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The Politics of Boom and Bust, 1920–1932

PART I: Reviewing the Chapter

A. Checklist of Learning Objectives

After mastering this chapter, you should be able to

1. analyze the domestic political conservatism and economic prosperity of the 1920s.
2. explain the Republican administrations' policies of isolationism, disarmament, and high-tariff protectionism.
3. compare the easygoing corruption of the Harding administration with the straight-laced uprightness of his successor Coolidge.
4. describe the international economic tangle of loans, war debts, and reparations, and indicate how the United States dealt with it.
5. discuss how Hoover went from being a symbol of twenties business success to a symbol of depression failure.
6. explain how the stock-market crash set off the deep and prolonged Great Depression.
7. indicate how Hoover's response to the depression was a combination of old-time individualism and the new view of federal responsibility for the economy.

B. Glossary

To build your social science vocabulary, familiarize yourself with the following terms.

1. **nationalization** Ownership of the major means of production by the national or federal government. "... wartime government operation of the lines might lead to nationalization." (p. 755)
2. **dreadnought** A heavily armored battleship with large batteries of twelve-inch guns. "... Secretary Hughes startled the delegates . . . with a comprehensive, concrete plan for . . . scrapping some of the huge dreadnoughts. . . ." (p. 757)
3. **accomplice** An associate or partner of a criminal who shares some degree of guilt. "... he and his accomplices looted the government to the tune of about \$200 million. . . ." (p. 759)
4. **reparations** Compensation by a defeated nation for damage done to civilians and their property during a war. "Overshadowing all other foreign-policy problems . . . was . . . a complicated tangle of private loans, Allied war debt, and German reparations payments." (p. 763)
5. **pump-priming** In economics, the spending or lending of a small amount of funds in order to stimulate a larger flow of economic activity. "'Pump-priming' loans by the RFC were no doubt of widespread benefit. . . ." (p. 772)

PART II: Checking Your Progress

A. True-False

Where the statement is true, mark T. Where it is false, mark F, and correct it in the space immediately below.

- ___ 1. The most corrupt members of Harding's cabinet were the secretaries of state and the treasury.
- ___ 2. The Republican administrations of the 1920s believed in strict enforcement of antitrust laws to maintain strong business competition.
- ___ 3. The Republican administrations of the 1920s pursued their isolationist approach to national security by engaging in a large military buildup.
- ___ 4. The high tariff policies of the 1920s enhanced American prosperity but hindered Europe's economic recovery from World War I.
- ___ 5. Calvin Coolidge's image of honesty and thrift helped restore public confidence in the government after the Harding administration scandals.
- ___ 6. Farmers looked unsuccessfully to the federal government to help relieve their severe economic troubles in the 1920s.
- ___ 7. The main sources of support for liberal third-party presidential candidate Robert La Follette in 1924 were urban workers and social reformers.
- ___ 8. The main exception to America's isolationist foreign policy in the 1920s was continuing U.S. armed intervention in the Caribbean and Central America.
- ___ 9. Britain and France did not begin to repay their war debts to the United States until the Dawes plan provided American loans to Germany.
- ___ 10. In the election of 1928, Democratic nominee Al Smith's urban, Catholic, and "wet" background cost him support from traditionally Democratic southern voters.
- ___ 11. The Hawley-Smoot Tariff strengthened the trend toward expanded international trade and economic cooperation.
- ___ 12. The American economic collapse of the Great Depression was the most severe suffered by any major industrial nation in the 1930s.
- ___ 13. The depression was caused partly by over-expansion of credit and excessive consumer debt.
- ___ 14. Throughout his term, Hoover consistently followed his belief that the federal government should play no role in providing economic relief and assisting the recovery from the depression.
- ___ 15. The Reconstruction Finance Corporation provided federal loans to business and governmental institutions but no aid to individuals.

B. Multiple Choice

Select the best answer and write the proper letter in the space provided.

