practice of his chosen profession. His reputation as a mining expert brought him assignments in South Wales and later in China. His interest and skill in developing mines led the Hoovers (before going to China he married Miss Lou Henry, a California girl whom he had met at Leland Stanford) to obscure corners of the earth, including Australia, Africa, Mexico, Burma (India), and any place where there were mines to be worked. Wherever there were special problems in mining engineering, his advice was sought. Living among many peoples, he gained a personal knowledge of many governments and of world affairs.--Vernon Kellogg, Herbert Hoover, the Man and His Work (New York: D. Appleton and Company, 1920), 17-32; 45-49; 59-78; 80-101; 102-123; and Mary R. Parkman, Heroes of Today (New York: The Century Company, 1917), 305-309.


Already famous both at home and abroad for his record of achievements, the American electorate looked to him for an administration of unequalled accomplishments. "Here," according to Charles Evans Hughes, "was the perfect leader." In an address in St. Joseph, Missouri, during the 1928 campaign, Hughes told the people:

... if any difficult situation should arise, the one man who more than anyone else could be depended upon to bring the widest knowledge and the greatest resourcefulness to the devising of means to meet the emergency would be Herbert Hoover. 7

This opinion finds support in a statement by another authority:

Here is a man long experienced in leading masses of humanity in public and private enterprise, familiar with all the world—not merely with his own section of it—and skilled in the art of getting men to do as he wants them to do. This art is the art of leadership, whether it be political leadership or business leadership. 8

Regarding his ability a well-known press correspondent in Washington in 1930 commented:

Always he was the quiet unspectacular organizer, conciliator, and administrator. His reputation and genius became legendary among his countrymen. 'Let Hoover do it' had

7 Peel, 4.
8 Brown, 290.
become a national byword.

The student of history must keep constantly aware that, while no man had ever taken the office of President of the United States with a more auspicious record of attainments and with a more detailed knowledge of government, yet—paradoxically enough—no President since Ulysses S. Grant possessed less actual political experience. The office of Secretary of Commerce—while it afforded practical knowledge of government—is regarded as "almost if not absolutely, the least political of the executive departments." In a study on American government Hoover is described as being in reality "a novice in politics."

Despite an auspicious beginning, it transpired that the years that Hoover served as the thirty-first President of the United States comprise an era that is recognized as one of the most critical in our history. Events unforeseen in the spring of 1929 placed upon him burdens such as few executives have had to assume in times of peace. His task from the beginning became one of end-

11 Ogg, 286.
Public interest centered in his dealings with Congress, and it was here that misunderstandings occurred. Faced with a crisis the serious aspects of which fell just short of the consequences of war—the sudden collapse of the stock market in the fall of 1929 and the subsequent depression and period of unemployment—he seemed wholly incapable of assuming the leadership of Congress in the emergency. From close personal association with the President, Theodore G. Joslin, who was his secretary from 1931 to 1933, has observed in his writings: "None of his acts aroused that fire of enthusiasm sufficient to cause them to follow his leadership unquestionably." His inability to assume this leadership was derived, in part, no doubt, from his acceptance of a rigorous concept of the separation of powers, the basis for which is found in his pronounced individualism. An apt statement of this concept is found in Hoover's own words, where he declared:

...the weakening of the legislative arm [of government] lead[s] to encroachment by the executive upon the legisla-


14 Brown, 291.

15 Laski, 132.

16 Joslin, 13.

17 Laski, 132. See footnote 23 in Chapter II.
tive and judicial functions and inevitatively that encroachment is upon individual liberty... the militant safeguard to liberty... legislative independence. 18

Authorities are agreed that, while he approached his tasks with a zeal and sincerity rarely surpassed, he was frequently misunderstood and his accomplishments misjudged because of dominant personal traits. His policy of silence, his sensitiveness to personal criticism, and his inability to interpret himself and his acts to those outside of immediate associates formed handicaps so serious that they became the focal point from which stemmed antagonism and widespread dissatisfaction.

Joslin has declared that his silence was close to the root of the antagonisms that developed against him. Because of it the American people neither understood the chaotic conditions during his administration, nor were they cognizant of the untiring efforts he was making to alleviate distress. When urged to publicize certain trying situations, his inevitable reply was: "This is not a showman's job. I will not step out of character." A


A professor of history at the University of Michigan has said of Hoover, "He was the most sensitive to criticism of any man in public life."--Dwight Lowell Dumond, Roosevelt to Roosevelt (New York: Henry Holt and Company, 1937), 383.

Specific instances of these characteristics will be found in succeeding chapters.

20 Joslin, 2.
student of political science has described one of his personal handicaps in these words:

It was his absence of the common touch that was largely responsible for the defeat of Mr. Hoover. He was full of good-will; he worked relentlessly at his task. But he never gave his constituents the impression of entering into their problems upon the plane on which they encountered them. 21

This inability to convey his real feelings to the people outside of his intimate associates is pertinent because of the confidence and loyalty which he inspired in his colleagues. He was at his best, we are told, when dealing with small groups of men. To these limitations of character, not previously known, and to his political philosophy is attributed in large part the lack of understanding between the President and Congress that became apparent in the first year that Herbert Hoover directed the affairs of the nation.

A study of the facts of Hoover's life affords ample evidence that his emotional attitudes and philosophy were alike the result of the influence of his religion and his early environment. Born into a Quaker home in West Branch, Iowa, of a long line of Quaker ancestors on August 10, 1874, he was reared, both at home and at

21 Laski, 36.

22 Joslin, 2-13.

school, in an atmosphere that favored the formation of an individualistic philosophy. In the Hoover home, as in other Quaker homes
the children and their parents shared in the performance of tasks
and in the enjoyment of the homely pleasures afforded by the routine activities and social life of the household. By placing
greater emphasis upon the needs and aspirations of the individual
than upon the subject-matter, the Quaker schools had an individualizing effect on the group.

From his childhood training stems, in some degree, his sense
of justice and fair play in business. The welfare of peoples who
were treated unfairly because of race, creed, or color held more
than a passing interest for the Quakers. They held to the conviction that all transactions in business should be tempered by a
sense of justice and equity. In the Quaker principle that a definite relationship exists between the economic order and human
welfare is found an explanation for the economic policies of the
President.

In the Quaker meeting-house that the young Hoover attended
in the prosperous and quiet community of West Branch, his mother,


25 There were two other children in the Hoover family—a brother Theodore, who was three and one-half years older than Herbert, and a younger sister, Mary.—Ibid., 16.


27 Dexter, 54-58.
a minister, sometimes addressed the congregation. This privilege was hers by virtue of her unusual mental gifts, her spiritual insight, and her moral courage. She was in reality, "a religious individualist," not a pastor in the common meaning of the word.

Freedom of conscience was a dominant ideal of the Society of Friends. Their meetings allowed a liberal amount of freedom, requiring at the same time a social responsibility. Anyone who believed in the fatherhood of God and the brotherhood of man could be a member of this organization. This friendly idealism both stimulated and dominated the activities of Hoover's childhood and youth.

Without an appreciation of this phase of his religious training, Hoover's philosophy of American individualism cannot be properly understood. Regarding it, Walter Friar Dexter has written: "Failure to understand his philosophy of friendship leads

28 Hoover's mother, Hulda Minthorn Hoover, has been described by people who knew her as being unusually shy and reserved in spite of her color and attractiveness. Kellogg, 15. These traits are obviously an honest legacy of her son, Herbert Hoover.

29 "A minister, in the Society of Friends, carried the title in recognition of his spiritual gifts rather than in recognition of a professional or educational training in religious technique." --Dexter, 26.

30 Dexter, 27.

31 "An American individualist is a person, who, having learned the intrinsic value of man and having found within himself an inescapable desire to know right relationships, has developed a spirit of gratitude, an attitude of tolerance, and a social mind, to all of which he gives expression in an inclusive program of friendly service." --Dexter, 110.
only to a misinterpretation of his idea of individualism." That the ideal of service inherent in the philosophy of the Quakers made a lasting impression upon the convictions of the young Hoover is brought out in the following quotation:

He learned from his Quaker ancestors that men are not mere abstractions; that they are individual units of a social order. Among them he experienced individualism raised to a high level of mutual interdependence. Association with them gave him a sense of social progress through individual growth and achievement. He developed a patriotically and spiritually motivated faith in this type of structural framework, which is at once dynamic and practical. It finds expression in much that he thinks and does for the people whom he serves.

Of the influence of the Quaker religion on his life and work, David Hinshaw—in an article entitled "Friends of the Truth"—has given the following analysis:

Hoover the Quaker, given to reticence, distinctly modest, quick in sympathy for the oppressed, with great strength and instinctive gentleness, and with astounding audacity of the spirit is full of the manners and methods of this peculiar people. He does not represent Quakerism in its rigid interpretation, but the indelible impressions of childhood have matured into a manhood concerned with the things of the spirit and the fiber of that spirit makes it pliable but unbreakable.

32 Dexter, 27.

33 Ibid., 60.

From men intimately associated with the President during these trying years we learn that, in spite of his inherent shyness and inevitable reserve, few of our chief executives have ever desired companionship and friendship more sincerely than Hoover. An explanation of this seeming paradox in his nature is timely here:

Onto the acquired shyness of a Quaker, the shyness of a growing boy whose feelings are so exquisitely acute that he fears to show any of them lest he show all . . . This dual shyness, combined with his own ideas of taste in conduct, long kept him a mystery to the public. 36

Because of the misunderstandings that occurred during his administration, Herbert Hoover has been called the most criticized President since Lincoln. A man of many contrasts—neither "superman" nor "a working machine"—he labored conscientiously in spite of assaults to forward the policies in which he believed. Since the kind of man the President shows himself to be bears an intimate relation to the power and meaning that he gives his office, and since the fulfillment of his program depends upon his relationships with Congress, a knowledge of these facts is significant.

35 Joslin, 6-7.


37 Notable examples of criticism leveled at the President will be brought out in the succeeding chapters.

38 Joslin, 5-6.
FROM CONFIDENCE TO CONFUSION

The Hoover administration had its inception in the midst of an era of unprecedented stock speculation. Warnings from economic experts regarding the precarious state of the stock market failed to shake the President's confidence in the stability of the postwar prosperity. He held to the conviction that the system of free enterprise in the United States would soon eradicate poverty. In his inaugural address he gave expression to this confidence when he said:

If we survey the situation of our nation both at home and abroad, we find many satisfactions; we find some causes for concern. We have emerged from the losses of the Great War with increased virility and strength. From this strength we have contributed to the recovery and progress of the world. . . . In the large view we have reached a higher degree of comfort and security than ever existed before in the history of the world. . . .

Ours is a land rich in resources, stimulating in its glorious beauty, filled with millions of happy homes, blessed with comfort and opportunity. . . . In no nation are the fruits of accomplishment more secure. I have no fears for the future of our country. It is bright with hope.

1 William Starr Myers and Walter H. Newton, The Hoover Administration. (New York: Charles Scribner's Sons, 1936), 14. In the succeeding pages this work will be referred to as Myers.

2 Binkley, 233.

The key to his philosophy of government is found in the presentation of his views on self-government:

Our people have in recent years developed a new-found capacity for cooperation among themselves to effect high purposes in public welfare. It is an advance toward the highest conception of self-government. Self-government does not and should not imply the use of political agencies alone. Progress is born of cooperation in the community—not from governmental restraints. 4

Strangely enough, in spite of the optimistic outlook of the president, the major issues of this administration were precipitated by a business depression which constituted the gravest economic crisis ever experienced by the American people, following the collapse of the stock market in October of the inaugural year. Problems requiring legislative action during his earliest months in office dealt with farm relief, tariff revision, and law enforcement. It is with these issues and with the cumulative problems arising from the economic crisis beginning in October, 1929, and continuing through the four years of the Hoover administration that this discussion will be concerned.

The dispatch with which President Hoover treated the problems confronting him in his first few weeks in office, including his selection of capable men for the Cabinet, the fulfilment of campaign pledges and the establishment of amicable relations with

4 State Papers, 7.
5 Merz, 3.
the press, augured well for his success and popularity and charac-
terized him at the outset as an active President. In an address
before the Gridiron Club on April 13, a few days before the call-
ing of the special session of Congress, President Hoover explained
his views on the relationship between the Executive and Congress.
Since his statement on this occasion of the concept he held of
the right and duty of Congress was later used as the basis for un-
favorable criticism, and since this concept had a vital bearing

6 Albert Bushnell Hart, The American Year Book, (New York: The
American Year Book Corporation, 1929), 9, 67.
Myers, 12, 13.
The President announced his Cabinet members as follows:
Henry L. Stimson, Secretary of State;
Andrew W. Mellon, Secretary of the Treasury;
James W. Good, Secretary of War;
William D. Mitchell, Attorney-General;
Walter F. Brown, Postmaster-General;
Charles Francis Adams, Secretary of the Navy;
Ray Lyman Wilbur, Secretary of the Interior;
Arthur M. Hyde, Secretary of Agriculture;
Robert P. Lamont, Secretary of Commerce;
James J. Davis, Secretary of Labor.
Secretary Mellon and Secretary Davis were continued in the offices
they held in the Cabinet of President Coolidge. The Senate prompt-
ly confirmed all nominations.

7 State Papers, I, 27.
On this same occasion, the President paid tribute to the
services of the Press, noted its importance in the process of
government—which he termed "a government by opinion"—and stated
his desire to cooperate in making authoritative news available to
the public by twice-weekly press conferences.
With a touch of humor, the President also gave his version
of the fate of plain, well-intentioned statements when once en-
trusted to the eager representatives of the Press, an explanation
which may well account for the fact that the reading public fre-
quently got unfavorable and erroneous impressions of the President
and of his utterances. See Appendix B of this paper.
... One of the important problems of every President is the relationship between the Executive and Congress.

The mere fact that the founders of the Republic provided checks and balances in our governmental structure was never indicated as an invitation to those charged with different duties to constantly differ in their views or to endeavor to shirk responsibility on the shoulders of others, and thus waste their own energies, time, and money in useless controversy.

I know of no more able and devoted legislative body in the world than our Congress. It is the right and duty of Congress to investigate and formulate legislation: Both the dignity of the two arms and the efficiency of the whole Federal structure will be best served by mutual recognition of each other's rights and responsibilities, and real progress is made in both administrative and legislative arms by cooperation through frank discussion, and by the temperate exchange of views directly between the Executive and the leaders of Congress, out of which wise policies are evolved and prudent courses are pursued.

... I am well aware of the difficulties of a programme of close cooperation. It is much less heroic for the President to cooperate than to carry the banner of the people against the bastions of Congress. To the extent that each may be helpful to the other, it is our duty to render unselfish assistance.

The object to be gained by cooperation within an administration between the Administration and Congress, between...

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8 See reference to this statement in footnote 14 and in footnote 22 in this chapter.
the Administration and the leaders of our economic and social forces, are not the pawns of politics; they are not the headlines of the newspapers. They are the prosperity, the contentedness, the moral, and spiritual advancement of the American people. 9

Of the problems requiring legislative action, to which reference has already been made, President Hoover seemed most concerned over that of disregard and disobedience of law, but he gave prompt attention to all three. Party pledges made during the Presidential campaign made the calling of a special session of Congress to deal with farm relief obligatory. Accordingly, the Seventy-first Congress was called in extraordinary session on April 15, 1929, less than six weeks after the President assumed office. On Tuesday, April 16, a message in writing from the President was communicated to the House where a quorum of both Houses was assembled. Recommendations made at this time included tariff readjustment, adjustment of production, and improved marketing. In his opening remarks he stated:

I have called this special session of Congress to redeem two pledges given in the last election—farm relief and limited changes in tariff. There being no disagreement as to the need for farm relief, the problem before us becomes one of method by which

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9 State Papers, I, 30.

10 Merz, 3.
Irwin, 17.
The American Year Book, 1929, 11.
relief may be most successfully brought about. 11

He believed that the rates on some agricultural products should be increased but hoped to avoid the dangers of a fullscale tariff revision. What he wished from Congress at this time was a revision upward of the agricultural schedule and a renewal of executive authority to make the necessary adjustment in other rates. In outlining his plan for farm relief, the President stressed the fact that--since the agricultural depression resulted from a great number of problems--no single plan or principle could be generally applied. He urged the creation of a farm board, composed of members qualified to analyze the farmer's situation and vested with sufficient authority to deal with his problems. Excerpts from his message explaining the plan are noteworthy since the President was later credited by his critics with saying within a month after his taking office that "since tariff-making and farm relief were among the prerogatives of Congress, he could not furnish anything like a detailed program of

11 Congressional Record, Seventy-first Congress, first session, 34.

12 Joslin, 30, 31.

13 Congressional Record, Seventy-first Congress, first session, 46, 47.
I have long held that the multiplicity of causes of agricultural depression could only be met by the creation of a great instrumentality clothed with sufficient authority and resources to assist our farmers to meet these problems, each upon its own merit. 15

The creation of such an agency, he thought, would result in constructive action, since it would take the agricultural question out of politics and place it in the realm of economics. This plan was further amplified in his message and emphasis placed on his philosophy that no action should be taken by the government that would infringe on individual liberty:

The pledged purpose of such a Federal farm board is the reorganization of the marketing system on sounder and more stable and more economic lines. . . . . . . . . . . Certain vital principles must be adhered to in order that we may not undermine the freedom of our farmers and of our people as a whole by bureaucratic and governmental domination and interference. We

14 Binkley, 228.

"Less than a month after his inauguration he [President Hoover] was being criticized for announcing that since tariff-making and farm relief were among the prerogatives of Congress, he could not furnish anything like a detailed program of action." The same statement appears in other critical works, but investigation has failed to reveal evidence that the President ever made the announcement attributed to him. The statement of the President from which this conclusion may have been drawn is quoted on page 16 in this chapter. See also footnote 8 in this chapter.

Objection to this same statement was expressed by Representative Williams at the special session of the Seventy-first Congress in April, 1929. See pages 22 and 23 and footnote 22 in this chapter. See also footnote 37 in Chapter I.

15 State Papers, I, 34, 35.
must not undermine initiative. There should be no fee or tax imposed upon the farmer. No governmental agency should engage in the buying and selling and price-fixing of products, for such courses can lead only to bureaucracy and domination. Government funds should not be loaned. 16

From the beginning of the special session of the Seventy-first Congress, the President received the cooperation of the House where the Republicans held a majority of one hundred and one votes, but the reluctance of the Senate to go along with the President was apparent early in the session and posed a real difficulty in the regular session which convened December 2, 1929. The Republicans in the Senate numbered fifty-six, but fourteen were "Progressive" Republicans who threw their influence with the thirty-nine Democrats and one Farmer-Labor member--forming a

16 State Papers, I, 34, 35.
coalition of obstruction to the President. Even the so-called "Old Guard", who numbered forty-two could not always be counted on to cooperate.

The matter of farm relief was given prompt consideration. In response to the President's message, a bill prepared by the Committee on Agriculture of the House designated as H. R. 1, was reported to the House of Representatives by Representative Haugen, Republican of Iowa, Chairman of the Committee, on April 15.

17 Myers, 32.

*The American Year Book, 1929, 2.*

Senator Robinson, Democrat of Arkansas, was chosen floor leader of the Senate; Representative John N. Garner of Texas was chosen Democratic floor leader of the House and John W. Tilson of Connecticut, Republican floor leader. Representative Nicholas Longworth, Republican of Ohio, was chosen speaker of the House.

William Allen White, "Herbert Hoover,—The Last of the Old Presidents or the First of the New?" Saturday Evening Post, 205:7, March 4, 1933. The "Progressive" Republicans came from the Northwest, from the territory spreading south from Michigan to Oklahoma and west to the coast. The President's inability to win these men to him is attributed to certain "limitations of character" described as "a certain deep integrity of self-respect" which "stayed his blandishing hand" in dealing with them; and to his "forthright quality"—acquired in part from his business training—"which rejected what may be called the salacious quality of political equipment."

Binkley, 230. This group was at first deeply concerned over the election of Hoover because "once more they feared to be confronted with that greatest threat to their prestige, a President, elected as a 'popular idol', intended as a strong leader of the Jackson-Lincoln type." Many of the Republican Senators regarded him as only a recent convert to Republicanism and "hence of doubtful party standing."

18 Myers, 32.
and was printed in the Record on April 16. The avowed purpose of the bill was to provide for the establishment of a Federal Farm Board to promote the effective merchandising of agricultural commodities and to place agriculture on a basis of economic equality with other industries. On April 18 discussion of the bill was opened by Thomas S. Williams, Republican of Illinois, who called attention to salient features of the bill:

The aim of the bill is to finance the farmers, to enable them through

19 Congressional Record, Seventy-first Congress, first session, 27, 49.

The bill declared it "to be the policy of Congress
(1) To promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries; and
(2) to that end to protect, control and stabilize the current or interstate and foreign commerce in the marketing of agricultural commodities and their food products by minimizing speculation, preventing inefficient and wasteful methods of distribution, and limiting undue and excessive price fluctuations; by encouraging the organization of producers into cooperative associations and promoting the establishment and financing of a farm marketing system ... by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution" ... The bill further provided for the creation of a Federal Farm Board to "consist of a chairman and five other members to be appointed by the President, by and with the advice of the Senate; and of the Secretary of Agriculture, ex officio" ... The salary of each appointed member was set at $12,000 a year, except the chairman, whose salary was to be fixed by the President. This board was to work with and in the interests of cooperative marketing associations. The board was to have at its disposal the sum of $500,000,000--appropriated by Congress--to be used as a revolving fund, for making loans and advances upon application to cooperative associations, for effective merchandising of agricultural commodities, the construction or acquisition of marketing facilities, the formation of clearing house associations and for extending the membership of the cooperative associations. This was done according to stipulations detailed in the bill.
cooperative associations, organized and controlled by them, in cooperation with the board, to market their commodities in their own way, in other words, to do as provided in the declaration of policy. 20

Opportunity to discuss the bill was given under the five-minute rule. In opening the discussion Williams stated that the prompt consideration of the bill evinced the purpose of Congress to make good the campaign pledges of both the Democrat and Republican parties. The bill, he further noted, represented the thought and judgment of the Committee on Agriculture and was not prepared on the outside by the Department of Agriculture. This was in accord with the expressed conviction of the President that it was "the constitutional duty of Congress to take the initiative in formulating legislation." He stated his objections to statements widely circulated at this time that the attitude of the President indicated that he had no plan or definite ideas as to the legislation necessary to cope adequately with the problem at hand. The President's adherence to the dogma of legislative independence--regarded by some as a corollary to his doctrine of individual liberty--was not interpreted by Williams as an indication that President Hoover had no definite idea or policies on the character of agricultural or tariff legislation

20 Congressional Record, Seventy-first Congress, first session, 132.
21 Ibid., 124.
22 See footnote 14 in this chapter.
needed. Regarding this he said:

The committee felt complimented that President Hoover gave it the credit for having the capacity and the good sense to draw a proper bill.

There was no justification for the statement . . . that because the President recognized the proper relationship between the executive and legislative branches of the Government and insisted on Congress performing its constitutional functions in formulating legislation, he had no definite policies . . . of legislation necessary to redeem the pledges he and his party made during the campaign. 23

In support of his view, Williams cited passages from two speeches of the President that set forth the same plan for farm relief as explained by the President in his recent message to Congress. These unequivocal statements, he countered, left little doubt as to the exact nature of the legislation desired by the President.

In the House discussion that followed, conflicting opinions on the merits of the bill were expressed, but on the whole, the House supported the measure. Noteworthy was the attitude taken by Representative Aswell, Democrat of Louisiana, House Minority leader, in defense of President Hoover as well as of the measure:

23 See footnote 17 in Chapter I. Congressional Record, Seventy-first Congress, first session, 124.

24 Ibid., 124, 125. These were at St. Louis, near the end of the Presidential campaign, and in his speech of acceptance when nominated for the Presidency of the United States.

The bill has been as carefully studied and written as any measure with which I have ever been connected. Farm legislation was drawn into the recent, national campaign. . . . He [President Hoover] made clear his position on the equalization fee. . . . He declared for sound and constructive legislation for the effective merchandizing of agricultural commodities. This is his plan. . . . I, for one, shall help him put his ideas into law. . . . I appeal to my Democratic colleagues to support this measure without amendment. 26

Merits of the bill as well as the dispatch of the President in handling the matter were pointed out by Representative Goodwin, Republican of Minnesota, when he said:

The present bill, for the first time in my memory will yield to the farmer the right . . . to control the commodity he produces . . . in an orderly manner. . . .

The stabilization corporation provision of the bill is one of the strongest features of the bill in my judgment. . . .

President Hoover is to be commended for so promptly redeeming his campaign pledges to call Congress into a special session to deal with the agricultural program. It is now up to Congress to do its part. 27

Analysis of the bill made by Representative Purnell, Republican of Indiana, stressed the appropriateness of its provisions and likewise expressed approval of the President's stand:

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26 Congressional Record, Seventy-first Congress, first session, 129.

27 Ibid., 577, 578.
Congress is now dealing with the most important question that any Congress or committee of Congress has ever undertaken to solve since the beginning of the government. . . .

The bill now presented . . . meets the situation at hand.

In my judgment the best speech that will be made for this bill will be found in the President's message. 28

That the members of the House disagreed over the Administration measure was apparent in the opinions expressed by Representatives Clarence Cannon, Democrat of Missouri, and Marion Jones, Democrat of Texas. Cannon declared:

This bill is the greatest gold brick ever handed to the American farmer by any Congress. . . . It fails by every major test. . . . The program of farm relief through farm tariffs, if it is ever to be carried out, must be carried out through this bill. And yet there is not a line or a word in this bill to redeem the pledge of the President and the Republican and Democratic parties in the last election that the farmer will be given the benefit of the tariff. . . . 29

Jones, who favored the debenture plan advocated by the Senate, was critical but less caustic in his remarks:

I regret exceedingly that I cannot support the bill in its present form. I am not going to throw any blocks in the way of its passage. . . . I do not believe it anything like approaches a solution of the farm problem.

28 Congressional Record, Seventy-first Congress, first session, 131.

29 Ibid., 128.
If amended ... to include the debenture plan, I should be happy to support it.  

The Agricultural Marketing Bill, written substantially in accordance with the President's ideas and without the debenture plan, was voted on and passed by the House April 25, 1929, by a vote of three hundred sixty-six yeas against thirty-five nays.  

From the beginning of the deliberations over agricultural relief, certain farm organizations and some of the progressive senators urged upon the President the "Export Debenture Plan"--a plan which had not been mentioned during the 1928 campaign. The Senate bill, known as S. 1, was introduced on April 18 in the same form as the House bill by Senator Charles McNary, Republican from Oregon and Chairman of the Senate Committee on Agriculture, but was revised to include this so-called export debenture plan. Its introduction at this time was looked upon as an obstructive measure since no mention of such a provision had been made when the plan of principles for farm relief was drawn up by the Republican Convention at Kansas City, and represented, there-

30 Congressional Record, Seventy-first Congress, first session, 130.

31 Ibid., 572.

32 Myers, 381.  
State Papers, I, 39.

33 Congressional Record, Seventy-first Congress, first session, 102, 1269, 1270, 2880.
fore, a complete departure from the party principles. The President disapproved of the idea and—in compliance with a request from a small group of senators for his opinion—stated his objections, which were based upon an analysis made at his request by the Departments of Commerce, Agriculture and Treasury, in a letter dated April 20, 1929, addressed to Senator McNary. The plan, he observed, in addition to being a complete departure from the principles discussed in the 1929 campaign, would require a substantial increase in taxes. The issue and redemption of debentures, if generally applied, would decrease the treasury receipts by an amount in excess of $200,000,000 a year. He believed that "the theoretical benefits would not be reflected to the American farmer; that it would create profiteering," and that it contained provisions "which would bring American agriculture to disaster."

34 State Papers, I, 39.
The request came from Senators McNary, Capper, Heflin, Norbeck, and Ransdall, acting as a sub-committee of the Senate Committee on Agriculture.

35 State Papers, I, 39-42.
Congressional Record, Seventy-first Congress, first session, 2884.

In his comments on the debenture plan Senator Caraway noted that it was not a new idea and explained the plan to the Senate members as follows:

The plan simply provides, since farm products to a large extent must find a market beyond our borders where tariff protection cannot go, that for the commodity so exported, and, of course, denied any benefit from the tariff, fifty per cent of whatever rate Congress thought was fair as a tariff protection on such article shall be paid to the farmer on his products which had thus to be sold in the open market of the world.

For specific examples of how the plan would work, and for further explanation of the plan as given in the New York Times of June 10, 1929, see Appendix C.
Senator Borah, Republican from Idaho, who was chiefly responsible for President Hoover's summoning of the special session and one of the "Progressives" who made a determined stand for the debenture plan on the theory that it would secure "economic equality for agriculture", took issue with the President's objections and defended the Senate action when he said:

Something has been said and often repeated in the Republican press to the effect that the debenture plan was not specifically discussed in the campaign, as if that closed the controversy as far as the Congress is concerned. But the Republican party pledged itself to the solution of the problem. Will anyone contend that if the solution is at hand we are foreclosed by the fact that it was not specifically discussed in the campaign? . . . We were pledged to solve the problem and that covers any plan which will solve it. 

In an exchange of views with Senator Edge, Mr. Borah further explained that "the curse of the Hoover bill was that it did so little for American agriculture." Staunch supporters of the debenture plan in addition to Senator Borah included Senators Copeland of New York, Fletcher and Trammell of Florida, Broussard of Louisiana, Walsh of Massachusetts, Dill of Washington, Tydings of Maryland, Carter Glass of Virginia, Caraway of Arkansas, and Brookhart of Iowa.

37 Congressional Record, Seventy-first Congress, first session, 2592.
In defense of the plan these men maintained that it would render additional assistance to depressed agriculture by giving the farmer what amounts to a bounty on the farm product he exports; that it was not a subsidy—it would take no money out of the Treasury; it would arrest the flow of money into the Treasury from customs' duties—and that it would serve, when in operation, to replenish the revolving fund to be administered by the Federal Farm Board. Senator Tydings went so far as to say that any plan that did not carry the debenture plan would result in "nothing but extravagance, bureaucracy gone mad, and a raid upon the Federal treasury of approximately half a billion dollars." Among the supporters of the Administration measure were Senators Vandenberg of Michigan, Edge of New Jersey, and Allen, junior Senator from Kansas.

On May 4 the coalition of Democrats and Progressives voted to adopt the Export Debenture Plan as a part of the Agricultural Marketing Bill in spite of the President's professed disapproval. The President in conference with Republican senators expressed hope that the Senate opposition to the House bill would cease temporarily so as to expedite passage of the measure, but the Senate on May 13 passed the bill after striking out the House bill

38 Congressional Record, Seventy-first Congress, first session, 2652.
provisions and inserting the text of the Senate Bill. The bill was then returned to the House where it was decided to send it to conference. On June 5, after more than a week in deadlock, the Senate and House conferees reached a decision to eliminate the Export Debenture Plan. The bill as reported by the conferees was passed by the House on June 7, but the Senate refused to agree to the conference report by a vote a forty-seven to forty-four, and--upon the insistence of the coalition group--requested a second conference to consider the debenture plan.

Regarding the motives of the senators who gave their support to the debenture plan the New York Times, on the eve of this conference, commented:

The question which agitates Congress and which will be in the back of the heads of most of the Democratic Senators who attend the conference will not be whether the debenture is right or wrong, but what effect support or opposition to it will have on party prospects in next year's Congressional election and the election over the Presidency in 1932.

39 Year Book, 1929, 11.
Myers, 387, 388.

In other particulars the Senate Bill was at variance with the President's ideas. Briefly it included the export debenture amendment and utilized the cooperatives but laid more emphasis on the Farm Board and Stabilization Corporation and their activities, while the House Bill stressed the farm cooperatives, requiring the Farm Board to work through them and largely on their initiative.

40 Congressional Record, Seventy-first Congress, first session, 1455.

41 Myers, 390, 391.
Congressional Record, Seventy-first Congress, first session, 2870, 2887, 2894, 2938.

Distressed over the delay caused by the Senate, the President at this juncture issued a public statement in which he expressed disappointment over the Senate's refusal to consider the conferees' bill—an action which he felt might seriously jeopardize the enactment of the bill—and again condemned the debenture plan:

... No matter what the theory of the export subsidy may be, in the practical world we live in, it will not bring equality but will bring further disparity to agriculture. It will bring immediate profits to some speculators and disaster to the farmer. 43

Views expressed in the Republican Press that the stand taken on the debenture plan was an attempt to embarrass the President met vigorous protests from some of the Democratic senators. Senator Walsh, who disapproved of both the conferees' and the debenture plans, stoutly defended his colleagues:

There is no effort here to embarrass in any way the passage of some kind of farm relief bill. ... Rarely has there been a measure in this body that had behind it more of the spirit of crusaders than that motivating those who supported the debenture plan. 44

That politics was a major consideration of many of the senators in their decisions on the agricultural relief program was charged in the New York Times when it was said:

43 Myers, 392.

The President's statement was issued on June 11, 1929.

44 Congressional Record, Seventy-first Congress, first session, 2649.
In spite of claims to the contrary, there is no doubt that the Democratic leaders of the Senate have sought to make the debenture a party matter. 

Some of the senators who were opposed to the debenture on principle yielded to the argument that in spite of the opinion expressed in the conference, party loyalty demanded that the Democratic side of the Senate should present a solid front.  

But this charge was resented and vehemently denied by Senator Copeland, one of the Democratic senators represented as voting for the debenture solely because of party loyalty, and by other Democratic members. Senator Copeland stated:

There have been many disagreeable things in the Press about members of the Senate who have seen fit to favor the debenture. We have been accused of playing politics—"peanut politics"—at the expense of the American farmer.  

So far as I am concerned, however, I have no desire to embarrass the President; I am not playing politics; and any intimation to the contrary is a cowardly insinuation.  

Senator Robinson, Democratic floor leader who stated earlier that the Democratic senators wished to proceed in an orderly way with all matters brought before the special session, declared at this time also that the advocates of the debenture plan had not delayed longer than was necessary to secure fair consideration


46 *Congressional Record*, Seventy-first Congress, first session, 2649-2651.
for the provisions for which they stood. It was his conviction that the measure without the debenture plan did not fulfill the pledges made in the Platform Plank of 1928. The President's policy of seeking advice from experts before deciding on action was ridiculed by Senators Caraway and Brookhart. Senator Caraway, who claimed that President Hoover's reply to a delegation of senators who went to him for his views was: "I do not know anything about it," referred to President Hoover as the "master mind" who said he would take his opinions from Secretary of Agriculture Hyde—whom Caraway insinuated didn't have an opinion of his own—and from Secretary of the Treasury Mellon, whom Caraway admitted was a man of great ability in his own field but not an expert on farm problems. In Senator Brookhart's remarks the President was accused of neglect in dealing with the farm problem:

Herbert Hoover said in his speech of acceptance that this farm problem was the greatest problem of the American people. I think . . . it should have had more of his attention and I think it has been neglected and turned over to machine politics. 49

47 Congressional Record, Seventy-first Congress, first session, 2871. Senator Robinson's statement was made on June 14, the day the Senate approved of the bill without the debenture amendment.

48 Ibid., 2658. See footnote 34 in this chapter.

49 Congressional Record, Seventy-first Congress, first session, 2650.
When the House, on June 13, again refused by a vote of two hundred fifty to one hundred thirteen to approve the debenture plan, the Senate on the following day yielded to the President's wishes and passed the Agricultural Marketing Bill by a vote of seventy-four to eight. The bill in its final form created the Federal Farm Board but omitted the "Export Debenture Plan." The action of the Senate was explained by Senator Dill of Washington, who, like many other senators, expressed dissatisfaction with the bill:

There is this to be said about it, at least it is some kind of farm legislation . . . the form in which it goes to the White House is due to the fact that it is the only kind of a bill the Congress feels the President will sign. . . . Instead of Senators supporting the debenture to embarrass the President, it could now properly be said that Senators have opposed the debenture because the President asked them to. . . .

Thus recognition of the President's victory in this—the first controversy between the Executive and Congress—was admitted even by the Senators themselves. Doubtless the President was gratified over this gesture of cooperation signified by the passage of the bill in substantially the same form as advocated

50 Congressional Record, Seventy-first Congress, first session, 2886, 2935.
Among the eight who voted against the bill were Senators LaFollette of Wisconsin, Caraway of Arkansas, Copeland of New York, Walsh of Massachusetts, and Wheeler of Montana. Thirteen members did not vote.

51 Ibid., 2881.
by the Administration. However, opposition encountered during the deliberation in the Senate must have given some indication of the rocky political road ahead, and may have given the President cause to wonder if the "hands off" policy in dealing with a Congress where his own political leadership was not strong would work in actual practice. The bill was signed by President Hoover on June 15, 1929, at which time he expressed his satisfaction when he remarked:

After many years of contention we have at last made a constructive start at agricultural relief with the most important measure ever passed by Congress in aid of a single industry. 52

With the tariff problem Congress made even less rapid progress and showed even greater reluctance to cooperate with the President. In his first message to the special session, President Hoover urged a limited revision of rates in keeping with the

52 Myers, 393, 394.

As a result of a canvass of farmers' organizations and agricultural colleges, conducted by Secretary of Agriculture Hyde, for their views on qualifications for membership on the Federal Farm Board, President Hoover appointed the following members: Alexander Legge of Chicago, president of the International Harvester Company, chairman; James C. Stone, Kentucky, founder and former president of the Burley Tobacco Growers' Co-operative Association; Carl Williams, Oklahoma, of the Farmers' Co-operative Association; C. B. Denman, Missouri, of the National Livestock Producers Association; Charles S. Wilson, New York, professor of agriculture, Cornell University; William F. Schilling, Minnesota, of the National Dairy Association; Ex-Governor Samuel McKelvie, Nebraska; and C. C. Teague, California, of California Fruit Growers' Assn.
1928 platform in which the Republican party was committed to an increase in agricultural tariffs and a moderate revision of industrial tariff. He believed that tariff duties should be maintained that would represent the difference between cost of production at home and abroad, that they should be effectively flexible to changing economic conditions, and that tariff fixing should be placed in the hands of a bi-partisan tariff commission with power to determine rates.

He favored a continuance of the Tariff Commission which had functioned since 1922, but recommended basic changes in its organization that would take tariff-making out of politics—namely to leave to the discretion of the President, with the approval of the Senate, the appointment of seven commissioners rather than limiting him to three from each party. He believed that secondary changes in tariff could be acted upon by the commission which would give more security to industry. Congress was urged to take into consideration the broad interests of the country as a whole including our trade relations with other countries as well as the needs of agriculture:

... An effective tariff upon agricult-


tural products, that will compensate the farmers' higher costs and higher standards of living, has a dual purpose. It not only protects the farmer in our domestic market, but it also stimulates him to diversify his crops and to grow products that he could not otherwise produce, and thus lessens his dependence upon exports to foreign markets.

.... the test of necessity for revision is whether there has been a substantial slackening of activity in an industry and a consequent decrease of employment due to insurmountable competition in the products of that industry.

A new tariff bill known as H. R. 2667 was reported in the House on May 9 by the Committee on Ways and Means. Changes had been made in from fifteen to twenty per cent of the items in the existing schedule—changes that Hoover thought could have been better considered by the new Tariff Commission. The President had hoped, not only for a limited revision and a flexible tariff clause, but also that the measure would be disposed of summarily by the House, where the rules made it possible to limit debate, but the Republican extremists and the free trade advocates in the House opposed the moderate policy of the President. Lengthy discussion, prompted by sectional as well as partisan feeling, led

55 State Papers, I, 35, 36.

56 Myers, 387. This committee under Chairman Hawley had concluded its hearings in the previous short session of Congress.
to extensive hearings covering hundreds of items and delayed action on the bill. Among those upon whom the President relied for support were Republican representatives Longworth of Ohio, Speaker of the House, Treadway of Massachusetts, and Snell of New York, while the opposition included such prominent leaders as Democratic Representatives Garner of Texas and Rainey of Illinois.

To expedite passage of the bill, President Hoover summoned House leaders into conference at the White House where he urged an early vote on the measure and pointed out that a bill containing a flexible tariff clause would take care of mistakes and work out later injustices. Subsequently certain reductions were made in the proposed tariff rates, but in its final form the measure still contained rates that were too high in the opinion of the President. It did, however, carry out his recommendations regarding membership on and salary increases for the Tariff Commission, but made changes in the flexible tariff provision. The new bill required an adjustment of tariff duties by the President on the basis of equality of competitive conditions in the principal domestic markets rather than on the basis of equality of

57 Congressional Record, Seventy-first Congress, first session, 1235, 1273, 1274-1279. A typical argument was that advanced by Representative Snow, Republican from Maine, who declared that he was proud to be a Republican and was anxious to follow the Republican leadership of men like Longworth, Tilson, and Snell, but inasmuch as the Special Session had been called for the avowed purpose of giving aid to the farmers, and the potato farmers in his district were getting no relief, he could not support the bill.
Partisan criticism, noticeably on the increase, during the House debates on the tariff, was observed and condemned by Treadway when he remarked:

As discussion of this bill has progressed, it has been quite remarkable to see the Democratic Members returning to their old methods of partisan criticism. In view of the representations made by the Democrats during the campaign last fall, it was expected that, if those representations were sincere, a tariff bill would not have the same element of partisanship in debate as had previously been customary. Unfortunately this has not proven to be the case, and the Democrats are running true to form in abusing what the people will eventually decide to be the best tariff bill ever written. The bill is such a good one and will be of such ultimate benefit to the country at large that it is right and fair that those who are directly responsible for its preparation and passage should receive their full share of credit for its accomplishment.  60

The new tariff bill was referred to the Committee on Finance in the Senate on June 11, where the debates over revision were so prolonged that action on the measure dragged on into the

58 Congressional Record, Seventy-first Congress, first session, 1284, 1285.

In theory the flexible tariff clause in the tariff law of 1922 had proven to be an excellent one, but in operation it had been impractical; the length of time required for an investigation had nullified the value of the findings, according to testimony given by Representative Treadway.

59 Myers, 391.

60 Congressional Record, Seventy-first Congress, first session, 1278.
next regular session of Congress instead of being consummated dur-
ing the Special Session as the President had wished. Motives of
President Hoover in recommending certain changes in the adminis-
tration of the tariff law as well as the methods he used in pro-
moting such revisions aroused partisan criticism by Republican
progressives as well as Democrats and created, at what might be
termed the outset of the Administration, an unhappy situation for
the new President.

Controversy centered on the flexible tariff clause, the re-
quest of the President for revision of the Tariff Commission on a
non-partisan basis—with power to revise schedules, and changes
in the industrial schedule under consideration by the Senate. Re-
garding the first two the President remained adamant in his con-
victions. Efforts to win the support of Senator Borah, who seemed
to disapprove of the Administration proposals from the time the
bill was introduced, were of no avail. When conferences with
other Senate leaders failed to bring the Senate into accord, the
President resorted to a Press statement in September, in which he
defended his stand on both the flexible tariff and the administra-

61 Congressional Record, Seventy-first Congress, first ses-
sion, 2779.

A resolution was introduced by Senator Borah on June 18,
1929, to limit the hearings and recommendations of the Finance
Committee on the bill, H. R. 2667, to agriculture and related
schedules. This was more restrictive than President Hoover recom-
mended. The proposal failed by a vote of 38 to 39.

Myers, 397.
tion's changes in the Commission, and admitted that there will always be injustices in tariff laws, due in part to changing economic conditions. He left no doubt as to his convictions when he said:

... I have no hesitation in saying that I regard it as of the utmost importance in justice to the public; as a sound protection for the sound progress in our economic system, and for the future protection of our farmers and our industries and our consumers that the flexible tariff, through recommendations of the Tariff Commission to the Executive, should be maintained. 62

He maintained that the principle of the flexible tariff would be destroyed if recommendations were referred to Congress for action. This he made clear when he said:

Any person of experience in tariff legislation in the last half-century knows perfectly well that Congress cannot re-open single items of tariff without importing discussion all along the line ... without the constant unsettlement of business. 63

Debate over this moot question continued in the Senate with some of the members resorting to caustic criticism of the President for the stand he was taking on the flexible tariff. The measure was assailed by Progressives as well as Democrats, and

62 State Papers, I, 104.
63 Ibid., I, 103.
some of the regulars. Most voluble in his condemnation of the proposed measure, as well as of the President's defense of it, was Senator Borah, who requested that the President advise the Senate--in fact the whole country--of his attitude toward the industrial schedules in the bill, the same as he did on the flexible tariff. His comment on the President's statement to the Press emphasized his disapproval of President Hoover's action. Regarding it he said:

The President has deemed it proper to take part in this discussion, to take a hand in the proceeding. . . . It is not my idea of the division of the departments of the Government under the Constitution. . . . Having undertaken to shape this bill, the President must go through to the end, and assume with us the responsibility for its terms. 64

That they were concerned over the power that the bill would take from Congress and give to the Executive was apparent in the remarks of many Senators, including McKellar of Tennessee and La Follette of Wisconsin, as well as Borah. In a lengthy refutation of the President's arguments for the measure, Senator McKellar declared:

. . . We ought not give to the President this great power of raising revenue. It is immaterial . . . as it has been admin-

64 Congressional Record, Seventy-first Congress, first session, 3971.
istered heretofore he referred to the Administration of Harding and Coolidge but the great trouble is that it is a club which we put in the President's hands for the future . . . toward the industries, toward the farmers, and toward the consumers. 65

Senator LaFollette urged the repeal of the flexible provisions and the restoration of the Tariff Commission as a bipartisan commission because of the "scandalous record" of the existing commission in the "exercise of the functions and duties imposed upon it by the flexible provision." Referring to this record he said:

... [It] ... is a demand for the repeal of that section of the statute. We can expect no other result so long as this tremendous power to raise and lower duties rests with a commission subservient to the President, who is not only the Chief Executive but the titular head of a great political party. That holds true . . . regardless of the incumbent in the office. 66

The sharpest criticism came from Senator Borah in one of his lengthy discourses on the issue:

... For a President of the United States, the leader of his party, holding in his control at the beginning of his term a patronage which belongs to no ruler upon the earth, to declare that this or that provision should or should not be voted for in the Senate

65 *Congressional Record*, Seventy-first Congress, first session, 3995.

or Congress is . . . establishing a practice and a precedent which we will in time have cause to regret. 67

In quick defense of the President's action in taking part in shaping the tariff law, Senator Reed of Pennsylvania said that Borah's remarks sounded like a "caustic criticism," . . . "as if the President were invading our field by issuing that statement and giving advice," Senator Reed referred to a paragraph of the Constitution describing the duties of the President, which he said meant very plainly

that it is for the President's judgment to settle the time and the subject of his recommendations . . . that he does recommend to our consideration this provision for a flexible tariff. 68

Senator Fess of Ohio also defended the President when he declared that there was no basis for Senator Borah's claim that, if the President expressed an opinion on a policy, he had to express it in detail. He explained that the President feels concerned when Congress is dealing with a policy and "has a right to speak." He continued:

. . . if . . . there is before Congress an item of tremendous importance and it is a policy determining item, dealing

67 Congressional Record, Seventy-first Congress, first session, 3971.

68 Ibid., 3975.
not with administration, and not with
detail, but with a policy of the Nation
in an effort to mitigate political in-
fluence in tariff legislation . . . he
has a right to speak. . . . When it
comes to saying what this item should
be . . . or what this schedule should
be . . . that certainly would not be
expected from the President by anyone
who really recognizes what the Presi-
dent's function is. 69

As sectional and group conflicts over schedules continued,
the President became even more insistent upon the inclusion of
the flexible clause--he was convinced that the Commission could
correct any mistakes and unjust rates in the schedule. Senators
Reed, Smoot, Edge, and Fess--staunch supporters of the Administra-
tion measure--were urged by President Hoover in White House Con-
fferences to hold out for the flexible clause even though other
major changes might be made in the bill. The advantages to the
country of having a Tariff Commission to adjust rates was empha-
sized by Senator Fess when he told the Senate on September 27:

If the tariff legislation is to
be of any substantial value to the coun-
try, it must be carried on with the least
possible political influence that might
prejudice against the facts which have
been selected by a scientific body. I
meant to say that the thinking people of

69 Congressional Record, Seventy-first Congress, first ses-

70 Myers, 406, 407.
the country would like to minimize the political influence. The Tariff Commission is one agency which we hope will help to do it, and if a body of experts directed to collect facts upon which we can make our decisions can not do it, then I think it is rather hopeless. 71

Progress of the bill was further impeded, when early in October the "coalition" group defeated the flexible tariff provision by a vote of forty-seven to forty-two. Still later in the month the Progressives, who were disappointed over the elimination of the Export Debenture Plan from the Agricultural Marketing Act, 72 succeeded in having it included in the Tariff bill. About this time some of the regulars began to despair of the bill's passage. Senator Reed, speaking in Philadelphia, stated that in his opinion the bill was dead, but told the Senate, a few days later, that he believed with Senator Smoot of Utah, that it could be passed if the Senate would confine itself strictly to debate upon the bill and if reasonable limitation were placed upon debate. When the Special Session adjourned November 22, 1929, the bill was still under consideration.

In his message to the First Regular Session of the Seventy-

71 Congressional Record, Seventy-first Congress, first session, 4015.

72 Myers, 407, 411.

73 Congressional Record, Seventy-first Congress, first session, 4958.
first Congress in December, 1929, President Hoover told the mem-
bers that his views on tariff were unchanged and that it would be
most helpful "if action should be taken at an early time." Again
he emphasized the need for a flexible tariff when he said:

... I have been most anxious that the
broad principle of the flexible tariff
as provided in the existing law should
be preserved and its delays in action
avoided by more expeditious methods of
determining the costs of production at
home and abroad, with executive authority
to promulgate such changes upon recom-
mendation of the Tariff Commission after
exhaustive investigation. 74

The trying situation which had developed in the Senate, where the
regular Republicans, sometimes referred to as "Old Guards" were
in the minority, continued during the regular session and was to
show little change in the months ahead—the forty-two regulars
being outnumbered by the coalition of fourteen Progressives and
thirty-nine Democrats and one Farmer-Labor vote. Even some of
the Old Guard Republicans were showing a reluctance to cooperate
with the Administration program. The House, while a Republican
majority prevailed, continued to be cooperative.

Difficulties over the passage of the bill continued and the
uncertainties resulting from the protracted deliberations over
the bill were having a demoralizing effect on the business world
where chaotic conditions resulting from recent collapse of the

74 State Papers, I, 148.
75 Myers, 32.
stockmarket, already existed. Opposition to the Administration bill was heightened by the influence of Senator Grundy, recent addition to the Senate, who was known to favor protection for industry and to be strongly opposed to the moderate policy of the president. Many of the so-called Old Guards joined the Progressives and Democrats further to impede the passage of the bill. During the deliberations individual Democrats and Progressives, because of special interests, voted more than one thousand times for increases, or against decreases in tariff duties.

Deeply concerned over the dilatory tactics of the Senate, the President—on February 24, 1930—conferred with leaders of the House and Senate and Secretaries Mellon and Mills of the Treasury, where he again emphasized his views on the tariff bill and urged their support. A bill which included the Export Debenture Plan but omitted the flexible tariff provision was finally passed by the Senate on March 24 after about ten months' deliberation. It was obvious that the frequent exhortations of the

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76 Myers, 426.
Merz, 3.
Congressional Record, Seventy-first Congress, first session, 4927-4929. Senator Borah blamed the influence of Senator Grundy for the prolonged session.

77 Myers, 425, 426. Senators Watson and McNary, Floor leaders Smoot and Jones of the Senate, Speaker Longworth and Floor leader Tilson of the House—as well as Congressmen Snell, Wood, and Hawley—attended this conference at the White House.
President had fallen on barren soil.

After further consideration by a conference committee, the bill was reported to the House on May 3, where the members again demonstrated their loyalty to the President by rejecting the "Export Debenture Plan" amendment and the Senate changes in the flexible tariff. When no agreement could be reached by the conferees, the President was asked if he had any reason for changing his views on the Export Debenture Plan, to which he replied in a letter to Republican floor leader, John Q. Tilson, that he had not, and he further condemned the measure by explaining that an estimate from the Tariff Commission placed the cost of the plan to the Treasury, if put into operation, at about $280,000,000 annually.

The House refused to give ground on the measure and some action was mandatory. The Senate finally yielded and released the conferees from their promise to stand by the Senate amendments by voting down the Export Debenture clause and the flexible tariff changes. The way was thus cleared for final action, and the

78 Congressional Record, Seventy-first Congress, first session, 8472-8480, 8498.
79 The American Year Book, 1930, 3. The House refused to approve the Senate proposal to remove the flexible tariff provisions by a vote of 236 to 154.

79 Myers, 432, 433.
bill went to the conference committee for final revisions. The
president at this point demanded the inclusion of the flexible
provision in accordance with his ideas. This was accomplished
through the influence of Representative Hawley and Senator Smoot
and their Republican colleagues in the House and Senate. There
was still much dissatisfaction manifest over the industrial sched-
ules and the flexible provisions, but the Senate passed the bill
as approved in conference on June 13 by a vote of forty-four to
forty-two. The House approved it the following day by a vote of
two hundred twenty-two to one hundred fifty-three. During the
fourteen months that the tariff measure had been under consider-
ation by Congress, much unfavorable publicity was given to it by
those who opposed it, resulting no doubt in much pressure being
brought to bear on the Congressmen by special interest groups.

There were many who felt that a more satisfactory bill could
have been written and that it could have been handled more expedi-
tiously if the President had established his leadership at the
outset and made flat demands for the recognition of his recommen-
dations.

80 Congressional Record, Seventy-first Congress, second ses-
sion, 10133, 10134, 10698, 10846.
The American Year Book, 1930, 3.
The vote on the flexible tariff was 42-42 making it
necessary for Vice-President Curtis to break the tie. The vote
on the debenture clause was 43 to 41—37 Republican and 6 Demo-
ocratic votes carried the measure; 12 Republican, 28 Democrat and
1 Farmer-Labor voted "No".

81 Ibid., 34. Senators LaFollette and Blaine of Wisconsin
and Borah of Idaho were among the Republicans who joined most of
the Democrats in the final vote.
ations, but such a course he seemed unable to pursue—it being contrary to his concept of the separation of powers in the government—until the exigencies of the situation left him no other course. He deemed a conciliatory method to be the most efficacious in view of the divisions within the party. President Hoover signed the bill on June 15, 1930. In a detailed analysis of the statute, he expressed gratification that the campaign pledges of the Republican party had been fulfilled. "Platform pledges must not be empty gestures," he said in this regard. He considered the new basis for the operation of the "largely inoperative flexible provision of the flexible provisions of the 1922 law" the outstanding accomplishment of the tariff legislation. By his insistence he said that:

... the means are established for objective and judicial review of ... rates upon principles laid down by the Congress free from pressures inherent in the legislation. 84

The matter of disrespect and disobedience for law seemed to President Hoover to be the most serious of all the problems confronting the nation, and soon after assuming office he took steps

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82 See footnote 18, Chapter I.
The American Year Book, 1929, 3.
The World Tomorrow, 291.

83 Joslin, 30, 31.

84 State Papers, I, 315.
to remedy conditions. To the need for greater respect for law in this country he directed attention in the campaign by promising to appoint a law-enforcing commission and again in his inaugural address when he referred to it as "the most malign of all the dangers confronting the country" and declared "the worst evil of disregard for some law is that it destroys respect for all law." He proposed to appoint a national commission for a searching investigation of the whole structure of the Federal system of jurisprudence, "to include the method of enforcement of the Eighteenth Amendment and the causes of abuse under it." Its purpose, he said, "will be to make such recommendations for reorganization of the administration of Federal laws and court procedure as may be found desirable."

Having become, from his engineering practice, a firm believer in the solution of problems by experts—after scientific and thorough investigation—Herbert Hoover came to the Presidency with the conviction that the major problems of government likewise could be solved most effectively by groups of citizens, qualified and willing to devote time to such study, rather than by a politically dominated and busy Congress. Thus the early years of his administration were made notable by the appointment of one important fact-finding commission after another, the most notable be-

85 Merz, 3
State Papers, I, 6.
The Wickersham Commission. This practice was not looked upon with favor by the Congress who preferred to do its own investiga-
ting, and no effort was made to conceal this feeling in the case of the Law Enforcement Commission. No work, perhaps, was ever undertaken with a more sincere desire of accomplishment, but from the time the preliminary report of the Commission was submitted, both the purpose and methods of the Commission as well as the in-
tentions of the President, were criticized and condemned by the Congress.

The Commission--officially known as the Commission on Law Enforcement and Observance, but more commonly referred to as the Wickersham Commission (after the chairman, former Attorney Gener-
al George W. Wickersham),--was appointed by President Hoover on May 20, 1929. At the initial meeting of the Commission on May 29, the President--after stating that "the American people are deeply concerned over the alarming disobedience of law," ex-

86 Wilbur and Hyde, 41.
Ogg, 310.

87 Congressional Record, Seventy-first Congress, second ses-
sion, 1668, 1731, 2359, 2473, 11812-11814.

88 Wilbur and Hyde, 551.
The members of the Commission besides Mr. Wickersham were:
former Secretary of War, Newton D. Baker; U. S. Circuit Judge
William S. Kenyon; U. S. District Judges Paul McCormick and Wil-
liam Grubb; former Chief Justice Kenneth Mackintosh of the Wash-
ington Supreme Court; Dean Roscoe Pound of Harvard; Doctor Ada
Comstock; and Messrs. Henry Anderson, Monte Leman, and Frank
Loesch.
pressed the hope that the Commission would
secure an accurate determination of
fact and cause, following them with
constructive, courageous conclusions
which would bring public understand-
ing and command public support of its
solutions. 89

The preliminary report including certain conclusions drawn
by the members was submitted in writing to President Hoover by
the chairman on November 21, 1929, and reported in the Senate
January 13, 1930. Thereafter it was discussed in both the House
and the Senate. An article written by Howard Lee McBain for the
New York World and printed in the Record at the request of Sena-
tor Walsh, analyzed and condemned the report, labeling it "one of
the most extraordinary public documents that has ever emanated
from a nonpartisan agency of inquiry" and stating that the decla-
ration, "disclosed a perfectly amazing amount of ignorance of, or
indifference to, both the law and the actual practice of district
attorneys under the law." Two of the four specific recommenda-
tions that called forth criticism in the form of sarcasm and rid-
icule were the proposals that enforcement be moved out of Treasury

89 State Papers, I, 63.

90 Congressional Record, Seventy-first Congress, second ses-
sion, 1502, 1504. The report stated that it had given "careful
consideration, among other things, to the question of the observ-
vance and enforcement of the Eighteenth Amendment and the Nation-
al Prohibition Act". . . and that "before embarking on public
hearings" it had made a careful study of the whole question, se-
curing information from responsible officers of government,
printed reports, and from hearings before Congressional committees.

91 Ibid., 2359, 2360. Howard Lee McBain was a Ruggles Pro-
fessor of Constitutional Law at Columbia University at the time.
Department to the Department of Justice, and one that stated, "we think it is possible to provide a hearing in the United states District Court before a magistrate provided trial by jury in that court [State Court] is preserved to the accused." They considered it feasible to make use of the existing system of United States Commissioners. Certain statements in the report regarding legal procedures were branded as utterly false in the McBain article. Members were charged with attempting to do away with the safeguards to the preservation of trial by jury by Representatives Black and Oliver, respectively:

... the mountains labored and all they have brought forth is a mess, a ridiculous legal mess. ...

... the President's ... Commission met, meditated, and mimeographed. ... 93

The Commission was charged with expending large sums of money for investigation of matters other than the violation and enforcement of the prohibition law. Senator Glass, author of the provision for the deficiency appropriation of $250,000 made January 18, 1930, for the stated purpose of "investigating the problem of enforcing prohibition" declared that "the only question of law enforcement before the country was "enforcement of

92 Congressional Record, Seventy-first Congress, second session, 1504, 1505.

93 Ibid., 1668.
the Eighteenth Amendment and the statutes enacted in accordance with it." This, of course, was not what the President had in mind, nor the meaning he meant to convey in any of his statements or utterances where he stressed "the need for investigation into the cause and remedy for crime in general and the determination of the reform needed in our judicial and administrative machinery." An appropriation of $100,000, requested by President Hoover, to carry out the work of the Commission was cut out of the appropriation bills by the Senate on June 27, 1930. This, no doubt, disappointed the President, but it did not deter him from authorizing a continuation of the Commission's work. In a public statement he said that he would be able to secure from private sources the $100,000 needed to complete the work undertaken by the Commission.

The final report of the Commission was submitted January 20, 1931. Unfavorable comments and publicity that preceded its appearance coupled with the rapidly accumulating problems resulting from the business depression both here and abroad tended to lessen appreciation of the carefully prepared findings on this very

94 Congressional Record, Seventy-first Congress, second session, 1911, 11814. This amount was cut out of the bill by the House because the Senator had limited its use to investigation of the prohibition act.

95 State Papers, I, 344.

96 Myers, 445.
important national problem. The group as a whole voted against outright repeal of the Eighteenth Amendment, the restoration in any form of the legalized saloon, the federal or state governments entering into the liquor business, or any modification of the Volstead Act. Conflicting views of individual members, filed in separate reports, showed that two favored repeal, six favored modification, and four were willing to see the experiment continued. In the opinion of a recognized authority in the field of history, Lewis M. Hacker, in the accumulation of evidence against national prohibition, the report "constituted one of the most illuminating public documents of modern times." Facts gathered clearly indicated that prohibition had broken down and that the current organization for enforcement was inadequate. All members agreed that, if the Amendment was revised, "the regulation and prohibition of the manufacture, traffic, transportation and exportation of liquor should be a power resting with Congress."

Before the Special Session had adjourned, the nation was facing an unexpected turn of events with the collapse of the stock market in the middle of October, 1929. The first shock on October 23 was followed by more serious crashes and partial recoveries on October 26 and 29. While the people generally did


98 Myers, 467, 468.
Hacker, 671.
not realize the seriousness of the situation until months later, it was reflected in a few weeks in a fall in prices of agricultural commodities and in a slight decrease in employment. The orgy of stock speculation that was sweeping the country at the time of the inauguration gave the President cause for concern early in his administration over the financial stability of the country.

When speculation with borrowed money began to reach an all-time high and legitimate business was unable to obtain needed loans from banks, the President conferred with the Federal Reserve Board and Secretary of the Treasury Mellon. Efforts were made to discourage the ever-increasing wave of stock speculation by restricting credit to banks loaning money for speculation. Warnings of Secretary Mellon and the Federal Reserve Board went undeeded and the inevitable climax came when owners of large blocks of stock began selling out their enormous holdings.

Realizing the seriousness of the situation but not revealing his deep concern over the effect this crisis might have on business and industry and upon the social and economic status of the people, the President laid plans to forestall an increase in unemployment and a lowering of wages. On November 15 he began to summon leaders of industry, business and labor to conferences at

99 Myers, 17.
See Appendix D. for summary of causes of the stock market collapse.

100 Myers, 14-16.
the White House to secure their cooperation in preventing unemployment and hardship. It was his idea that the best results would be obtained through the individual efforts of the people, wisely guided and stimulated by competent leadership. He planned to expand public works and construction to provide work for those who might be in need—an idea carried over from his work as Chairman of the Unemployment Conference in 1922.

A conference with nearby railroad presidents on November 19 to discuss maintenance of normal construction work was followed by meetings with leaders of the major industries and outstanding labor leaders on November 21. The means recommended to the industrialists included maintaining planned construction for the present and the distribution of available work among all employees—by a shortening of the work week, if necessary. Each industry was encouraged to look after the distress of its own employees. In every instance the leaders expressed willingness to cooperate with the program. The President announced in a Press statement after the first conference that the railway executives were unanimous in their decision to maintain business progress and employment. The industrial leaders, too, expressed approval of the plan of organization, subject to the agreement of the leaders of labor. This was secured in the afternoon meeting with labor leaders,

101 Myers, 24, 25.
which included the Secretary of Labor, James J. Davis and William Green.

The results of these conferences were highly gratifying. The success of the President in securing their cooperation was revealed in statements made public after the meetings. The employers authorized the President to announce for them that they would not initiate any movement for wage reduction, a policy which they recommended for the whole country. The representatives of labor authorized him to state for them that they believed and recommended that "no movement beyond those already in negotiation should be initiated for increases in wages" and that labor should cooperate with industry in solving its problems. Conferences followed with leaders of building and construction industries, national agricultural organizations and public utilities. Governors and mayors throughout the country were also asked to cooperate in providing employment by expansion of public works.

On December 12, 1929, the first regular session of the Seventy-first Congress convened. As stated earlier in this chapter, the Senate remained unfriendly to the recommendations of the President. Consequently the President had to go out of his way to secure the cooperation of enough members to secure passage of

102 State Papers, I, 134.

103 Ibid., 136, 137.
This accomplishment bears out the statement made in Chapter I, page 7.
needed legislation. While the House retained a Republican major-
ity, their loyalty and cooperation could usually be counted on to
break down the obstruction policies practiced by the Senate. In
his first annual message to Congress on December 3, he reviewed
the economic situation in the country and expressed confidence
that normal conditions would be restored if the means adopted
were carried out:


The country has enjoyed a large de-
gree of prosperity and sound progress
during the past year with a steady im-
provement in methods of production and
distribution and consequent advancement
in standards of living.

Fortunately, the Federal Reserve
System had taken measures to strengthen
the position against the day when specu-
lation would break, which together with
the strong position of the banks has car-
ried the whole credit system through the
crisis without impairment.

The sudden threat of unemployment
and especially the recollection of the
economic consequences of previous crash-
es under a much less secured financial
system created unwarranted pessimism and
fear.

I have, therefore, instituted sys-
tematic, voluntary measures of coopera-
tion with the business institutions and
with state and municipal authorities to
make certain that fundamental businesses
of the country shall continue as usual.

We have canvassed the Federal Govern-
ment and instituted measures of prudent
expansion in such work that should be
helpful, and upon which the different de-
partments will make some early recommenda-
tions to Congress.

I am convinced that through these
measures we have reestablished confi-
dence. Wages should remain stable. A
very large degree of industrial unemploy-
ment and suffering which would otherwise have occurred has been prevented. Agricultural prices have reflected the returning confidence. The measures taken must be vigorously pursued until normal conditions are restored. 104

Early in January Congress was asked to authorize increases in appropriations for the Public Building program, Rivers and Harbors, Public Roads and the Colorado River Dam, ceilings on the amounts to be appropriated for each project being indicated by President Hoover. The budget presented to Congress on December 4, 1929, for the fiscal year beginning July 1, 1930, showed that the appropriations for these items as well as for the revolving fund administered by the Farm Board could be made without a noticeable increase in expenditures, if recommended reductions were made in other directions. 105

By the middle of February there were indications that the danger of a general panic had been averted. Reports submitted to the President showed that stock-brokers' loans of eight and a half billion dollars had been liquidated to three billion with the aid of the Federal Reserve System—the apprehension among depositors had abated; the index of all employment, prepared by the Department of Labor, showed the drop from 93.3 in October to 86.0

104 State Papers, I, 145, 146.
105 Myers, 34, 35.
in December had increased to 92.8, and reports from governors in thirty-six states showed that no unusual amount of distress had resulted from unemployment.

Meanwhile a temporary organization of business and labor leaders had been formed at a conference with President Hoover on December 5, 1929. In an address to several hundred representatives, the President emphasized the responsibility of business and the need for their cooperation in maintaining economic stability. He gave the whole country some good advice when he told them:

... Beyond this, a great responsibility for stability and prosperity rests with the whole people. I have no desire to preach. I may, however, mention one good word—work. 107

Statistics compiled from a house-to-house canvas of employed and unemployed, undertaken at the request of the President, showed that the number of unemployed in April, 1929, was apparently 1,900,000, and that 1,200,000 had been out of employment for less than a month.

By the end of May, reports from economists and commercial and industrial authorities, including Charles M. Schwab of the

106 Myers, 35.
107 State Papers, I, 184.
108 Myers, 37.
Bethlehem Steel Corporation, indicated that there was good reason to feel that the "recession in prosperity had run its course."

The President meantime had been criticized by members of Congress for his optimism about the future. Secretary of Labor Davis remarked at the time that conditions would have been worse without the efforts of the President. It was true that, from the standpoint of previous experience in relief work, the country had never had a leader any better qualified to take the initiative in determining policies that would most effectively combat the existing crisis.

Meanwhile the measures designed to provide relief were under consideration by Congress. There being little disagreement among members of either House or Senate as to the need for relief, the problem was to hold appropriations down to the levels recommended by the President, who was opposed to any unnecessary expenditure at this time. Controversy centered on three bills introduced by Senator Wagner, the junior senator from New York, dealing with relief measures and calling for appropriations far in excess of the amounts stipulated as being adequate.

These bills, designated S. 3059, S. 3060, and S. 3061 in the

109 Myers, 37.

110 See footnote 2 in Chapter I and Appendix A.

111 Congressional Record, Seventy-first Congress, second session, 7702, 7803.
order named, embodied three principles—first, to provide for the advance planning and regular construction of public works for the stabilization of industry and for the prevention of unemployment during periods of depression; second, to provide for the establishment of a national employment system and for cooperation of the states in promoting such a system; and for that purpose, the creation of a bureau in the Department of Labor to be known as the United States Employment Service; third, to amend the Department of Labor Act of 1913 so as to provide unemployment statistics covering all branches of trade and industry. One bill carried with it an appropriation of $4,000,000 to be used for conducting surveys, the others on unemployment and long-range planning for public works involved an expenditure up to $150,000,000.

With very little opposition, the Senate passed all three measures.

The President considered these appropriations unnecessary additions to the budget and voiced his objection to the passage of the bills in a letter to Representative Wood, Chairman of the House Appropriations Committee, on April 18. With minor changes the bill S. 3061, for advance planning on unemployment, was passed by the House on July 2 and went to the President for his

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112 Congressional Record, Seventy-first Congress, second session, 9399.

113 Ibid., 7803, 8749.

114 Myers, 35.
The bill S. 3509 provoked more discussion in the House. Amendments added there substantially changed the bill and upon its return to the Senate, that body, on the motion of Senator Wagner, disagreed to the amendments and called for a conference. This was on July 1. The House on July 2, on the motion of Representative Graham, insisted on the House amendments and the Senate Conference. In condemnation of the House efforts to modify the bill in conformity with the Administration views, Representative Celler of New York questioned the sincerity of the President's stand when he said:

... There is a disposition to minimize the present unemployment and business depression. Proclamation after proclamation is promulgated by the President that prosperity is in the offing and with each proclamation unemployment and business adversity increases. The Administration must sooner or later face the truth. Why not now? ...

It is rather anomalous that the title of the bill reads: "To provide for the advance planning and regulated construction, etc." yet the vital parts of the bill providing the advance planning are stricken from the bill. 117

As far as could be ascertained, the bill S. 3060, providing for the national employment system—the very principle of which

115 Congressional Record, Seventy-first Congress, second session, 12262, 12283, 12320.

116 Ibid., 7803, 8742, 12267, 12370.

117 Congressional Record, Seventy-first Congress, second session, 12271.
was contrary to the President's professed concept of the func-
tions of the Government--was reported with amendments to the
House but was not acted upon. Opposition to this measure,
voiced by Senator Bingham, was based on the fact that it was a
Federal Aid proposition. His views appeared to substantiate the
sentiment of the President. These were:

... I am one of those who believe in representative government. I believe
that government by the people depends for its sanity, its health, its safety,
upon a strong measure of local self-government. 119

Congress adjourned on July 3, 1930, having passed the bills
providing appropriations for public works in substantially the
same amounts as requested by the President. These were, Rivers
and Harbors, $145,000,000; Public Buildings, $530,000,000; Pub-
lic Roads subsidies to the states $75,000,000, and $165,000,000
for the Colorado River Dam and its subsidiaries. These appro-
priations being passed, work could be started on the dam on the
Colorado River and other public works.

Demands on government revenues were exceeding expectations
and the President, early in July, urged greater economy in gov-
ernment bureaus and departments so as to equalize the increases
necessary for relief expenditures. Conditions were further ag-

118 Congressional Record, Seventy-first Congress, second ses-
sion, 11238, 11239, 11876.

119 Ibid., 8742.

120 Myers, 40.
gravated in late summer when the threat of a drought in some of the farming states gave rise to the need for more extensive relief measures. The states affected were in the Potomac, Ohio, and lower Mississippi river valleys, where about one million people and twenty million animals were affected. A conference of the President with the governors of these states led to the organization of the National Drought Commission under the chairmanship of Secretary of Agriculture Hyde, for the coordination of State and Federal activities to relieve drought sufferers.

In October the President announced plans for the organization of a nation-wide program of measures to relieve distress during the winter of 1930-31. At this time he expressed a wholly new concept of national duty when he declared that the nation had an obligation to prevent hunger and cold to those people who were really in need. Principles to be followed were outlined by the President, who was opposed to any plan that would call for direct relief from the Government. The plan expressed the concept of the President regarding the role of the Government in relief work. It provided:

... That the whole must be decen-

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121 Myers, 42, 43.

122 Wilbur and Hyde, 361.
tralized; that no central administration could competently direct such widespread activities; that no paid bureaucracy could be trained during an emergency; that voluntary service of the leading citizens of every community on a non-political basis must be secured for administration; that these decentralized agencies must be given full authority with sufficient checks to see that the work was effectively done. 123

The organization known as "The President's Committee for Unemployment" was formed on October 30, 1930, under the chairmanship of Colonel Arthur Woods. Through the cooperation of this group with governors and state unemployment authorities, statewide non-partisan relief committees were set up and efforts were made to coordinate private activities with local and federal services. The appointment of the commission was looked upon by some as an admission that the unemployment problem had not been adequately met.

In the light of happenings in the months that followed the inauguration, the President's prediction of prosperity for the country expressed on that occasion appears to have been ill-timed, yet the succession of events that led to the economic confusion in later months could hardly have been foretold at that time.

123 Myers, 123.
124 Ibid., 53.
CHAPTER III

MID-TERM RELATIONSHIPS, 1930-1931

From the beginning of the depression President Hoover held that the Federal government had an obligation to alleviate the effects of the depression and to facilitate recovery. This concept of national duty was reiterated by the President in October, 1930, when he stated: "As a nation we must prevent hunger and cold to those of our people who are in honest difficulties." Furthermore, he had a conviction about the best way to mitigate the suffering. This was to organize the individual efforts of the people in the community by offering stimulation and leadership so that governmental aid could be extended that would not infringe on individual liberty. To this end, at the outset of the depression, he held conferences with leaders of industry to determine ways and means of maintaining wages and of preventing strikes.

In organizing relief measures Hoover insisted that certain principles be observed in order to administer relief work effectively in every community and to avoid politics, waste, and corruption. Summarily these included a decentralized administra-

1 Wilbur and Hyde, 361. 
State Papers, I, 402.

2 The American Year Book, 1932, 17.

3 See Chapter II, pages 55 and 56. 
Myers, 34.
tion, the securing of voluntary service of leading citizens on a non-political basis—he did not believe that a paid bureaucracy could be trained and organized in a depression—and that the decentralized agencies be given ample authority under careful supervision to see that the work was successfully carried out. Only when voluntary action failed was governmental action to be taken.

As the year 1930 advanced, the business depression and unemployment had been further aggravated by an unprecedented drought affecting wide-spread areas in twenty-one states resulting in crop failures and family destitution. Partisan groups and agitators placed the number of destitute families at five million, but more conservative estimates made in October, 1930, and based on the application of the Department of Labor index to the census taken in April of that year placed the number of unemployed at four and a half million and the number of families without a wage earner at one and a half million. It was expected that this number would increase to two million in the winter ahead. The Pres-

4 Myers, 53.
5 Wilbur, 47.
6 Myers, 58.
7 State Papers, I, 431.

Myers, 52: Of the four and one-half million, about one and one-half million were normally employed but at the time were in the process of shifting from one job to another. Another 500,000 were considered unemployables. Of the remaining two and one-half million, out of employment because of the depression, there were 1.7 wage earners per family. This would leave 1,500,000 families without any wage earner—or in the destitute class.
ident warned against exaggeration in the unemployment situation.

From the beginning of his administration President Hoover lacked a real majority support of the Senate. A nominally Republican Senate—containing an insurgent group from the West, who formed a coalition with the Democratic members—created a strained relationship, which was offset only by the effective leadership of Speaker Nicholas Longworth in the House of Representatives, where the Republicans held a plurality of one hundred members. The Congressional elections in November, 1930, gave the Democrats a decided victory in the House of Representatives and increased the number in the Senate from forty-two to forty-eight. Although seating of the new members would not take place until the first session of the Seventy-second Congress in December, 1931, this swing toward the opposition party had its effect on the relations of President Hoover to Congress during the year 1931 and, consequently, on their disposal of the Administration's legislative program. Their victory gave the Democrats an opportunity to claim that the Hoover leadership had been

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8 The American Year Book, 1931, 6.

The Third Session of the Seventy-first Congress was made up as follows: in the Senate there were fifty-three Republicans, forty-two Democrats, and one Farmer-labor member; in the House there were two hundred sixty-six Republicans, one hundred sixty-five Democrats, one Farmer-labor and three vacancies.

9 Ibid., 6.

The general election of 1930 resulted in the return of two hundred eighteen Republicans, two hundred sixteen Democrats and one Farmer-labor member to the House; and of forty-eight Republicans, forty-seven Democrats and one Farmer-labor member to the Senate.
However, on November 7, a few days after the election, prominent Democratic leaders pledged their support to recovery legislation and to cooperation with the Administrative measures in the next Congress. This pledge was the combined expression of seven national leaders who asserted that the recent victory afforded the Democratic party an opportunity to do constructive work and to that end it intended to cooperate with the Republicans and other factions "without regard to selfish political advantage." This statement, while having an antidotal effect on the tension, should not be considered an indication of total predisposition on the part of the Democrats to accept all administrative proposals. On November 13 the right of these Democratic leaders to make any promises on behalf of the party was challenged by Senator Carter Glass. His statement quoted in The New York Times said:

... he [Senator Glass] questioned the authority of "any undelegated group of gentlemen" to pledge two hundred sixty-four Democrats in Congress [forty-seven Senators and two hundred seventeen Representatives] "to a precipitately devised course of action."


The seven national leaders were "James M. Cox, John W. Davis, Alfred E. Smith, the Presidential nominees in the last ten years; Joseph T. Robinson, party leader in the Senate; John N. Garner, House leader; John J. Raskob, Chairman of the National Committee; and Jonett Shouse, head of the Executive Commission."

In a public acknowledgment of this promise, the President also inquired whether they meant cooperation in passing needed legislation for relief to agriculture and unemployment during the forthcoming session. An assurance from Congressman Garner that politics would be a secondary consideration in the organization of the House led the President, early in December, to make a statement to the Press that the leaders of both parties were cooperating on the passage of relief measures.

Looking to an early vote on the much-needed relief measures in the coming session of Congress, the President, in November, set up what he deemed an adequate program of legislation, one which he hoped would meet the approval of leaders in both parties. Of the prospects for the passage of this measure an article in The New York Times commented:

If the Republican and Democratic leaders can forget their party lines during the three months of the final session of the present Congress, there is every reason for the belief that the relief program of the Administration can be written into law and all appropriation bills for the running of the government be enacted. 13

Some opposition was anticipated from the Republican insurgents led by Senators Norris, Borah, LaFollette, and Brookhart, and


from the Democratic insurgent Senators Wheeler, Dill, and Walsh.

In his second annual message to Congress on December 2, 1930, at the opening of the third session of the Seventy-first Congress, President Hoover reviewed the economic situation in the country and expressed gratification over the accomplishments already made through organization in the states and municipalities:

During the past twelve months we have suffered with other nations from economic depression.

In the larger view the major forces of the depression now lie outside of the United States. Our recuperation has been retarded by the unwarranted degree of fear and apprehension created by these outside forces.

Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the producers and the consumers themselves. Recovery can be expedited and its efforts mitigated by cooperative action.

Our people are responding to these impulses in remarkable degree.

The best contribution of government lies in encouragement of the voluntary cooperation in the community.

The Federal Government is engaged upon the greatest program of improvement in all our history.

To meet the exigencies of the coming year he recommended a continuation of the same policies:

I favor still further temporary expansion of these activities in aid to unemployment during this winter.

There are certain common-sense limitations upon any expansion of construction work. The Government must not undertake works that are not of sound economic purpose and that have not been subject to searching technical investigation, and which have not been given adequate consideration by Congress.

I feel warranted in asking the Congress for an appropriation of from $100,000,000 to $150,000,000 to provide further employment in this emergency. I recommend that this appropriation be made distributable to the different departments upon recommendation of a committee of the Cabinet and approved by the President. Such action will imply an expenditure of all kinds of over $650,000,000 during the next twelve months.

Acting upon the President's recommendations, the House Appropriations Committee, early in December, reported bills providing appropriations of $30,000,000 for drought relief and of $110,000,000 for an emergency fund to accelerate public construction.

15 State Papers, I, 428-430.
16 Congressional Record, Seventy-first Congress, third session, 807.

The New York Times, December 10, 1930. This figure was $40,000,000 less than the maximum amount suggested by President Hoover.

The emergency fund bill provided that the appropriation of $110,000,000 be distributed $80,000,000 to the Department of Agriculture for apportionment to the states as a temporary advance to meet the provisions for Federal-aid highway projects; $25,500,000 to the War Department for flood control and rivers and harbors work; $3,000,000 to the Department of Agriculture for construction and maintenance of roads and trails in the national forests, and $1,500,000 to the Interior for improvements in national parks. It also made the funds available to Sept. 1 instead of June 30, the end of the fiscal year.

The drought relief bill provided that the Secretary of Agriculture make the loans for the purchase of land, seed for suitable crops, fertilizers, feed, and other purposes prescribed by him.
Both branches of the government took action on these measures on December ninth. The emergency fund bill was passed exactly as reported by the House committee, but the Senate demanded a larger appropriation for the drought sufferers. Voting without roll call, they authorized a $60,000,000 farm loan fund, favored by the Senate Agriculture Committee, overriding the claims of the Administration that $30,000,000 was sufficient. Republican floor leader Senator Watson, desirous of cooperating with the President in keeping appropriations within a limit that would avert higher taxes, expressed disapproval of the recommendations of the Senate Agriculture Committee; but Senator Borah, on the other hand, commented that he had been observing the trend toward larger expenditures and he did not see how new taxes could be avoided.

Secretary of Agriculture Hyde and President Hoover were quick to condemn the Senate action, the former asserting that the appropriation of public loans for the purchase of human food would set an unusual precedent and that it dangerously resembled the dole system. In defense of the proposal Senator Robinson recalled that Congress had appropriated $20,000,000 for the relief of starving Russians in 1921. His comment, quoted in The New York Times, carried a note of sarcasm:

17 Congressional Record, Seventy-first Congress, third session, 807-809.
19 Congressional Record, Seventy-first Congress, third session, 405-409.
It is right to give food for other nations, but by some mysterious and inexplicable reasoning it is wrong to give it to our own citizens. 20

The President, apparently resentful over the radical changes made by the Senate in his proposed relief measures, condemned their action in a statement to the Press which clearly indicated his displeasure—and at the same time revealed his vulnerability to criticism. Since the stand taken by the President brought stinging rebukes from the Senate and accusations that he was wholly without appreciation of or sympathy for the needs of the unemployed and the drought sufferers, his statement on this occasion should be noted here:

The gross sums which I have recommended to carry on the essential functions of the Government include the extreme sums which can be applied by the Federal Government in actual emergency or relief, and are the maximum which can be financed without increase in taxes.

... Prosperity cannot be restored by raids upon the public treasury.

The leaders of both parties are cooperating to prevent any such event.

Some of these schemes represent... the desire of individuals to show that they are more generous than the Administration or that they are more generous than even the leaders of their own parties. They are playing politics at the expense of human misery. 21


21 State Papers, I, 459.
Congressional Record, Seventy-first Congress, third session, 407.
When read to the Senate by Senator Caraway of Arkansas, the last statement precipitated an avalanche of criticism culminating in bitter and unwarranted attacks upon the President, which gave the President most unfavorable publicity in the Press. An example of the type of criticism to which the President was subjected is evident in Senator Caraway's remarks:

The reputation, whatever he has .
... of the President of the United States rests upon administering a relief fund which never cost him a cent. It rests upon extending relief to destitute humanity ... yet, without having done anything or having made one recommendation that would at all relieve the conditions, ... the President now lectures the Congress of the United States and those organized agencies for relief outside of Congress who are unwilling to sit down and see human beings starve because of maladministration and overwhelming misfortune caused by natural agencies. 22

Both Senators Caraway and Walsh questioned the meaning of the President's statement that the leaders of Congress are cooperating "to prevent any such event." "As to what is included in the declaration," said Caraway, "everyone will have to answer for himself." Additional comments of Senator Walsh of Massachusetts attacked the President's prestige:

Why are we who dare to propose something additional to what he has proposed charged with playing politics? ... the President can continue to assert and insinuate that those who pro-

22 Congressional Record, Seventy-first Congress, third session, 407. See footnote 37, Chapter I.
pose remedial measures here are "playing politics," but I propose to leave nothing undone to force public attention upon the need more than ever of constructive efforts and of expenditures of money—all that may be needed; all and more than Russia's hungry people had in 1919. 23

The most caustic remarks—quoted to the public by The New York Times the following day—were made by Senator McKellar, who condemned the President for giving his message to the newspapers instead of sending it to Congress, and by Senator Blaine, who spoke of President Hoover as the "mediocre politician now occupying the Executive chair" and as one "overtouted as a great engineer." During the filibuster thus started, and which continued for a week, with the Senate members denying the charge of "playing politics" and countering with insinuations against the President, Senator Robinson of Arkansas, Democratic floor leader stated his disapproval of the President's remarks when he said:

The President apparently lost his temper when he issued his statement yesterday . . . his statement, of course, is to be condemned. I do not propose to follow the bad example that has been set. . .

But, by his challenge to his party followers for cooperation, he redeemed himself with these words:

My purpose is to try to do my

23 Congressional Record, Seventy-first Congress, third session, 408.
24 The New York Times, December 11, 1930. See footnote 37, Chapter I.
duty to my party, my people, and most of all, to my country. . . I should like to see this Congress now act in a spirit of greater cooperation. 25

Most of those who urged increased appropriations were activated by letters and telegrams from their constituents, especially in the areas affected by the drought, urging and pleading for help from the Federal Government in the form of loans to local banks, and for food and feed. Many of these letters and telegrams were printed in the Congressional Records at the request of senators receiving them.

A compromise agreement was finally reached by both Houses, just before the Christmas recess on December 20, setting the appropriation at $45,000,000 for drought relief. 27

The President's relations with the Senate, never harmonious, grew even more strained in the succeeding weeks of the third session, and further impeded the progress of the Administration's legislative program. At this point it is evident that undue sensitivity to criticism—always a regrettable luxury—was indeed the Achilles' heel which demoralized the cooperative relationship between President Hoover and his Congress.

25 Congressional Record, Seventy-first Congress, third session, 409.
26 Ibid., 789-792.
The drought-stricken areas were distributed through the states of Alabama, Florida, Georgia, North and South Carolina, Virginia, Ohio, Oklahoma, Indiana, Illinois, Minnesota, North Dakota, Montana, New Mexico, and Missouri.
27 Congressional Record, Seventy-first Congress, third session, 1167.
Congress reconvened on January 5, 1931, faced with highly controversial issues—including further remedies for unemployment, drought relief, and financial assistance to the veterans of the World War I—all of which issues were made more acute by the depression. On all issues except the soldiers' bonus the encounter was between the President and the Republican House leaders on the one side, and the Democratic leaders and the Republican insurgents on the other.

A survey of the accomplishments made under the organized drive for increased construction by the Federal, State, and local governments to relieve unemployment showed that stimulated construction by public utilities and governments had increased $1,130,000,000 in 1930 over the amount spent in 1929, while private construction had decreased $1,420,000,000 in the same period. It was thus estimated that, through the relief plan, employment had been provided for at least a million families who otherwise would have had no income. A re-survey of the progress of the Unemployment Relief Association, under the chairmanship of Colonel Woods, reported on December 31 that distress would be well cared for during the winter. Despite these reports, it was stated by sources outside the Government that, while private charity and welfare

28 Myers, 60-61.

29 Ibid., 60.

This report was submitted to the President by the Department of Commerce on December 31, 1930.
organizations--supplemented by appropriations from municipalities--were doing their best to relieve distress, the burden was becoming weighty. Relief workers admitted that more drastic action would soon be necessary.

Care of the drought sufferers had been in the hands of the American Red Cross since August, 1930. Plans for a public appeal in January to raise an additional $10,000,000--bringing their total resources to $20,000,000--had been agreed to by President Hoover and Judge Payne, Chairman of the Red Cross. Before this drive got under way a proposal, sponsored by Senators Robinson, Borah, and others, was placed before the Senate to increase the $45,000,000 drought fund by $25,000,000 for human relief, by direct distribution of the Federal Government. This brought an immediate protest from Judge Payne, who expressed a great unwillingness to have the money appropriated, insisting that the Red Cross could take care of human needs, if the Government would provide a loan for seed and feed.

Since the President of the United States is President of the

30 Francis Brown, "The Unemployment Crisis," Current History, 36: 414, July, 1932. In the succeeding pages this article will be referred to as Brown, Current History.

31 Myers, 60-62.

32 Congressional Record, Seventy-first Congress, third session, 3369-3372.

33 Ibid., 3371, 3372.
Red Cross, it was suspected that this decision was made in defer­
ence to the President's philosophy that the Government should not
infringe on individual liberty by offering direct financial as­
sistance to those in need. The controversy, once begun, continued
for weeks with members of the Senate again attacking the Presi­
dent's relief tactics, and the President remaining adamant in his
convictions. The sentiment of the Senators was indicated in the
speech of Senator McKellar of Tennessee:

I am willing to join the other Sen­
ators and stop all other legislation un­
til the necessary appropriations are
passed by Congress and signed by the Pres­
ident, or if he refuses to sign, until
they are passed over his veto. 34

Accusations were made that the Red Cross had become the
screen behind which the President of the United States was under­
taking to shirk his responsibilities to see that those who are in
need are relieved. It seemed incredible, according to Senator
Copeland of New York, that an organization "founded to give re­
lief and to administer to distressed human beings should even in­
timate that it would refuse money appropriated by Congress for
that purpose." Furthermore, he declared that it was difficult to
understand how a man who had done so much to relieve starvation
in other lands could be so obstinate about relief for American

34 Congressional Record, Seventy-first Congress, third ses­
session, 3373.
citizens.

A resolution appropriating the $25,000,000 passed on January 20 by the Senate was rejected on January 29 by the House Appropriations Committee after Chairman Payne had declared to that committee that the additional funds were unnecessary. This action aroused the ire of Senator Borah, who replied that the appropriation was not a dole but entirely in accord with governmental policy. In what The New York Times termed an "impassioned speech" he maintained that the Red Cross was not meeting the situation and that the American people had never hesitated to take money from the treasury of the United States "to care for those who are afflicted." His determination to carry through the Senate program was apparent in his remarks:

I am perfectly willing to say that not another appropriation bill shall pass this body until the hungry are fed, until the sick are taken care of, until the Government of the United States has met its obligation to its distressed and hungry citizens.

Impelled, perhaps, by the urgency for cooperation, the President, in a more conciliatory mood, replied to the charges of the

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35 Congressional Record, Seventy-first Congress, third session, 3374, 3375. See footnote 37, Chapter I.

36 Myers, 61-62.


38 Congressional Record, Seventy-first Congress, third session, 3759-3760.
senators, and at the same time defended his relief measures by
calling attention to his wide experience in relief work, both
abroad and in the Southern states, and further amplified his phi-
osophy:

This is not an issue as to whether people shall go hungry or cold in the
United States. It is solely a question of the best method by which hunger and
cold shall be prevented ... if the time should ever come that the volun-
tary agencies of the country, together with the local and State governments,
are unable to find resources with which to prevent hunger and suffering in my
country, I will ask the aid of every re-
source of the Federal Government because I would no more see starvation amongst
our countrymen than would any Senator or Congressmen. 39

The President's message led to talk of a compromise by the Senate. The way was opened for Congress and the Executive to get
together on common problems. On February 15 the House and Senate
reached a compromise measure, appropriating $20,000,000, to be
immediately available and to be administered by the Department of Agriculture for specific purposes, including loans to individuals
in the drought-stricken area for use in the organization of local
agricultural credit corporations, for crop production and further

39 State Papers, I, 496-470.
Myers, 66. That the President's recommendations were ade-
quate at the time was indicated by reports "later, that only $35,
000,000 out of the first fund of $45,000,000 ever was used and
only $3,600,000 of the additional fund of $20,000,000. The Red
Cross expended less than $12,000,000 of its privately raised $15,
000,000 fund."
agricultural rehabilitation. The passage of the measure was an acknowledged victory for the President and his policy.

In contrast with the fortunate events that led to the ultimate victory for the administration regarding the relief plan is the dispatch with which the veterans' bonus bill was passed over the President's veto. The President expressed disapproval of the measure on the grounds that the Government would be called upon to finance loans, which—for the most part—would go to those who were not in distress. The discussion of the relative merits of the bill consumed several days of the third session in which it appeared that the number of those who favored the bill greatly

40 Congressional Record, Seventy-first Congress, third session, 807-810; 906.

Chicago Daily Tribune, February 10, 1931.

An interesting sidelight on the now famous "$20,000,000 compromise" appeared in the Chicago Daily Tribune: . . . "Those who have sat and listened to the criticisms and epithets hurled at the administration throughout the long controversy over relief looked on at a scene strange and dramatic.

For they saw and heard Joseph T. Robinson, minority leader, and Thaddeus H. Caraway, Arkansas—two democratic senators—defend President Hoover, express confidence in Secretary of Agriculture Hyde, and applaud the work of the Red Cross.

The two men who have led the fight for relief, who have been critical to the point of bitterness led the fight today for the compromise."

41 Congressional Record, Seventy-first Congress, third session, 584, 617, 734.

This bill, known as the Emergency Adjustment Compensation Act, was introduced by Senator Bacharach of New Jersey to increase the loan basis of veterans' certificates to fifty per cent of the face value of the certificate with a provision that, in no event, should the rate of interest exceed four and one-half per cent, compounded annually.

42 Myers, 66.
outnumbered those who opposed it.

Opposition to the proposed bill was expressed by Secretary of the Treasury Andrew Mellon, who asserted that an appropriation of approximately $1,000,000,000 would be required to meet the loans coming up. Mellon stated that estimates from the best available sources indicated that not more than sixty per cent of the veterans would avail themselves of the additional privilege because of the terms of the bill and of their desire to retain the full amount of insurance represented on the face of the certificate.

At the request of Senator Smoot of Utah, President Hoover submitted a statement of his views on the bonus legislation in which he recognized the principle that, when men have been called upon to place their lives in jeopardy for the nation, the nation as a whole incurs a special obligation to these men above that to any other group of citizens. But he explained that he did not think that the country should be called upon to make loans to men who could support themselves. He pointed out that it would entail a payment of about $1,300,000,000 from the Federal Government. Of its effect on the relief program he said:

The largest part of this huge sum . . . is to be available to those who are

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43 Congressional Record, Seventy-first Congress, third session, 5076.

44 Ibid., 5375.
not in distress. Such action may . . . result in prolongation of this period of unemployment and suffering . . . Placing a strain upon savings needed for recovery . . . by a measure . . . for a vast sum beyond the call of distress . . . will not only nullify the benefits to the veterans but inflict injury to the country as a whole. 45

It was apparent from the beginning of the discussions that the bill would be passed by both Houses even though the President made it known that he would veto the measure. Sentiment in favor of the legislation was strong among the Republicans who ordinarily followed the lead of the Administration. Even Speaker Longworth declared that the bill was "safe, sane, and sound and provided a scheme which offered no disturbance to the treasury." 46

From testimony submitted by General Hines, Chief of the Veteran's Bureau, who had already loaned to veterans on their certificates approximately $330,000,000, it was estimated that over 300,000 veterans were out of employment. From the economic standpoint it was argued by those who favored the bill that loan provision would increase purchasing power and therefore help to alleviate hunger, poverty, and unemployment. Those who opposed the bill countered that no provision for financing was made in the bill. It was a case, they explained, of protecting the financial

45 State Papers, I, 507.

46 Congressional Record, Seventy-first Congress, third session, 734, 1485.

47 Ibid., 5075.
interests of the country and at the same time relieve distress 48 and thereby damage the financial structure of the country.

Aware, no doubt, of the political significance to themselves of helping the veterans at this time, the members of both Houses passed the bill on February 26 by large majorities, arguments advanced against it by the President and by the Secretary of the Treasury notwithstanding. The President promptly vetoed the measure and returned it with a message which amplified his former statement. His disappointment came from the fact that the payment of the loans to veterans would incur a heavy tax burden, and to this undoubtedly was added the disappointment over the failure of the Republicans in the House to support his efforts to avert further tax burdens. The President's veto message was carefully analyzed by both Houses and the bill quickly passed over his veto.

Charles G. Dawes, United States ambassador to Great Britain, in a letter to the President dated March 10, 1931, paid tribute to the President's statesmanship when he said:

... To veto a bonus bill in time of prosperity is both commendable and

48 Congressional Record, Seventy-first Congress, third session, 5073-5075.
49 Ibid., 6217, 6218, 6304.
50 Ibid., 6230, 6308.
The Senate vote over the veto was seventy-six yeas and seventeen nays; the House vote, three hundred twenty-eight yeas and seventy-nine nays. Senators Glass and Vandenberg strove to sustain the President's veto.
courageous. To veto one during the worst of an unprecedented business depression, at a time when the bill . . . could be represented as one to relieve suffering is an heroic thing—as well as being commendable. . . . When public opinion was distracted by conditions temporarily very adverse, you stood for a principle when you knew you would go down with it for the time. 51

The third session of the Seventy-first Congress adjourned on March 4, 1931, with many of the pledges for Administrative and Congressional cooperative action unfulfilled.

That the President's efforts to cushion the shock of depression were effective was indicated in general signs of recovery from the depression toward the end of March, 1931. Official reports made on March 30 indicating better business prospects and a continued upward trend in employment cheered the President. Secretary of Labor William N. Doak advised the President that the gradual business improvement and the upward trend in employment shown in February had continued through March. The President's emergency committee on unemployment reported fewer men out of work, particularly in Michigan, the New England states, and in several states of the South. The Federal Reserve Board in January, 1931, reported that bank failures had abated. The enormous speculative account in stocks had been liquidated, and the prices

51 Myers, 69-70.

52 Chicago Daily Tribune, March 31, 1931.

In Michigan the pick up in the automobile trades had improved employment.
of industrial securities in the stock exchange showed a gradual increase of about ten per cent in prices from mid-January. The employment improvement in Chicago was reflected in the closing of the headquarters of the Government Commission on Unemployment and Relief and the transfer of the major part of relief work to regular social agencies.

Hardly had the domestic scene begun to show signs of rehabilitation when a new crisis of European origin threatened. Signs of the impending economic disturbance were apparent first in stock-market fluctuations. Beginning in the middle of April and continuing through May financial pages carried reports of declining prices in commodities and steady decreases in trade on the stock-market. Excerpts taken from the Chicago Daily Tribune show this progressive downward trend through April and May:

April 16, 1931
PRICES ALL DECLINE - STEEL AT NEW LOW
.. . Most issues broke to new lows .
.. . including such redoubtable timber as United States Steel common which dropped through the lows of last December.

53 Chicago Daily Tribune, April 4, 1931.
This fact is confirmed in a report on the financial page of the Chicago Daily Tribune: "whereas the monthly average of commodities compiled by Dun's Review had shown a decrease of seven-tenths of one per cent in March, yesterday's Bradstreet Index [April 37] . . . shows an advance of six-tenths of one per cent. This is the first month since September, 1929, for which Bradstreet has failed to report a reduction in commodities. . . . Both home and foreign reviews on the general movement of staple prices have indicated that the line of resistance has been met."

54 Ibid., March 31, 1931.
April 26, 1931
Cautious traders continued to back out of the stock market today and values once more trended sharply downward. . . . The finish found the averages flirting more earnestly with the lows of December 16 last.

May 8, 1931
United States Steel and American Can, recognized leaders of the list were depressed to new lows by selling which reached its peak in the last hour of trading.

May 15, 1931
United States Steel (breaking) to a new seven-year low on the New York board. Uniformly lower prices ruled throughout the list, but the variations from the previous day's quotations were not large. The 65,000-odd shares of stock which were exchanged represent one of the lightest trading days on the market in the last twelve months.

An investigation into the cause of the sudden change from the recent favorable outlook revealed that the turn of events in the United States was the reflection of a rapidly approaching economic crisis in Germany and Central Europe, in which the burden of reparations and general political instability were salient factors. Another financial crisis was precipitated by the announcement of the German–Austrian Customs Agreement on March 31, 1931. 55


Germany and Austria agreed to abolish customs duties during a transitional period and to levy identical duties on goods from other countries. Fearing an Anschluss (union) between the two countries as a result of agreement, France protested—and tried to prevent its culmination—by offering a needed loan of $21,000,000 to save the Kredit Anstalt from collapse if Austria would renounce the plan. Austria declined, obtained money from England, causing further strain between France and Austria.
The next step in the European crisis was the announcement on May 11, 1931, that the Austrian government had come to the relief of the great Viennese bank, the Credit Anstalt, a bank which controlled two-thirds of Austria's bank resources and—through its investments—controlled a large share of her industry. This bank had close relations with the large banks in Berlin, London, Paris, and in most European capitals as well as those in New York.

The news of the difficulties of Credit Anstalt led to a withdrawal of short-time credits and very soon endangered the stability of other European banks. The financial condition of all Central European countries remained critical and definitely affected the United States. Especially was this true of Germany, where a combination of circumstances—the influence of communists and reactionaries at home and French diplomatic relations—made manda-

56 The American Year Book, 1931, 23.

57 Myers, 74, 75.

A large number of banks in the United States had loaned an aggregate sum of from $1,200,000,000 to $1,500,000,000 on this short-term paper from countries in Central Europe on the assumption that it was a normal advance in export trade. Actually, a great deal of the short-term money had been invested in capital improvements—and therefore could not be paid on demand.

Another factor affecting the United States—and perhaps the one most directly affecting our financial system—was the practice by foreign governments and foreign national banks of sending their gold reserves abroad on deposit, thereby earning interest on their reserves. There was on deposit in this country gold or currency reserves from foreign countries and foreign national banks amounting to about $1,500,000,000, which our institutions had loaned to citizens, or on doubtful short loans to other countries. When foreign depositors demanded this money, American banks—unable to collect the bills of other countries—had to call domestic loans, thereby causing a drain on our whole financial system.
tory extraordinary measures within the country to avert economic ruin.

An agreement participated in by the Bank for International Settlements, the Federal Reserve Bank, and the central banks of then of the Central European countries tried to meet the emergency by arranging for an extension of large credit to the National Bank of Germany /The Reichsbank/ and also for a restriction on the withdrawal of short-time loans. Despite every effort to prevent disaster, affairs in Germany--aggravated by the exigencies arising from the Austrian crisis--grew steadily worse. A very integral part of this whole financial disintegration in Europe was the payment of German reparations to the European Allies. A report to the President showed that the total annual interest payments on reparations and inter-governmental debts amounted to about $1,000,000,000. This was proving to be an almost insurmountable burden on international exchange and currency stability. The sum owed to the United States amounted to about $250,000,000.

In an attempt to relieve this heavy financial burden, which was devitalizing the financial and economic stability of Europe and threatening our own financial equilibrium, President Hoover--early in June--met with Cabinet-members, Secretaries Mills, Mellon, and Stimson, to whom he outlined a plan for the suspension

58 The American Year Book, 1931, 23.

59 Myers, 83-90.
of all inter-governmental debts for one year. Because Congress was not in session and International agreements required the approval of Congress, the President wished to have the plan effective from the beginning of the fiscal year, July 1, when the next debt installments were due, it was necessary to secure the approval of members of Congress before taking official action. Since Senator Robinson, Democratic leader of the Senate, and John N. Garner, who was slated to be Speaker of the House, refused their approval, the President—between June 18 and 19—telephoned to thirty out-of-town Congressional leaders with reference to the proposed moratorium in order to make sure of enough Democratic votes to carry both Houses. Certain senators consulted by the President disclosed his plans to the Press—necessitating President Hoover's giving publicity to the moratorium before the foreign governments concerned were officially informed. As a result, the President needlessly criticized for lack of diplomatic courtesy.

Excerpts from the moratorium, released to the Press by President Hoover on Sunday morning, June 20, 1931, included the following significant statements:

... The American Government proposes the postponement during one year of all payments on inter-governmental debts,

60 Myers, 91-92.
The American Year Book, 1931,

61 Myers, 91, 92.
reparations and relief debts, both principal and interest, of course not including obligations of governments held by private parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year beginning July 1st next, conditional on a like postponement for one year of all payments on inter-governmental debts owing the important creditor powers.

The world-wide depression has affected the countries of Europe more severely than our own. Some of these countries are feeling to a serious extent the drain of this depression on national economy. The fabric of inter-governmental debts, supportable in normal times, weighs heavily in the midst of this depression.

I do not approve in any remote sense of the cancellation of the debts to us. World confidence would not be enhanced by such action. . . 62

Approbation of the President's action was almost universal. The President telegraphed to all members of the Senate and House whose approval he had not previously asked, and nearly all responded favorable. Prime Minister Ramsay Mac Donald commented that it was "an action of great wisdom, courage and deep insight." Newspapers throughout the country, with scarcely any dissent, expressed approval. Immediate improvement followed the issuance of the moratorium; prices on the stock market rose from three to eleven points, wheat rose from four to five cents a bushel; retail

62 State Papers I, 591.
trade improved, and unemployment began to decrease. Interesting comments in newspapers and periodicals included those of Arthur Gears Henning:

That President Hoover's new program of international policies is fraught with far-reaching consequences to the world generally, to the United States in particular, and to the President's political future—most particularly, appears to be the common opinion, not only of those who point to it with pride, but also of those who view it with alarm.

The step taken by the President in proposing a one year holiday in the payment of German reparations and allied war debts is being hailed by his friends and foes alike as a turning point in world history. 64

and those of Allan Nevins appearing in an article in Current History:

Very little leadership entered into his dramatic stroke of June, 1931, in announcing the one-year moratorium on reparations and war debts.

Nevertheless, the moratorium was a great achievement. Next to the Washington Conference and its treaties, it was the greatest single achievement by an American President since Wilson left the White House. 65

63 The American Year Book, 1931, 3, 4.

64 Chicago Daily Tribune, July 27, 1931.

65 Nevins, Current History, 36: 393-394.
All countries affected by the moratorium readily agreed to the arrangements with the exception of France; but, after careful deliberation, she too agreed to cooperate with the plan. This was on July 6, 1931. While the moratorium afforded temporary relief from the tension in international affairs, it did not offer the solution to the complicated financial and economic problems, either within Germany or on the international scene. The end of July found the constructive effects of the moratorium on the wane. Information made available to the President at this time revealed that the prices of industrial stocks had fallen fifteen points from their moratorium recovery; that the prices of wheat, cotton, and livestock were down to the lowest point in years; and that unemployment had increased by an additional 500,000 since March, bringing the total to about 7,000,000.

66 Myers, 95-98. "By June 26 the British, Italian, Rumanian, German, Japanese, Polish, Czech, Finnish, New Zealand, Hungarian, Austrian, Norwegian, Swedish, Canadian, and Greek governments had now accepted the moratorium."

France was unwilling at first to accept the terms of the moratorium because of her annual reparations payment from Germany, which amounted to about $130,000,000 including "unconditional reparations" and "reparations in kind." A preferable plan for France would have been a moratorium for the Allies while Germany continued to pay her obligations to France.

67 Ibid., 211.
Suggestions for the calling of a special session of Congress to deal with the problem were turned down by the President, but he took steps to give some Federal support to the relief work already in progress. On August 19, 1931, the President instructed the new chairman of the President's Unemployment Relief Organization, Walter S. Gifford, to set up an organization adequate to care for the needy during the coming winter. "The whole forces of the Administration are at your disposal," the President concluded.

In September the nation was confronted with another great crisis as a result of the suspension of the gold standard by Great Britain. The extent to which this affected the United States is best described in a report of the Federal Reserve Board:

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69 Myers, 114, 115.

Walter S. Gifford, President of the American Telephone and Telegraph Company, had been appointed by the President to succeed Colonel Arthur Woods, who had resigned.


"For a long time there had been a drain on the gold reserves of the Bank of England and during this same period the gold basis for currency established by Parliament in 1925 had been threatened. With the misfortunes of her debtors the flow of gold into the English coffers lessened and finally, with the freezing of German short-term loans, the assets of many banks and the slight but adverse effect of the German moratorium, the gold reserves of the Bank of England reached a danger point in August, 1931. . . Funds were withdrawn in $100,000,000 amounts. France alone withdrew $125,000,000 in gold on July 24, according to a Press statement."
Suspension of the gold standard in England not only tended to mobilize foreign balances still held in London but also to impair confidence in such balances held elsewhere and to cause European banks to convert large portions of their foreign funds into gold. Since a large part of the realizable short-term foreign balances of the world was held in the United States, it was largely upon this country that this movement then concentrated. As a consequence, the United States lost $725,000,000 gold from the middle of September to the end of October. About three-fifths of this amount was taken by France, the bulk of the remainder by Belgium, Switzerland, and Netherland. These are the countries that had been drawing heavily on the Bank of England reserves.

To a considerable extent this movement reflected the desire of the central banks in these countries to increase their metallic reserves with a view to showing a stronger gold position. 71

Apprehension was intensified by the exodus of gold from the United States, and people in every part of the country began hoarding gold until a total of over a billion dollars in gold and currency was taken out of circulation. Conditions were further aggravated by the abandonment of the gold standard by Denmark, Sweden, Norway, Columbia, Bolivia, and India and by exchange restrictions in Greece, Italy, Germany, Austria, Hungary and Chile as well as by a number of import restrictions on trade. The suspicion that the United States would follow the example of Great

Britain led to a continued heavy withdrawal of gold and exchange from the United States. This heavy drain on the banks forced them to call in loans and to seek increased credit from the Federal Reserve system. Hoarding increased to an estimated rate of $100,000,000 a week, and new bank failures were reported daily. People were on the verge of panic, and many—alarmed over the increase in bank failures—rushed to the banks to withdraw their deposits, thereby further jeopardizing the bank reserves. The inadequacy of the Federal Reserve system to meet this unprecedented emergency and the weakness in our banking system generally were revealed.

It was evident to the President that the needs of the country demanded the adoption of some unprecedented measures. Accordingly, with the advice of Cabinet members and other advisers, a broad program was agreed upon to meet the new situation. This included conferences with heads of the leading insurance companies, heads of the Clearing House banks in New York, and a meeting with ranking members of banking, finance, and other committees in both Houses of Congress. In placing the problem before the financial leaders, the President pointed out salient points. Excerpts from his report included:

72 Wilbur, 413.
73 Myers, 124-126.
... the situation since the British collapse ten days ago is approaching disaster at an accelerated speed until it has reached a panic condition.

... The Federal Reserve system is expanding credit by every device to meet the sapping of our credit foundations... the fears of the people were, since the British failed ten days ago, expressed in unprecedented hoarding of currency...

... But beyond this, the banks in the large centers are calling interior loans to fortify themselves against foreign drains... the secondary banking centers being drained are fortifying themselves against it by calling loans from country banks and customers. The imminent collapse of banks threatens in many interior centers particularly in the south and mid-west... In all, a senseless "bankers' panic" and public fears are contributing to dragging the country down. 74

His plan included the creation of a national credit association with a credit of $500,000,000 to support the financial structure, "to be subscribed by all the banks in a ratio of two per cent of their deposits" and an agreement not to foreclose on mortgages of farmers and home-owners who were making an effort to pay. President Hoover stated that he would call Congress into special session and bring in government support if the bankers rejected the plan. Opinions on this plan were divided, but the bankers--after considering the idea--sent word to the President...
on October 5 that they would form the organization. The President also decided to recommend to Congress an appropriation of $125,000,000 to strengthen the land banks, to be used as a revolving fund.

At a meeting with about thirty Congressional leaders the president reviewed the whole economic situation and outlined the program for relief. The cooperation of Congress in the forthcoming session of the Seventy-second Congress (in which there would be a Democratic majority) was essential to the success of the relief program. The course pursued at that session will be delineated in the next chapter. Some objection was expressed over setting up a governmental financial agency similar to the old War Finance Corporation and to the foreclosure policy of the Federal Land Banks, but on the whole, the meeting was looked upon as "a substantial achievement."

Because of its significance, the relief program as outlined by the President is quoted here:

1. To mobilize the banking resources of the country to meet these conditions, I request the bankers of the nation to form a national institution of at least $500,000,000. The purpose of this institution to be the rediscount of banking assets not now eligible for rediscount at the Federal Reserve Banks in order to as-

75 Myers, 127.

76 Ibid., 126-130.
sure our banks, being sound, that they may attain liquidity in case of necessity, and thereby enable them to continue their business without the restriction of credits or the sacrifice of their assets. I have submitted my proposal to the leading bankers of New York. I have been advised by them that it will receive their support, and that at my request they will assume the leadership in the formulation of such an organization. The members of the New York City Clearing House Association have unanimously agreed to contribute their share by pledging $150,000,000, which is two per cent of their net demand and time deposits. I have been assured from other large centers, as far as I have been able to reach, of their support also. I consider that it is in the national interest, including the interest of all individual banks and depositors, that all the banks of the country should support this movement to their full responsibility. It is a movement of national assurance and of unity of action in an American way to assist business, employment, and agriculture.

2. On September 8th, I requested the governors of the Federal Reserve Banks to endeavor to secure the co-operation of the bankers of their territory to make some advances on the security of the assets of closed banks or to take over some of these assets in order that the receivers of those banks may pay some dividends to their depositors in advance of what would otherwise be the case pending liquidation. Such a measure will contribute to free many business activities and to relieve many families from hardship over the forthcoming winter, and in a measure reverse the process of deflation involved in the tying up of deposits. Several of the districts have already made considerable progress to this end, and I request that it should be taken up vigorously as a community responsibility.

3. In order that the above program of unification and solidarity of action may
be carried out and that all parts of the country be enlisted, I request the governors of the Federal Reserve Banks in each district to secure the appointment of working committees of bankers for each Reserve district to co-operate with the New York group and in carrying out the other activities which I have mentioned.

4. I shall propose to the Congress that the eligibility provisions of the Federal Reserve Act should be broadened in order to give greater liquidity to the assets of the banks, and thus a greater assurance to the bankers in the granting of credits by enabling them to obtain legitimate accommodation on sound security in times of stress. Such measures are already under consideration by the Senate Committee upon Currency and Banking.

5. Furthermore, if necessity requires, I will recommend the creation of a finance corporation similar in character and purpose to the War Finance Corporation, with available funds sufficient for any legitimate call in support of credit.

6. I shall recommend to Congress the subscription of further capital stock by the government to the Federal Land Banks (as was done at their founding) to strengthen their resources so that, on the one hand, the farmer may be assured to such accommodation as he may require, and, on the other hand, their credit may be of such high character that they may obtain their funds at low rates of interest.

7. I have submitted the above-mentioned proposals which require legislation to the members of Congress, whose attendance I was able to secure on short notice at the evening's meeting--being largely the members of committees particularly concerned--and they approve of them in principle.

8. Premier Laval of France is visiting the United States. It is my purpose to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect of inter-governmental debts. The policy of the American Government in this matter is well-known, and was set out by me in public statement on June 20th in announcing
the American proposal for a year's postponement of debt payments. Our problem in this respect is one of such adjustment during the period of depression as will at the same time aid our own and world recovery. This being a subject first of negotiation with foreign governments was not submitted for determination at this evening's conference.

9. The times call for unity of action on the part of our people. We have met with great difficulties not of our own making. It requires determination to overcome these difficulties and above all to restore and maintain confidence. Our people owe it not only to themselves and in their own interest, but they can by such an example of stability and purpose give hope and confidence in our own country and to the rest of the world. 77

A summary of the general economic condition of the country in November, 1931, reveals that the downward trend of business activity and security values had not been entirely checked nor had unemployment decreased in spite of optimistic reports that "the United States is at last emerging from its economic depression." According to R. G. Dun and Company, business failures declined from 2362 in October to 2195 in November, showing an increase of eight and one-tenth per cent over November, 1930. The total value of exports for October, 1931, showed a drop of $121,896,000 over the exports for the same month in 1930—although the October exports in 1931 had increased $25,000,000 over those in September, 1931.

Bank failures declined perceptibly in November from the rec-

77 State Papers II, 4.
ord of five hundred twelve for October. A survey of the American
Bankers' Association on November 15 showed a decline in the na-
tion's savings deposits of $270,085,000 for the year ended June
30, 1931. Bank failures resulted in an increase of $67,000,000
in the Postal Savings System. On November 17 the American Feder-
ation of Labor's monthly survey estimated the number of unem-
ployed at 6,200,000. A week later President William Green pre-
dicted that 7,500,000 would be out of work in January. One en-
couraging fact was that the increase for November, 1931, had been
no greater than is usual at that time of year.

The responsibility placed upon the President during the
grave crisis involving the financial structure of the country re-
vealed a hitherto unrecognized quality of leadership in the Pres-
ident. Overlooking partisanship and politics, he worked with
small groups of leaders of finance and industry and pushed for­
ward programs that offered a timely and appropriate solution to
the difficult details of the problem.

From the evidence presented in this chapter it is obvious
that misunderstanding resulted in an almost incredible amount of
mischief being done to the amiable relations of Congress and
President Hoover. Members of Congress--anxious to vindicate

78 E. Francis Brown, "Mr. Hoover Faces Nation's Problems,"

79 See page 7, Chapter I.

80 See footnote 14 in Chapter I.
themselves in the eyes of their constituents, and wholly unpre-
pared for the stubborn taciturnity displayed by the President--
failed to realize that his attitude was probably conditioned by
his background and training. When a sympathetic analysis with
the President might have won Hoover to the Congressional view-
point, criticism--vitriolic in its effect upon the sensitive Quak-
er President--was directed at him and left him unable to adjust
himself gracefully to the impetuous reasoning of Congress. On
the other hand, had the President been more politic in his atti-
tude, he might have rationalized Congressional behavior to the
point where he could realize the criticism for what it was--a
normal reaction of Congress when violently opposed to Administra-
tive proposals.

81 See footnotes 19 and 37 in Chapter I.
CHAPTER IV

EVIDENCES OF PARTISANSHIP IN CONGRESS, 1931-1933

At the approach of the opening of the Seventy-second Congress in December, 1931, the nation was still confronted with problems calling for emergency measures. It was apparent before the end of November that the enlarged program for relief already under consideration would have to be carried into action if another crisis was to be averted. Congress convened on December 7 with the Democrats in control of the House for the first time in twelve years. The Democrats held two hundred nineteen seats, while the Republicans numbered two hundred fourteen, fifteen of whom were Progressives, and the Farm-Laborites one. Changes in leadership included the selection of John N. Garner, Democrat of Texas, for Speaker; Bertrand N. Snell of New York to replace John Q. Tilson as Republican floor leader; and Henry T. Rainey of Illinois, Democratic floor leader. The Senate was comprised of forty-seven Democrats, forty-eight Republicans, including twelve Progressives and one Farm-Labor vote. Republicans organized the Senate, although as far as the President was concerned, it was only nominally Republican inasmuch as the coalition of Progressives and Democrats would number from fifty to sixty, giving them a majority.

1 Brown, Current History, 578.
Myers, 146.

110
In spite of the indications of another downward trend in business and general economic conditions, the President's annual message to Congress delivered on December 8 was not without hope for the coming months. In it he set the stage for the program of legislation he expected to have passed, reviewed the accomplishments and hardships of the past two years, explained the effect of world-wide economic disturbances on conditions in the United States, and stressed the need for constructive and accelerated action on all pending relief proposals. Regarding the economic conditions of the country he said:

... The chief influence affecting the state of the Union during the past year has been the continued world-wide economic disturbance. Our national concern has been to meet the emergencies it has created for us, and to lay the foundations for recovery...

The economic depression has continued and deepened in every part of the world during the past year.

Within two years there have been revolutions or acute social disorders in nineteen countries, embracing more than half the population of the world.

... any effort to bring about our own recuperation has dictated the necessity of cooperation by us with other nations in reasonable effort to restore world confidence and economic stability.

Although some of the causes of our depression are due to speculation, inflation of securities and real estate, unsound foreign investments and mismanagement of financial institutions, yet our self-contained national economy, with its matchless strength and resources, would have enabled us to recover long since but for the continued dislocations, shocks, and
setback from abroad. . . . 
if we can put our financial resources to work and can ameliorate the financial situation in the railways, I am confident we can make a large measure of recovery independent of the rest of the world. 2

Among the measures singled out for Congressional action in the interests of bringing about economic stability were a subscription by the treasury of further capital to the Federal Land Banks, establishment of a system of home-loan discount banks as a necessary companion to the financial structure of the Federal Reserve Board and the Federal Land Banks, and the establishment of an emergency reconstruction corporation of the nature of the former War Finance Corporation. The President indicated that expenditures on public works, as an aid to unemployment would increase from $260,000,000 in 1928 to $780,000,000 during the calendar year. 3

The President's message for the fiscal year beginning July 1 recommended a decrease in appropriations of $369,000,000 with a modification of existing law authorizing further appropriations and an increase of $1,300,000,000 in tax revenues by taxes on amusements, automobiles and conveyances, and a substantial increase in income and estate taxes. 4

The message on December 10, submitting the moratorium on in-

2 State Papers, II, 42-44.
3 Ibid.
4 Myers, 152.
ternational debts for formal approval of Congress, requested "that a law be enacted before December 15, 1931, authorizing the Secretary of the Treasury—with the approval of the President—to postpone all payments due us on account of debts owed foreign governments to the United States Government during the year ending June 10, 1932, and to provide for their payment over a ten-year period beginning July 1, 1932."  

It was to be expected that this message would be received with mixed feelings by the members of Congress inasmuch as the sentiment in both Houses was markedly Democratic and there had been a growing tendency in the last few months to discredit the President. The fact that unemployment and hardship continued and even increased caused many to lose faith in President Hoover's policies and his repeated assurances of recovery. Opposition to the moratorium had mounted in the months since individual Congressmen had given it their sanction. The feeling was widespread that foreign countries should not be released from their debts while the American people were still in want. Anxious to please their constituents and concerned over the effect their actions on this issue would have on their chances for reelection, many Congressmen returned to Washington prepared to oppose it.

Evidences of opposition were quickly revealed in speeches of a political and partisan nature attacking the measure, as well

5 Congressional Record, Seventy-second Congress, first session, 297.
6 See account referred to in Chapter III, footnotes 62, 63.
as the President's method of handling it while Congress was not in session. Both the President and the Republican party were attacked by Representative Oliver, Democrat, who claimed that the president set out to redeem a promise to abolish poverty yet all that could be found in his recent message was a "gruesome account of disaster unprecedented in the history of the nation which had befallen the country under Republican guidance." When Representative Wood, Republican of Indiana, urged the House members to stand by the President, Oliver replied with taunts about the way the Republicans "stood by" the President on the tariff issue. He continued:

\[ \ldots \text{His own message confesses his disastrous failure.} \ldots \text{the greatest constructive service that can be rendered to the American people would be the obliteration of the Republican party.} \ldots \]

Representative Rankin, Democrat from Mississippi, who predicted that one of the hardest battles in Congress would likely be over the moratorium, said that if the President wanted this question taken up he should have called a special session of Congress in June. Representative Wood intimated that such a course might have added to the afflictions of the people, if Congress had been there all summer "wrangling \ldots \text{as we are wrangling now.}" When Representative Rankin said in a threatening manner

\[ \text{7 Congressional Record, Seventy-second Congress, first session, 339, 340.} \]
that he doubted that the measure would be passed by December 15, "if at all," Representative Wood again replied . . . "Is this the character of support the Democratic side is going to give the administration for the purpose of relieving the economic conditions of the Country?"

It was the sentiment of Representative Crowe, of Indiana, and others that--while world-wide conditions are always a matter of concern--the money, something over $300,000,000 per year, due us from Europe was needed to assist people in our own country.

The demonstration of partisan feeling was regretted by Representative LaGuardia, Progressive from New York, who observed that the Seventy-second Congress "had indeed made a bad start," and in his remarks declared "this is no time for Democratic or Republican politics and political speeches." He believed that the crisis confronting the country was as serious as it was when Woodrow Wilson called a special session of Congress before the World War. He advised the members to "stop all this . . . organize our committees and get down to work." While he did not qualify as a supporter of the administration, according to his own statement, he noted that there were "startling statements in the President's message which should immediately absorb the attention

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8 Congressional Record, Seventy-second Congress, first session, 336, 338.

9 Ibid., 336.
of Congress." Among those he singled out were a sounder bank system and changes in banking laws and in the Federal Reserve System.

The situation is very serious he continued . . . it is not the success of the Democratic party and it is not the success of the Republican party. It is the very preservation of the Union. 10

It was idle to talk about it, he felt, when spokesmen from both parties had appeared and publicly approved of the moratorium of one year. He reminded his colleagues that

. . . the President took all partisan politics out of the question by first consulting and obtaining the approval of leading and authoritative spokesmen of both parties . . . 11

Others in the House expressed regret that partisanship was running so high in the debate on the moratorium but expressed hope that the President's program, if accepted by Congress, would check the "cruel liquidation," Senator Blaine, of Wisconsin, like many others including Senators Couzens, LaFollette, and Connally claimed that the joint resolution before the Senate was not the same proposition indicated to the members of Congress in

10 Congressional Record, Seventy-second Congress, first session, 342, 343.

11 Ibid., 343.

12 Ibid., 484.
June, 1931. They objected to the provision for "the payment over a ten-year period, beginning July 1, 1932." It took a good deal of patient explaining by Under Secretary of the Treasury Mills before these men and others in the Senate were convinced that it was never expected that all the payments due in 1932 would be paid in full in 1933, along with the payment due for that year. In defense of his own and the President's action, Under Secretary Mills explained, apparently to their satisfaction, that:

... in order to save what we thought was a world catastrophe it became necessary to relieve all debtors from international debts. 13

Senator Blaine's criticism of the President's action inferred that there had been a serious infraction of the separation of powers principle:

... let this practice be carried but one step farther and we shall have in America a dictatorship without, and beyond, and over, and above the Constitution and the laws.

... No one of these departments of government should trespass the field of any other department... 14

Despite all the controversy the law was enacted and signed by the President on December 23, authorizing the moratorium but

13 Congressional Record, Seventy-second Congress, first session, 1107.

14 Ibid., 1112.
declaring against any further postponement of the paying of debts. The amendment proposed to the Senate read:

... it is the sense of Congress that there should be no further moratorium, no additional cancellation in whole or in part of the debts mentioned in this joint resolution. 15

The attitude displayed toward the measure by the Congressmen in session bears out the observation that, had President Hoover not taken the precaution to obtain the support of as many Congressmen as possible and had they not committed themselves in advance, they would surely not have voted for the plan when it came before Congress. None of the acknowledged administration leaders had stood up in support of the measure during the heated debates over its approval.

Congress adjourned for the Christmas holidays on December 22 with the most important relief measures still awaiting legislative action. Due to the existing crisis the President had urged the Congressmen to curtail or forego a Christmas recess, but the Senate--after first defeating a motion of Senator Borah to reconvene on December 28--agreed to concur with the House decision to reconvene on January 4, 1932. Disturbed over the delay thus occasioned and impatient for action, the President addressed another

15 Congressional Record, Seventy-second Congress, first session, 1931.
17 Congressional Record, Seventy-second Congress, first session, 1118.
18 Ibid., 1134, 1135.
message to Congress exhorting them to act with dispatch on the relief program in which the Reconstruction Finance Corporation held an important place. The message delivered on January 4 and referred to the Committee on Banking and Currency called attention to the non-partisan nature of the program:

... I should be derelict in my duty if I did not at this time emphasize the paramount importance to the Nation of constructive action upon these questions at the earliest possible moment. These recommendations have been largely developed in consultation with leading men of both parties, of agriculture, or labor, the bases for full collaboration to effect these purposes. They have no partisan character. We can and must replace the unjustifiable fear in the country by confidence.

... Combating a depression is indeed like a great war in that it is not a battle upon a single front but upon many fronts. Our people through voluntary measures and through state and local action are providing for distress... Our duty is so to supplement these steps as to make their efforts more fruitful.

Action in these matters by the Congress will go far to reestablish confidence, to restore the functioning of our economic system, and to rebuilding of prices and values and to quickening employment. Our justified hope and confidence for the future rest upon unity of our people and of the government in prompt and courageous action. 19

Heeding, albeit reluctantly, the President's persistent prodings, both Houses proceeded to take action on the measure to pro-

19 Congressional Record, Seventy-second Congress, first session, 1157, 1158.
State Papers, II, 102.
vide for the creation of the Reconstruction Finance Corporation. The purpose of the corporation was to provide financial facilities for financial institutions, to aid in financing agriculture, commerce, and industry and for other purposes. While deliberations on the measure dealt largely with questions concerning the method of selecting members of the board of directors, benefits to be derived by banks and farmers in different sections of the country and with the adequacy or inadequacy of the bill to meet the needs for which it was intended, much time was consumed with criticism or a partisan nature. Earlier mistakes of omission and commission by the Administration were dwelt upon. The President was criticized again for not calling a special session of Congress to deal with the emergency measures in the summer and fall of 1931. The plan evolved by President Hoover with the aid of bankers, Congressmen and financial experts to save the financial structure of the country in October, 1931, was referred to

20 Congressional Record, Seventy-second Congress, first session, 2527, 2537.

The bill provided for "the creation of a body corporate," with the name "Reconstruction Finance Corporation." It was to have capital stock of $500,000,000 subscribed by the United States of America. The management was vested in a board of directors consisting of the Secretary of the Treasury, or in his absence the Under Secretary of the Treasury, the governor of the Federal Reserve Board, and the Farm Loan Commissioner, as members ex-officio; and four other persons appointed by the President of the United States with the consent of the Senate. Not more than four of the seven members were to be chosen from any one political party and not more than one from any one federal reserve district. The Corporation was authorized to borrow up to $1,500,000,000—or an amount not to exceed three times the assets—for the purpose of making loans to banks, railroads, agriculture, industries, and other businesses.
as the "Wall Street--Hooverian Plan." Conditions under which the Committee on Banking and Currency were working to prepare and revise the bill were termed "a forced draft" by Senator Bankhead.

During the first weeks of January President Hoover conferred with Congressional leaders, including Senator Glass and Representative Steagall, chairman of the Committees on Banking and Currency, in their respective Houses, to secure their cooperation in passing the bill to check further deflation. Representative Steagall and others promised they would do all they could to put through the emergency bill. A statement to the press following this meeting expressed the President's feeling at this time:

The developments of the past week should give great assurances to the country. The public statements of the Republican and Democratic leaders of the Senate and House show a real non-partisan determination in cooperation with the Administration to assure the country of the balancing of the Federal expenditures and income for the fiscal year beginning July 1st.

With the assurances which have now been given from the leaders in Congress I do not believe there is any ground for apprehension by the public from the flood of extravagant proposals which have been introduced there. It is true that these bills would imply an increase of Government expenditure during the next five years of over forty billions of dollars or more than eight billions per annum. The great majority of these bills have been advanced by some organization or some sectional interest and are little likely to see the light of day from congression-
al committees. They do, however, represent a spirit of spending in the country which must be abandoned. 22

Representative Steagall, who was a member of the majority party \[Democrat\] in the House was complimented by Representative Strong of Kansas for keeping his word. A bill passed by the House on December 22, providing Federal aid to Land Banks had been introduced by Representative Steagall. That the passage of these measures was secured was due, in large measure, to the President's contacts with small groups of influential Congressmen.

After the passage of the bill was assured, although not formally acted upon by the Senate, leading newspapers announced the appointment by the President of General Charles G. Dawes as President of the Reconstruction Finance Corporation and Eugene Meyer as chairman of the Board. Since the measure provided for appointments by the Board of Directors, the question was raised in the Senate on January 22 as to whether this was "a usurpation of power" by President Hoover. By January 16 passage of the bill was assured although it was not approved by the Senate and sent to the President until January 22. In a press statement on this occasion

22 State Papers, II, 105.

23 Congressional Record, Seventy-second Congress, first session, 1749.

24 Ibid., 2510.

Explanation given to the Senate in answer to this query was that the President had acted ahead of time in order to secure General Dawes's acceptance of the position in place of the position he held at the head of the United States delegation to the disarmament conference in Geneva. Publicity was given to the appointment to prevent misunderstanding abroad when General Dawes failed to show up at Geneva the next day.
president Hoover recognized the efforts of Congressmen who had helped in securing its passage when he said:

... In attaching my signature to this extremely important legislation, I wish to pay tribute to the patriotism of the men in both Houses of Congress who have given proof of their devotion to the welfare of their country irrespective of political affiliation. ... This act brings into being a powerful organization with adequate resources, able to strengthen weaknesses that may develop in our credit, banking, and railway structure. ...

... It is not created for the aid of big industries or banks. ... It is created for the support of the smaller banks and financial institutions. ... 25

The dispatch with which this bill was passed surpassed that shown in handling any administration measure in the following months. Had the President delayed his recommendations until March, the chances of their being passed might have been less favorable. It has been thought that a bit of strategy may have entered into the President's insistence on haste in dealing with the measure since its passage at this time forestalled the passage of legislation, in conflict with the Administration program mentioned in the President's statement to the press on January 26.

Another item on the President's relief program to which the House gave its approval in December was taken up in the Senate

26 Chamberlain, 295.
early in January. This was the measure for strengthening the
federal Land Bank System. The bill known as H. R. 6172, author-
ing an additional capital of $125,000,000, all to be sub-
scribed by the Government, and setting aside $25,000,000 for ex-
tension of time on overdue mortgages, was passed by the Senate
with very little debate of a partisan nature and sent to the
president for his signature on January 27.

While passage of the bill fulfilled a need to which the
President called attention in his message to Congress, Repre-
sentative Steagall claimed authorship for it with a feeling of
pride. He told the House that he had worked throughout the
former session of Congress to secure favorable action on this
legislation by the Banking and Currency Committee of the House,
but his efforts were thwarted by the Secretary of the Treasury
and the Federal Farm Loan Board, who claimed there was no need
for the legislation. It was only since October, 1931, he stated
that the Administration committed itself in favor of the legis-
lation and only belatedly did the Administration approve of the
provision for the extension of loans to relieve borrowers. He
was of the opinion that, if the need had been recognized earlier,
it would have saved the homes of thousands of farmers in the
United States whom he said were turned out-of-doors and forced
to seek shelter for their families along the highway.

27 Congressional Record, Seventy-second Congress, first ses-
sion, 2417, 2422.
28 Ibid., 2426.
The great economic strain with which the new year was ushered in continued to grow deeper. Unstable economic and currency conditions in the countries that followed England off the gold standard were reflected in this country. New trade barriers to protect their exchanges reduced purchases from United States and brought about a drop in prices here. Continued withdrawal of deposits from this country by European countries was causing a heavy drain on the gold reserve. While the Federal Reserve System did all it could to cope with the situation, its power was limited. Throughout the month of January bank failures and hoarding increased on a large scale. Runs on banks were causing the failure of solvent banks. In order to protect their reserves, banks felt forced to restrict credit and to reduce loans. Figures showed that unemployment had increased to approximately 10,000,000 before the end of January. Realizing that the situation was rapidly approaching the danger stage, the President decided that drastic action was needed to stop hoarding and to expedite the liquidation of closed banks.

Leaders from patriotic and civic organizations in all parts of the country were urged to cooperate in conducting a drive against hoarding. In announcing his plans to create a national organization to conduct the drive, under the leadership of Colonel

29 Congressional Record, Seventy-second Congress, first session, 4139.
Myers, 159, 165.
Frank Knox of Chicago, President Hoover pointed to the seriousness of the situation when he said:

... I am gratified that the very act of creating the corporation has already shown results in the dissipation of fear and the restoration of public confidence, as indicated by the fact that recently we have had ... no increase in hoarding of currency in the country.

There is now a patriotic opportunity for our citizens unitedly to join in this campaign against depression ... Every dollar returned from hoarding to circulation means putting men to work. It means help to agriculture and to business. Everyone hoarding currency injures not only his own prospects and those of his family, but is acting contrary to the common good. It is to their own interest that they should return it to circulation, as well as a patriotic service to the country as a whole. ... 30

This group, meeting at the White House on February 6 to perfect methods of organization were told by President Hoover that:

Hoarding of currency had accumulated to the extent of $1,250,000,000 to $1,500,000,000. Its results had been to immobilize a large portion of the national gold supply, to cause drastic deflation and credit contraction, seriously to restrict business expansion and maintenance of employment and affect commodity prices. A large portion of the hoarding was due to misunderstanding of the national effect of such acts. It arose out of unnecessary fears and apprehension. Nothing could contribute more ... than to restore this money to work. 31

30 Myers, 167.  

31 Myers, 168.  
In the group were C. G. Dawes, President of the Reconstruction Finance Corporation, Secretary of the Treasury Mills and Governor Meyer of the Federal Reserve Board.
Three days later General Dawes, Secretary of the Treasury Mills, and Messrs. Meyer and Harrison of the Federal Reserve system came to the White House to report the precarious state of the gold supply and the "imminent danger to the gold standard." Due to withdrawal by foreign countries, over $1,000,000,000 of gold had been taken from the monetary gold stock. Due to hoarding, the Reserve currency against which gold and eligible paper must be held had increased by $1,500,000,000 above normal. A memorandum presented to the President showed that the amount of gold which could be paid out to foreigners had been reduced to $433,000,000. Emergency action seemed imperative. Acting with haste, the President summoned Senators Watson and Robinson, Senate Republican and Democratic floor leaders respectively, and Senators Glass, Bulkley, Walcott and Townsend to meet with these men at the White House the following day. The President pointed out the graveness of the situation and urged immediate legislation. After three hours of discussion a legislative program was agreed upon. Senator Glass, who was interested in a general Bank Reform Bill, agreed at this time to do his "patriotic duty" and introduce a bill covering the emergency points except one making provision for loans to closed banks. He planned to include such a provision in the Bank Reform Bill. In order to ex-

32 Myers, 169.
pedite the measure through the House and to give it no tinge of partisanship, President Hoover suggested that Representative Steagall introduce the bill in the House.

Because of the seriousness of the situation, much of the information divulged at the meeting could not be made public. Only those points which were pertinent to the measure were explained to the members of the Senate and House. Willingness of Congressmen, therefore, to approve the measure prepared by the Bank and Currency Committee depended largely upon their faith in the integrity and judgment of Representative Steagall and Senator Glass. Senator Glass carried out his promise and handled the matter in a praiseworthy manner. The bill, known as the Glass-Steagall Bill and designed to improve the facilities of the Federal Reserve System for the service of commerce, industry and agriculture and to provide means for meeting the needs of member banks in exceptional circumstances and for other purposes, was approved by the House and introduced in the Senate by Senator Glass on February 11.

Aside from objection to the secrecy of the testimony given to the House Committee and to there being no Senate hearings on the bill, deliberations dealt with comments on the amendments to

33 Myers, 172.

34 Congressional Record, Seventy-second Congress, second session, 3734.
the bill and questions regarding the conditions of the banks. senator Glass told the Senate that, since he could explain the provisions of the bill, being thoroughly familiar with it, and in view of the existing emergency, he considered hearings on the bill unnecessary. To those who objected to the secrecy of the testimony he explained:

The confidential revelations made to those in charge of the bill and cautiously conveyed by them to other members of the Banking and Currency Committee as such should not be publicly made at this time.

I am convinced that this legislation is desirable and I do hope the Senate will pass it as speedily as possible.

I should not interpose the slightest objection in the world to delay if anything could be accomplished by delay. 35

The banks were literally engaged in hoarding. The explanation for this lay in the fact that—while most banks had an abundance of money for normal times—they were frightened by the runs that had already closed solvent banks. They had, therefore, reduced loans and pressed collection of amounts due. Almost every bank had been threatened with a run. Merits of the bill were ably pointed out by Senator Reed for the benefit of those who were skeptical:

The great merit of the bill which the Senator has brought here is not that

35 Congressional Record, Seventy-second Congress, second session, 4054, 4139, 4140.
it is going to lead to any kind of inflation, it is not that it is going to be resorted to in many cases, but that it adds to the resources of every bank a new bunch of eligibles which, in the eyes of the banker and the depositors, are actually cash, because they can be converted into cash at any minute; and it seems to me the assurance that the bill will bring to the depositors of the country would justify the passage of it at a time like this, because we all know, these additional eligibles that are proposed are just as good as the United States Government is good. 36

On February 18 a letter from Secretary of the Treasury Mills addressed to Senator Vandenberg urged the Senate to pass the bill, which he said "authorizes the use of direct obligations of the United States as collateral against Federal Reserve notes." He stated that every effort must be made to encourage the banks to resume normal financing of the requirements of trade and industry, without increasing their burden of indebtedness. Repeatedly Senator Glass appealed for prompt and favorable action on the bill.

36 Congressional Record, Seventy-second Congress, second session, 4140.

The American Year Book, 1932, 22.

The bill authorized "any Federal Reserve Bank to make advances to banks within its district when such banks do not have adequate amounts of assets upon which credit could normally have been secured. The approval of five members of the Federal Reserve Board is necessary. Banks receiving such advances are to furnish time or demand promissory notes, and the Federal Reserve Bank is to charge a rate of one per cent above the regular discount rate. Federal Reserve Banks applying to the local Federal Reserve Agent for notes may, until March 3, 1933, with the consent of the majority of the Federal Reserve Board, offer as collateral security the direct obligations of the United States Government."

37 Congressional Record, Seventy-second Congress, second session, 4232.
asking Senators "not to delay matters upon technical objection or trivialities, but to pass this bill and let us relieve the situation."

Seemingly alert to the need for cooperation to save the country from what appeared to be a real catastrophe and convinced of the need by Senator Glass, the Senate passed the bill without a dissenting vote. It was signed by the President on February 27, 1932. Appreciation of the fine non-partisan spirit that was displayed in handling this measure was expressed by the President. The bill, he said, was in a sense a national defense measure. Of its major purposes he stated:

By freeing the vast amounts of gold in our Federal Reserve System (in excess of the gold reserve required by law) it so increases the already large available resources of the Federal Reserve Banks as to enable them beyond question to meet any conceivable demands that might be made on them at home or from abroad. . . .

This measure, . . . together with the additional capital provided for the Federal Land Banks, and the creation of the Reconstruction Finance Corporation, will so strengthen our whole credit structure and open the channels of credit as now to permit our banks more adequately to serve the needs of agriculture, industry, and commerce.  

38 Congressional Record, Seventy-second Congress, second session, 4140.

39 The American Year Book, 1932, 16.

40 State Papers, II, 128.
Congress grappled with legislation of many kinds in the remaining months of the session, but the major issues dealt with unemployment relief, government economy, and revenue measures. The cooperation and dispatch displayed by Congress during January and February in disposing of the emergency items on the President's relief program were noticeably lacking in the months following. A Congress dominated by political interests made constructive and expeditious action difficult and delayed the passage of needed legislation. There could no longer be any doubt about what the President wanted. Conferences with members of both Houses, appeals through the medium of the press, and frequent messages to Congress stressing the need for legislative action brought only modest accomplishments until signs of another impending crisis became apparent late in May.

The attention of the whole country was focused on balancing the budget by the President's statements to the press and his frequent admonitions to Congress. Now more than ever it seemed imperative to balance the budget as a part of the program for national recovery. To the need for additional relief measures the President called attention in conferences with House and Senate leaders during the last week in February. That economies could be effected in government departments and bureaus was acknowledged, but the question of who would get the credit for it—

41 Myers, 200, 214.
legislative or the executive branch—eclipsed the real issue and caused unnecessary strain on the relations of the President and Congress.

Convinced that action should be taken to provide additional relief and being opposed to giving federal aid directly to individuals, the President expressed the belief to House members that the needs could be met by loans to states at a percentage of their expenditures. Further expansion of the public works program he deemed inadvisable inasmuch as it was proving too expensive and large numbers of needy families lived in areas remote from the public works projects. Federal funds, he believed, should not be loaned to states unless they showed that conditions warranted such aid.

The cause of unemployment was championed in the Costigan-LaFollette bill which provided an appropriation of $375,000,000—only $125,000,000 to be spent in the current fiscal year—to be administered by a Federal Relief Board and distributed for relief of distress to agencies designated by the States. It was hard to come to a decision on the basis for distributing the money so that the states in greatest need of help would get it. The passage of

42 The American Year Book, 1932, 18.
Myers, 190, 191.

43 Myers, 177.
It was costing over $1200 a year for relief for one family; it would cost $7,200,000 to give relief to 6,000,000 families.

44 Congressional Record, Seventy-second Congress, first session, 3742, 3911.
this bill was urged in letters from the United Mine Workers of America, social workers, William Green--president of the American Federation of Labor--, child welfare workers in various parts of the country, and from Jouett Shouse, Chairman of the Democratic National Executive Committee. In a communication addressed to Senator Wagner, Governor Roosevelt of New York expressed belief that the bill "would carry out a definite obligation of the Government to prevent starvation and distress in this present crisis." Heated debates ensued over the function of the Federal Government in rendering assistance to unemployed. The convictions of those who were opposed to federal aid were ably presented by Senator Fess. The necessity for the Government to take care of the needs of the people was emphasized by Senators Borah and Barkley. Referring to a statement of President Hoover, made in February, 1931, that he would "ask the aid of every resource of the Federal Government" . . . "if the time should ever come that the voluntary agencies of the country, together with the local and state governments, are unable to prevent hunger and suffering," Borah said:

... the evidence is ample, it is overwhelming, that the time has arrived when as the President said, if there is suffer-

45 Congressional Record, Seventy-second Congress, first session, 3636, 3739, 3741, 3744, 3910.

46 See Chapter III, page 80, footnote 39.
ing and hunger we should take care of it.

From the President down, all agree, with the exception of the Senator from Ohio /Senator Fesb/, that if hungry people are amongst us who are not being taken care of, the Federal Government should take care of them. 47

The bill was amended so that one-half of the appropriation should be used for public works to provide employment, but the bill was defeated in the Senate on February 16 by a vote of forty-eight to thirty-five. While it was defeated mostly by Democrats, opposition included leaders of both parties. The President was opposed to distribution of money to the states on a per capita basis. The task of working out a program that would offer some means of relief to the unemployed was still a major concern of Congress.

Late in February a gesture was made by the House Economy Committee to reorganize federal bureaus and effect other economies, but little progress was made. In March a bill was reported out by the Ways and Means Committee proposing a cut in Government expenditures of $125,000,000 to balance the budget and to raise additional revenue of $1,246,000,000 by taxation. The President indicated that further cuts were necessary and again declared,

47 Congressional Record, Seventy-second Congress, first session, 3671.

48 The American Year Book, 1932, 16.

49 Ibid., 1932, 17. The bill known as H. R. 10236, provided for a 2.25% general manufacturers' sales tax expected to raise $595,000,000 of the $1,241,000,000 needed to balance the budget, an increase in income taxes up to a 40% surtax on incomes above $100,000, a gift tax, amusement taxes, and special excise taxes.
"Nothing is more important than balancing the budget with the least increase in taxes." The bill prepared by a Democratic Ways and Means Committee was an example of what could be accomplished by united bipartisan planning, and it was expected that the bill would be passed with little delay. But it met with strong opposition from Democratic members of the House who objected to the sales tax.

The first opposition being overcome by an urgent appeal from Secretary of the Treasury Mills for passage of the bill, a new move was started to defeat the sales tax by a coalition of Democrats and Progressives led by Representative LaGuardia of New York. This group began to "tear the bill apart." Their proposal was to "conscript wealth" by raising surtax rates on incomes above $100,000 from the specified maximum of forty per cent to sixty-five per cent, and by raising the rate on incomes above $8000 from five per cent to seven per cent. An effort was made to appease the opposition by exempting certain farm and medical supplies from the sales tax. An amendment was added which increased taxes on inheritances to a maximum of forty-five per cent on estates of more than $10,000,000. On March 24, by a vote of two hundred twenty-three to one hundred fifty-three, the House struck the

50 Myers, 182.
In a move to find new sources of revenue, import duties were levied on coal and oil. Finally, through the efforts of Speaker Garner who made a simple and patriotic appeal for cooperation, a compromise measure was agreed upon. In his appeal to his House members he explained the fine spirit that prevailed in the preparation of the bill and expressed his firm belief in the principle of freedom of expression, which he said had been extended to the House on this occasion. Then he continued:

I appeal to you, not only in the name of my party but my country, that in view of the fact that there has been stricken from this bill more than $500,000,000 of taxation, it is your duty, your paramount duty, to help this House and this committee restore some taxes to this bill in order that this country's financial integrity may be maintained.

Within the next few days action was taken that restored many features that the original bill, including the forty per cent surtax increase on incomes above $100,000. The re-written tax bill was approved by a vote of 327 to 64 and sent to the Senate on April 1 where it was referred to the Senate Finance Committee.

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51 E. Francis Brown, "Congress Wrestles with the Budget," Current History, 36:206, 207. May, 1932. This article will be referred to in the succeeding pages as Brown, Current History.

One hundred eight Republicans and forty-five Democrats voted against the sales tax and in favor of the increase in inheritance and income taxes.

52 Congressional Record, Seventy-second Congress, first session, 7028.
Serious doubts were expressed by the Secretary of the Treasury that the revenues provided in the bill would balance the budget because of the uncertainty regarding governmental economies. The bill, bearing little resemblance to the House measure, was reported out by Senator Fess of Connecticut on May 9. Attention of the Senate was focused on three items in the bill, namely, the proposal for a sales tax, import duties, and the levying of heavy income and inheritance taxes were included. The Senate-revised bill was sent to a conference of House and Senate members on June 1. After some opposition, the House approved the amended bill. The Senate approved it on June 4 by a vote of seventy-two to eleven and the bill went to the President for his signature. In spite of the upheaval in Congress over the measure, the bill in its final form surpassed all expectations. While it did not coincide in every respect with the wishes of the President, he was satisfied that its passage would give assurance to the country and to the world that the American people were determined to maintain their finances and currency on a sound basis.

By the middle of March reports indicated that the financial and economic conditions in the country were improving and that confidence was being restored. The President felt that the Reconstruction Finance Corporation, the Glass-Steagall Bank Bill, the extension of credit for the Federal Reserve System and the anti-


54 Myers, 219.
hoarding campaign had all contributed to restore confidence in the banks and to relieve economic strain. Prices of stocks rose about ten per cent, banks were reopening, and gold was being returned from its hiding places.

By the end of May, however, there were signs of another downward trend in economic conditions, and people were becoming apprehensive of the financial status of the country. The President felt that the failure of Congress to pass legislation to provide more revenue and to cut government expenses was in part responsible for this new turn of events. There was a noticeable increase in hoarding, prices of industrial stocks showed a drop of over fifty per cent since March, and withdrawal of capital was on the increase. Unsettled business conditions in this country were causing some trepidation in Europe over the soundness of our financial structure. The result was an unjustified run on the American dollar by foreign countries. Fear was expressed that United States would be compelled to abandon the gold standard.

In spite of frequent appeals and proposals from the President, little progress was made in the reduction of government expendi-

55 Myers, 183. The Republican National Committee weekly letter issued March 31, 1932, reported that Colonel Knox, Chairman of the Citizens’ Reconstruction Organization (the anti-hoarding organization) declared that dollars were rolling back into employment from under carpets, between mattresses, from cans, trunks, coffee pots, and safety deposit boxes. A bank in Atlanta, Georgia, had a $200,000 increase in deposits since February 1; a business man in New York transferred $380,000 in gold certificates from a safety deposit box to his checking account.

56 Myers, 214.
State Papers, II, 197.
tures. The President's recommendation to Congress in April, 1932, that a group composed of representatives of the legislative and executive branches of the government be authorized to frame for action by Congress a complete national program of economy and suggest adequate legislation to carry it out was condemned by Senator Robinson. He attacked the idea of appointing "another commission" and asked that specific recommendations be sent to Congress. The President replied to the challenge by issuing a press statement in which he outlined three general directions in which expenses could be reduced, namely—reductions in appropriations, changes in laws to permit reduction in expenditures within bureaus and departments, and a plan for reorganizing and consolidating of government functions. He declared that what he asked for was not a commission but merely that representatives of the two branches work together on a comprehensive national economy bill. Following this request the House Economy Committee did confer with Administration officials on two occasions in March and April. Finally an Omnibus Economy Bill, H. R. 11267, was worked out which provided for a saving of $150,000,000 by cutting the government payroll through compulsory furloughs—a five-day week for five days pay—which was the President's idea. The House Committee preferred direct salary cuts. The President's plan was backed by

57 State Papers, II, 153.
Myers, 191.

58 State Papers, II, 155.
organized labor and received the support of the Senate. On May 3 the House finally passed the Omnibus Economy Bill with only $30,000,000 of the $250,000,000 savings which had been recommended by the President. The measure for budget balancing was then taken up by the Senate.

The struggle to balance the budget went on through May and June. Democratic leaders were blamed for delaying the whole recovery program in the hope of "lessening the fortunes of the President and his party in the fall election." On May 5, 1932, the President addressed a message to Congress in which he repeated that the most essential factor to national recovery was the restoration of confidence. He condemned the House for rejecting the revenue programs proposed by the treasury, the program unanimously reported by the Commission on Ways and Means, and for their "virtual destruction" of both the national economy program proposed by the executive officials and the program of the special House Committee on Economy. "Nothing is more necessary at this time than balancing the budget," he told Congress again. He gave the details and requirements of the situation which he said were well known to Congress. They included prompt enactment of a revenue bill and a drastic program of economy to bring about a saving in excess of $700,000,000 a year. In conclusion he urged

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59 The American Year Book, 1932, 18.

60 Myers, 200, 201.
prompt and courageous action:

... let me urge the national necessity for prompt and resolute and unified action keeping constantly in mind the larger aspects of the problem and that the necessity for these measures is born of a great national emergency. If such a program should be agreed to by the leaders and members of both Houses, it would go far to restore business, employment, and agriculture alike. 61

The Senate bill provided for a thirty-day furlough without pay instead of a salary reduction of ten per cent which they first considered. Final approval of the bill which would result in an estimated saving of between $134,000,000 and $156,000,000 was given by the Senate on June 30. A cut of $350,000,000 was made in customary appropriations, but the appropriations for special needs called for increases of $848,000,000. Even with the savings provided in the bill, it was doubtful if the effort to balance the budget would be successful. President Hoover was disappointed in the measure and made no effort to conceal his feelings. He had indicated and recommended savings of $300,000,000. Upon signing the measure he pointed out that it fell short of the economies proposed by the Cabinet and "imposed unnecessary hardships on government employees in minor matters of little consequence economically." Senator Glass, whose opinions on banking and finance were valued and who had demonstrated his non-partisanship before, said on

61 State Papers, II, 180.
62 The American Year Book, 1932, 18.
63 State Papers, II, 216.
June 9 that the estimates of the Federal Treasury were so "awry" that it was impossible to pass intelligent revenue legislation. He also criticized the President for his vacillation and lack of foresight and courage.

The task of providing some form of employment relief was still before Congress since the plan evolved in the Costigan-LaFollette Bill had failed of enactment. The unemployment situation had grown steadily worse, and the administration came to recognize the need for more federal aid. Early in May the President began holding a series of conferences with congressmen regarding legislation that would grant the full powers originally asked for the Reconstruction Finance Corporation. Summarily these were to make loans to public and semi-public institutions for construction of reproductive works, to agriculture, to industry for plant modernization, and to create emergency export credits. This idea was adopted by Democratic Senate leaders as their plan but contained some unworkable provisions.

To expedite matters the President had a conference with Senator Robinson in which some agreement on legislation was reached. Subsequently a bill embodying some of the ideas of the President was introduced in the Senate by Senators Wagner, Robinson, Pittman, Walsh, and Bulkley on May 25. In this bill, S. 4755, to aid

64 Brown, *Current History*, 36:468.
65 Myers, 204.
66 Ibid., 204.
in furnishing relief and work relief to the needy and distressed people, the Reconstruction Finance Corporation was "authorized and empowered to make grants to the several states . . . in an aggregate amount not to exceed $300,000,000." It also provided expenditures for emergency construction on the federal aid highway system totaling $120,000,000.

Meanwhile a relief bill had been introduced in the House by Speaker Garner based largely on the sale of bonds and providing that $100,000,000 be given to the President to be used as an emergency fund at his discretion. A bill providing for a $300,000,000 relief fund to be loaned to states for needy and distressed people was passed by the Senate and went to the conference committee of both Houses. Knowing the great need for legislation and the eagerness of the House to have a relief measure passed, the Senate and House conferees, during an eight-day session, strove to reach an agreement that would meet the approval of all three groups—the Senate, the House, and the Administration. An agreement was reached which created a total relief budget of $2,100,000,000 to be used as follows: $1,500,000,000 to go to the Reconstruction Finance Corporation for loans to public and

67 Congressional Record, Seventy-second Congress, first session, 11085. The purpose of the bill as written in the Record was "to provide for grants and loans to the several states, to aid in relieving unemployment, to facilitate the construction of self-liquidating projects, to provide for the construction of certain authorized federal public-works projects and other purposes."
and private enterprises; $200,000,000 for loans to states for relief on the basis of population; $100,000,000 for loans to states for relief on the basis of need; and $300,000,000 for construction of public works.

Before this agreement could be reported out, President Hoover invited Senate and House leaders to a White House conference on June 5 to tell them that he would not agree to the plan of the conferees and to make it clear that if it were accepted he would veto it. Being unable to agree on a compromise measure, a smaller group, selected from the representation of the previous day, met for another conference the following morning. Changes made in the bill at the President's conference and reported to the House by Speaker Garner provided that the Reconstruction Finance Corporation should have $300,000,000 specifically allocated for loans to states or municipalities. The vote, taken the following day on this so-called Wagner-Garner Bill, including the conference report, revealed a marked partisan attitude. It was approved in the House by a vote of two hundred two to one hundred fifty-seven and in the Senate by a vote of ninety-five to two.

68 The American Year Book, 1932, 16.

69 Congressional Record, Seventy-second Congress, first session, 14684. Those in attendance at the June 5 meeting were Speaker Garner, the House conferees and Representatives Hawley and Snell, the Senate conferees and Senators Glass, Robinson, Harris, Wagner, Reed, McNary, Watson and Norbeck, Secretary of the Treasury Mills, Governor Meyer of the Federal Reserve Board, and Messrs. Jones and McCarthy, directors of the Reconstruction Finance Corporation. At the meeting the following day Representatives Garner, Rainey and Snell, and Senators Robinson, Norbeck and Wagner were in attendance.

70 Ibid., 14684.
Senate by a vote of forty-three to thirty-one. On July 11 President Hoover vetoed the measure, as he had indicated he would, stating as his major objection the provision giving the Reconstruction Finance Corporation the authority to make loans to individuals, to trusts, estates, partnerships, corporations, and other municipal and financial groups. He stated his belief that such a procedure "would place the government in private business, in such a fashion as to violate the very principle of public relations upon which we have built our nation." . . . and make the Reconstruction Finance Corporation "the greatest banking and money-lending institution of all history." He concluded:

With the utmost seriousness I urge the Congress to enact a relief measure, but I cannot approve the measure before me, fraught as it is with possibilities of malfeasance and special privileges, so impractical of administration, so dangerous to public credit, and so damaging to our whole conception of governmental relations to the people as to bring far more distress than it will cure. 72

It was acknowledged by Congress and they had "the President's authority for it", according to Representative Garner, Speaker of the House, that the country was in worse shape than it had ever been. Definite action was eagerly awaited, not only by members of

71 The American Year Book, 1932, 16. In the House 166 Democrats, 35 Republicans, and 1 Farm-Laborite voted "yes"; 155 Republicans and 2 Democrats voted against the bill. In the Senate 29 Democrats, 14 Republicans voted for the bill, while 25 Republicans 5 Democrats, and 1 Farm-Laborite voted "no".

72 State Papers, II, 233.
APPENDIX B

STATEMENT OF PRESIDENT HOOVER ON PRESS RELATIONS

The statement of President Hoover regarding press relations, made in an address before the Gridiron Club, April 13, 1929, was as follows:

... I have found in all the representatives of the press at all times a desire to be helpful in most unexpected ways. For instance, they daily assist me beyond my greatest hopes by their suspicious research in new implications for my most carefully formulated phrases. I discover by the time an idea of mine has filtered through the clear and crystal minds of one hundred different correspondents, that particular idea throbs with a sense of courage and public service, that it has sinister implications, that it is impractical, that it spells malevolence, that it is weak and vacillating, that it is filled with personal bias, that it bristles with idealism, sanity, and progress. When I take refuge in silence, the gentlemen of the Press again assist me by the workings of their own speculative minds to the extent of Column I, page 1... --State Papers, I, 27.
Congress, but by nearly every individual in the whole country.

A redrafted bill, H. R. 8642, which more nearly resembled the form urged by President Hoover, authorizing a total expenditure of over $2,000,000,000--$1,800,000,000 for loans to public agencies for relief work and self-liquidation projects, and $322,000,000 for federal public works--was passed on July 15. The House provision for publication of the Reconstruction Finance Corporation loans was vigorously protested by the President, on the basis that it would cause runs on banks. The Senate modified it and both Democrats and Republicans stated that, as amended, it required only a confidential communication to the House and Senate.

Heated controversy marked the course of the bill. Speaker Garner, the Democratic nominee for Vice-President of United States, openly condemned President Hoover for calling Senate and House leaders and conferees to the executive mansion to discuss the conferees' report before it was reported back to the House and Senate. Of this action he declared:

I do not think it quite in keeping with the Constitution or the thought of the makers of the Constitution as they fixed the relation between the Executive and Legislative branch of government. It ought not to be done; and I protest against it. 75

73 State Papers, II, 233.
74 The American Year Book, 1932, 16.
75 Congressional Record, Seventy-second Congress, first session, 1484.
senator Goldsborough from Maryland agreed that it was "extremely unusual" for a President to take it upon himself to notify Congress in advance that he would veto legislation. He maintained, "Congress has its responsibility and if it does not please him, he has his responsibility." 76

The Garner relief plan was referred to by President Hoover as "the most gigantic pork-barrel ever proposed to the American Congress" and as "an unprecedented raid upon the Treasury." In turn, Senator Garner accused the President of sponsoring class legislation. During the White House conference, and later on the floor of the House, he claimed that the Republicans proposed to consider only a preferential class. He directed his remarks at the President and the Republicans in Congress when he said:

You want to provide this $3,500,000, 000 and . . . hand it to the railroads, insurance companies, the mortgage companies and similar interests. . . . Now in so doing, I plead with you to let all the people have some drippings from this wonderful banking institution. Do not keep it just for a few . . . I am through with class legislation. 77

"The issue," he declared, "is between the President and Congress."

Representative Snell voiced the sentiment of the Republican House members in his condemnation of Senator Garner's remarks. He

76 Congressional Record, Seventy-second Congress, first session, 14684.

77 Ibid., 14684.
accused the House Speaker—"without fear of successful contradiction"—of having made, in his speech, more direct appeal for class distinction and class discrimination than had ever been made on the floor of the House during the session. He declared that the issue was not between the President and Congress, but between the President and the vice-presidential nominee. He defended the President's right to ask members of Congress to the White House to talk matters over, and called attention to the President's willingness to compromise on Title I of the bill, \( \text{the provision for } \$300,000,000 \text{ in temporary loans by the R. F. C.} \) \( \text{78} \)

In anticipation of signing the bill, the President remarked that the obnoxious features had been eliminated, referring to the provision for loans to states on the basis of population, which he termed a "pork-barrel infection," and to the provision for establishing a gigantic centralized banking business. On the whole he considered the measure a strong step toward recovery.

Another last minute action by Congress on one of the items in the President's relief program was the approving of the Home Loan Bank Bill on July 16, the day before the adjournment of the session. This statute created a system of Home Loan Banks along

\( \text{78 Congressional Record, Seventy-second Congress, first session, 14687.} \)

\( \text{79 State Papers, II, 232, 236. The major features of the bill were the provisions for } \$300,000,000 \text{ in temporary loans by the Reconstruction Finance Corporation to states in need of help to relieve distress, for } \$1,500,000,000 \text{ in loans by the Reconstruction Finance Corporation for reproductive construction work of a public nature, and for broadening the power of the Reconstruction Finance Corporation to make loans to agriculture.} \)
the lines advocated by President Hoover in November, 1931, and explained in his message to Congress in December of the same year. The bill was introduced on December 10 by Representative Luce in the House and by Senator Watson in the Senate, but opposition led by Senator Couzens resulted in shelving the bill for about seven months. Opposition still apparent in the final deliberations on the bill resulted in its being passed without any provision for an appropriation for carrying it out, thereby rendering it ineffective. Through a move by Senators Moses and Jones, over the objections of Senator Couzens, the needed appropriation was voted as an amendment to a minor House bill at the last minute.

While the bill had moved slowly through committee considerations, mortgages on thousands of homes had been foreclosed which might have been saved had the bill been enacted more promptly. The President signed it on July 22 and commented that the creation of these institutions did "not involve the government in business except in the initial work of the Reconstruction Finance Corporation." He explained:

The purpose . . . is both to meet the present emergency and to build up home ownership on more favorable terms than exist today . . . to renew existing mortgages with resultant foreclosures.

80 Wilbur and Hyde, 439.
81 Myers, 234.

The American Year Book, 1932, 22, 23. The bill created a system of from eight to twelve regional Federal Home Loan Banks, with a total capital of $125,000,000 to be initially subscribed by the Reconstruction Finance Corporation. These banks were authorized to make advances both to member and non-member institutions and to private individuals who are unable to finance their mortgages through an institution.
and great hardships. 82

The policy of artificial expansion of credit by the Federal Reserve Board was looked upon disapprovingly by President Hoover from the beginning of his administration. In his first annual message to Congress on December 3, 1929, he urged the creation of a special joint commission of Congressional and administration representatives to investigate the whole banking system and recommend legislation. After the collapse of the stock-market, even a greater need for reform seemed apparent. To such a need the President called attention on numerous occasions after taking office. On May 5, 1930, a banking bill introduced by Senator Glass went to the Senate Banking and Currency Committee for consideration. Later in the month the committee announced that the bill would not be ready until the next session of Congress, but the next session from December, 1930, to March, 1931, passed and the bill did not materialize.

In the meantime the depression had entered its second stage. Emergency policies were advanced by the President to save the collapse of the banking system and were gradually dealt with by Congress, as delineated in the preceding pages of this chapter.

To the need for a revision of the banking laws to safeguard de-

82 State Papers, I, 239.
83 Ibid.
84 Wilbur and Hyde, 333, 334.
posits, the President called the attention of Congress on December 8 and 11, 1931, and again on January 4, 1932. Frequent meetings with the Senate Banking and Finance Committee resulted in the introduction of a Banking Reform Bill by Senator Glass on January 22, 1932. The bill, approved by the President, created a corporation for loans to expedite liquidation of closed banks, made revision in laws on group banking, gave encouragement to branch banking, placed limits on loans for speculation, and insisted on membership in the Federal Reserve System. So much opposition was expressed by bankers that the measure was returned to the committee for revision. The outcome was that the first session of the Seventy-second Congress adjourned with no action having been taken toward the enactment of a sound banking reform bill.

When Congress adjourned on July 17, 1932, with some exceptions, most of the relief measures had been dealt with to the satisfaction of the President—due to his persistence. Obviously, more prompt and complete action by Congress on the measures of an emergency nature would have alleviated much suffering and have given greater impetus to the recovery program. The economic deterioration which began in March continued until the middle of July, when the great depression is considered to have reached its lowest point. While Congress deliberated on the relief bill, the

85 State Papers, II, 47, 84, 103.
86 Wilbur and Hyde, 337.
87 Myers, 236.
status of the unemployed grew worse, and their numbers increased. In the middle of June, estimates by the Department of Labor and the American Federation of Labor placed the number of unemployed workers at more than 10,000,000. European nations had withdrawn $550,000,000 in gold and large amounts in exchange, hoarding had increased during this period by $500,000,000. Conditions might have been more serious but for the benefits afforded by the Reconstruction Finance Corporation and the Glass-Steagall Bank Bill.

Before the end of July there were encouraging signs of recovery in all parts of the world, but in the United States where a change in national policies was anticipated—pending the outcome of the national election—signs of recovery were less noticeable. However, the banking situation appeared sounder. The withdrawal of gold from the United States seemed to have stopped, and a small amount had returned, the amount of currency in circulation showed some decrease and the number of bank failures was smaller. These encouraging signs of economic recovery were offset somewhat by discouraging business conditions. At the end of the first week in September the steel industry was operating at fourteen and one-half per cent of capacity, the earnings of industrial and mercantile enterprises showed a noticeable falling off, and the railroads were threatening their employees with a twenty per cent reduction in wages. Undoubtedly the drop in purchasing power of the

88 Brown, Current History, 36:584.

89 Myers, 237-8.
mass of the population had a negative effect on industrial recovery. A report of the National Industrial Conference Board showed a decrease of twenty-seven per cent in the buying power of the average worker from June, 1929, to June, 1932. During the same period the cost of living had fallen only twenty-two and three tenths per cent.

From July to November, President Hoover, who had accepted the Republican nomination for President on August 11, 1932, was engaged in campaign activities in anticipation of the election in November. To the recovery program, however, he continued to give a large share of his time. A conference of business and industrial leaders was held in Washington on August 26, 1932, to hasten economic recovery. Business and industrial committees from the twelve Federal Reserve districts attended the meeting which the President opened with the statement that "the major financial crisis had been overcome" and . . . "confidence and hope have reappeared." A six-point program was adopted providing for the distribution of credit and the spreading of work through shortening of hours. This "share-the-work" program was designed to meet the problem of the unemployed millions. The President told this group:

The reason for calling this conference at this particular moment is that we are convinced that we have overcome

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the major financial crisis—a crisis unparalleled in the history of the world—and that with its relaxation confidence and hope have reappeared in the world. We are now able to take further steps in solution of the industrial and agricultural problems with which we are still confronted. 92

The President continued to stress the need for a sound banking reform as essential to economic recovery and the restoration of national confidence. In a campaign speech at Indianapolis on October 28, 1932, he called attention to the failure of Congress to pass this needed legislation when he said:

I recommend to the Congress the sane reform of our banking laws. The Democratic House of Representatives did not see fit to pass that legislation in the last session. I shall persist in securing its accomplishment. 93

In the election on November 8, 1932, Franklin D. Roosevelt, the Democratic candidate, was elected President of the United States. From this time the people naturally looked to the President-elect for future national policies. As far as positive influence on recovery was concerned, the Hoover administration was over on November 9, yet President Hoover made a last minute effort to bring about the needed banking reform and government economies. In his fourth annual and final message to Congress on December 5, 1932, he emphasized again the need for reorganization of the gov-

92 State Papers, II, 268.
93 Ibid., 389.
94 Wilbur and Hyde, 334.
Myers, 275.
ernment departments and for a stable improvement in the banking system. The Reconstruction Finance Corporation and the Federal Reserve Act, he said, were only remedies--passed in a time of emergency--to meet a crisis, and could not go on functioning indefinitely. On this occasion he told the Congress:

... widespread banking reforms are a national necessity and are the first requisite for further recovery in agriculture and business. They should have immediate consideration as steps greatly needed to further recovery. 95

Government finances at the beginning of the short session of the Seventy-second Congress on December 5 were in a precarious state. Taxes imposed had not yielded the revenue estimated by the Senate and House, and treasury collections had fallen off. Under the Wagner-Garner bill, prodigious spending resulted in an increase during the year 1932 of approximately three billion dollars in the gross national debt. The President's budget message on December 6 laid before Congress the financial situation of the government and made proposals for drastic reduction in expenditures and increases in revenues. Campaign pledges made by the Democratic party for economy in government and a reduction of federal expenditures gave President Hoover reason to expect cooperation from the Democratic controlled Congress in a program to balance the budget. Obviously the critical conditions of the period

95 State Papers, II, 268.

called for cooperation between the outgoing and incoming administrations if the recovery program was to continue. In his budget message President Hoover told Congress:

The great problem before the world is restoration and maintenance of confidence... essential steps in strengthening the foundations for recovery. This all-important objective is definitely within reach, and more determined effort will bring us to the goal we have been striving to reach in the face of unparalleled difficulties. I cannot too strongly urge that every effort be made to limit expenditure and avoid additional obligations not only in the interests of the taxpayer but in the interests of the very integrity of the finances of the Federal Government. 97

The budget submitted called for net reductions of $580,000,000 in federal expenses for the fiscal year beginning July 1, 1933. 98

The President received much acclaim for his courageous statesmanship. Speaker Garner and Democratic Floor Leader Rainey endorsed the President's recommendations, but nothing happened. 99

No action had been taken up to the time for the Christmas recess. Meanwhile the President-elect had conferred with Democratic Congressional leaders and plans to balance the budget were set aside until the calling of the special session. On January 18 the Democratic majority in the House defeated the President's plan for

97 State Papers, II, 576-578.
98 Sullivan, 56. This figure was derived from a plan to pare the estimate for government department expenses by $830,000,000 and allow an additional $250,000,000 for anticipated relief and emergency expenses.
99 Ibid., 58.
reorganization of government bureaus and reduction of expenditures.

On December 8, 1932, the Glass Banking Reform Bill was again brought to the attention of Congress. In opening the debate on the bill January 5, 1933, Senator Glass explained that—after long investigation—he had concluded that branch banking (the issue over which there had been so much controversy) was about the only remedy for the menacing situation facing the banking community of the United States. To focus attention on the need for this legislation, he pointed out that twenty-eight bank failures had occurred in the first week of January, three of them national and twenty-five state banks. In the previous December—the month following the election of President Roosevelt—there had been one hundred forty-five bank failures, nineteen of which were national banks and one hundred twenty-six were state banks. Opposition to the bill was displayed in the Senate from the beginning. A filibuster lasting from January 12 to 19, begun by Senator Huey Long of Louisiana and Senator Thomas of Oklahoma, tried to prevent action on the bill. When it was decided to limit debate on the bill, normal debate was continued and the bill was

100 Myers, 275.
passed by a Senate vote of fifty-four to nine on January 26.

When House leaders refused a hearing on the bill, President Hoover addressed a message to Congress urging the Democratic majority to pass the bill—to reestablish confidence and remedy the organization of our credit system. But the bill was not passed until after March 4, 1933.

On January 11, 1933, President Hoover urged Congress to re-vise the bankruptcy laws to facilitate the adjustment of "inflated" and "unbearable" debt—a measure which he had previously laid before Congress on February 29, 1932. He emphasized the need for immediate consideration of legislation for the relief of individual and corporate debtors as a matter of vital importance. A bill was passed by the House on January 30, but its passage was delayed in the Senate. Another message to Congress on February 20 urging favorable action by the Senate on the House-approved bill to secure orderly cooperation between creditor and debtor was sent by the President. Such a bill was enacted by the Senate on February 27, which provided means of reducing indebtedness of individuals and aiding the reorganization of the affairs of rail-

101 Congressional Record, Seventy-second Congress, second session, 1336, 1404, 1405, 1406, 1624.

The bill S. 4412 provided for the safer and more effective use of the assets of the Federal Reserve Banks and of national bank associations to regulate inter-bank control, to prevent the undue diversion of funds into speculative operations and for other purposes.—Congressional Record, Seventy-second Congress, second session, 1336.

102 State Papers, II, 597.

103 Myers, 323.

Brown, Current History, 37:723.
roads but excluding the provision for corporate reorganization.

The failure of Congress to approve the economy measures recommended by the President and the needed banking reform bill did incalculable harm to the recovery program and contributed in large part to the uneasiness over the financial situation in the country following the November election. The situation was further aggravated when the House passed a resolution on January 4, 1933, to publish all loans made by the Reconstruction Finance Corporation prior to July 21, 1932. This publication of loans to banks that had been considered sound induced runs on banks and encouraged hoarding of currency and gold. An appeal from the President for the repeal of this procedure because it was destroying the usefulness and effectiveness of the Reconstruction Finance Corporation and exaggerating fears proved unavailing. Apprehension over the soundness of the banks spread and caused more harm to the financial structure already weakened from the fear of currency inflation.

Consideration of currency inflation bills by the Democratic House in the previous session of Congress gave rise to some speculation in the public mind regarding the attitude of the incoming administration toward inflation. On being asked to make clear his position with regard to the gold standard, the President—

104 Myers, 324.

105 Ibid.
elect, a few days before the election in November, evasively stated that "sound money is an international necessity, not a domestic consideration for one country." This attitude, as well as the fact that his close associates were known to favor currency manipulation, gave rise to apprehension over the monetary policies of the incoming administration. Concern over the fate of the gold standard spread quickly after the election and gave rise to unprecedented withdrawals and demands on banks for gold. Many people, in an effort to protect themselves, began to invest in foreign securities. According to close associates of President Hoover, this so-called "flight of the dollar" ran into unprecedented figures.

Realizing before the end of January that the country was heading for a panic, the President worked ceaselessly to ward off a national disaster. During the period prior to January 18, 1933, gold had been returning to this country from abroad. The "flight of the dollar" reversed this situation after the week of January 18. During the period of January 18 to February 1, $38,000,000 of gold was marked for European countries. From the first of February to the middle of the month withdrawal of currency and gold for hoarding increased from about $5,000,000 a day to $15,000,000

106 Myers, 347.
107 Joslin, 352.
108 Ibid.
a day. Since there was no pressure for gold from abroad, it was clear that its flight was due to the domestic financial situation. When it appeared that fear of a change in currency was approaching the panic stage, President Hoover addressed a letter to President-elect Roosevelt on February 17, 1933, asking him to "clarify the public mind on certain essentials which will give renewed confidence."

The reply from the President-elect, received twelve days later on March 1, 1933, expressed concern over the gravity of the situation but stated that he doubted that a general statement would have a definite effect. The President and his advisers thought that a statement from the President-elect would provide some basis for cooperation in mapping a course that would protect the interests of the public--irrespective of politics.

Some form of legislation, it was felt, was necessary to control temporarily the situation. Such a course was contemplated, but no legislation could be achieved without the cooperation of the Democratic-controlled Congress--and they had already demonstrated their reluctance to take action on issues affecting national welfare without the approval of the Democratic President-elect. That this was the case was verified at a White House con-

109 Myers, 334.

110 Ibid., 345.
ference with Senate leaders on March 2, 1933. President Hoover called Senators Robinson and Glass to the White House to discuss possibilities of legislative action. After giving the matter careful consideration, the senators concluded that it was useless to attempt to get any legislative action in Congress independent of the President-elect. With this decision it appeared that the last hope of averting a crisis was removed.

Myers, 361-363.
APPENDIX A

ADMINISTRATIVE POSITIONS HELD BY HERBERT HOOVER DURING WORLD WAR I

When the World War broke out in July, 1914, Herbert Hoover and his family were residing in London where he was engaged at the time as consultant engineer in large mining operations. When the task of organizing relief work in Belgium was undertaken, United States Ambassador to England, Walter H. Page, and the Belgian authorities formally asked Mr. Hoover to take charge of the work, if satisfactory diplomatic arrangements could be made with United States and Germany. This done, Hoover became the active head of the American Commission for Relief in Belgium, with the title of chairman, on October 22, 1914—a position he held all through the war and for several months of the armistice period.

At the request of President Wilson, he returned to Washington on May 3, 1917, to begin making plans for the administration of American food. On August 10, 1917, he was appointed United States Food Administrator and began the important work of food conservation as provided in the Food Control Act passed by Congress on the same day. This work centered largely around the curtailment of profiteering and speculation during the war emergency. Demobilization of the Food Administration was begun the day after the Armistice was signed, it being the belief of Hoover that all such legislation, except in war time, tends to strike at the roots of individual initiative.
Ten days after the Armistice he left for Paris, again at the request of President Wilson, to direct the participation of the United States in the urgently needed relief of the war-ravaged countries of Eastern Europe. For the direction of this work he was appointed Director General of the American Relief Administration. It is believed by one closely associated with him in this work during the first eight months after the Armistice that it was owing more to the superhuman efforts of Hoover than to any other single factor that complete disorder, anarchy, and Bolshevik domination in Eastern Europe were averted. -- Vernon Kellogg, Herbert Hoover, the Man and His Work (New York: D. Appleton and Company, 1920), 102-123; 198-255; 267.
APPENDIX C

HOW THE DEBENTURE PLAN WOULD OPERATE

As an instance of how the debenture plan would work, Senator Caraway cited the following example in his speech before the Senate on June 14, 1929:

Congress has said that wheat is entitled to a tariff duty of forty-two cents per bushel in order to equalize the cost of producing in America and in other countries where the standards of living were lower and, therefore the cost of living less than here. Since a large quantity of wheat has to be shipped abroad for a market and the price for which it sells fixes the market price for the time being of wheat in America, the debenture plan provided that, for every bushel of wheat sold abroad, the farmer should receive the world price, plus twenty-one cents a bushel, that being one-half the tariff rate. -- Congressional Record, Seventy-first Congress, first session, 2884.

Thus the farmer would be given what amounts to a bounty on the farm product he exports—such bounty amounting to one-half the duty that would be paid on the same product if imported into this country. At the port of shipment he would be given a certificate called a "debenture" of the face value of one-half the import duty. If he exported one thousand bushels of grain, he would get the world price plus twenty-one cents on each bushel or two hundred ten dollars in addition to the price he got for his wheat. This certificate could be sold to a customs' broker or importer, at a discount of say five per cent, to be used by him in payment of import duties. -- Ibid.

APPENDIX D

CAUSES OF THE STOCK-MARKET COLLAPSE IN 1929

Economists disagree to some extent over the conditions responsible for the collapse of the stock market in October, 1929. The belief is generally held that the fundamental causes lay in the unstable economic and financial conditions in the wake of World War I. In the post-war years the nations were confronted with problems of adjusting to changed economic, political and financial conditions involving international relations, in which reparations and war debts were a major item. Intergovernmental debts of combatant nations had climbed to over $50,000,000,000, including war loans and reparations. The war had been financed by inflation or credit, and private debts had been piled up on these inflated values.

In the United States alone there were signs of sound economic recovery reflected in increased prosperity of the people. It is thought by some economists that the years from 1922 to 1929 should be called a period of expansion rather than of prosperity. Numerous changes in industrial technology noticeably affected economic and industrial conditions. Mechanical processes reduced operating costs and increased output, but prices were not reduced as fast as costs, and profits of industrial corporations rose beyond normal needs. Some of the profits went into expansion and some into surplus reserves. More prosperous corporations loaned large sums to Stock Exchange speculators and to foreign countries.
These forms of profit distribution led to further increased production and inflation of capital values. But the newly produced goods required consumers—and wages had not kept pace with production.

Overproduction that resulted, installment buying, weaknesses in our banking system, and false expansion of credit are looked upon as the immediate causes for the stock market collapse. Large amounts of European capital and gold were sent to United States because of unstable conditions abroad. The false prosperity thus created and the inflation policy undertaken by the Federal Reserve System resulted in mass speculation unprecedented in our history. --Myers, 4-10. Rexford G. Tugwell, "Flaws in the Hoover Economic Plan," Current History, 35: 525-527, January, 1932.
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APPROVAL SHEET

The thesis submitted by Loretta Kehoe has been read and approved by three members of the Department of History.

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated, and that the thesis is now given final approval with reference to content, form, and mechanical accuracy.

The thesis is therefore accepted in partial fulfillment of the requirements for the Degree of Master of Arts.

May 13, 1949

Date

Signature of Adviser