- ___ 1. As president, Warren G. Harding proved to be
 - a. thoughtful and ambitious but rather impractical.
 - b. an able administrator and diplomat but a poor politician.
 - c. politically competent and concerned for the welfare of ordinary people.
 - d. weak-willed and tolerant of corruption among his friends.

- ___ 2. The general policy of the federal government toward industry in the early 1920s was
 - a. a weakening of federal regulation and encouragement of trade associations.
 - b. an emphasis on federal regulation rather than state and local controls.
 - c. an emphasis on vigorous antitrust enforcement rather than on regulation.
 - d. a turn toward direct federal control of key industries like the railroads.

- ___ 3. Two groups who suffered severe political setbacks in the immediate post-World War I environment were
 - a. Protestants and Jews.
 - b. organized labor and blacks.
 - c. small businesses and farmers.
 - d. women and city dwellers.

- ___ 4. Two terms that describe the Harding and Coolidge administrations' approach to foreign policy are
 - a. internationalism and moralism.
 - b. interventionism and militarism.
 - c. isolationism and disarmament.
 - d. balance of power and alliance-seeking.

- ___ 5. The proposed ratio of "5-5-3" in the Washington Disarmament Conference of 1921-1922 referred to
 - a. the allowable ratio of American, British, and Japanese troops in China.
 - b. the respective number of votes Britain, France, and the United States would have in the League of Nations.
 - c. the allowable ratio of battleships and carriers among the United States, Britain, and Japan.
 - d. the number of nations from Europe, the Americas, and Asia, respectively, that would have to ratify the treaties before they went into effect..

- ___ 6. The very high tariff rates of the 1920s had the economic effect of
 - a. stimulating the formation of common markets among the major industrial nations.
 - b. causing severe deflation in the United States and Europe.
 - c. turning American trade away from Europe and toward Asia.
 - d. causing the Europeans to erect their own tariff barriers and thus severely reduce international trade.

- ___ 7. The central scandal of Teapot Dome involved members of Harding's cabinet who
 - a. sold spoiled foodstuffs to the army and navy.
 - b. took bribes for leasing federal oil lands.
 - c. violated prohibition by tolerating gangster liquor deals.
 - d. stuffed ballot boxes and played dirty tricks on campaign opponents.

8. The one major group that experienced hard economic times amidst the general prosperity of the 1920s was
- small business.
 - farmers.
 - bankers and stock brokers.
 - the middle class.
9. Besides deep divisions within the Democratic party, the elections of 1924 revealed
- Coolidge's inability to attain Harding's level of popularity.
 - the weakness of profarmer and prolabor Progressive reform..
 - the turn of the solid South from the Democrats to the Republicans.
 - The rise of liberalism within the Democratic party.
10. The international economic crisis caused by unpaid war reparations and loans was partially resolved by
- private American bank loans to Germany.
 - forgiving the loans and reparations.
 - the creation of a new international economic system by the League of Nations.
 - the rise of Mussolini and Hitler.
11. Al Smith's Roman Catholicism and opposition to prohibition hurt him especially
- in the South.
 - among ethnic voters.
 - among African-Americans.
 - among women voters.
12. The election of Hoover over Smith in 1928 seemed to represent a victory of
- northern industrial values over southern agrarianism.
 - small business over the ideas of big government and big business.
 - ethnic and cultural diversity over traditional Anglo-Saxon values.
 - big business and efficiency over urban and Catholic values.
13. One important cause of the great stock market crash of 1929 was
- overexpansion of production and credit beyond the ability to pay for them.
 - a "tight" money policy that made it difficult to obtain loans.
 - the lack of tariff protection for American markets from foreign competitors.
 - excessive government regulation of business.
14. The sky-high Hawley-Smoot Tariff of 1930 had the economic effect of
- providing valuable protection for hard-pressed American manufacturers.
 - lowering the value of American currency in international money markets.
 - crippling international trade and deepening the depression.
 - forcing foreign governments to negotiate fairer trade agreements.
15. The federal agency that Hoover established to provide "pump-priming" loans to business was the
- Tennessee Valley Authority.
 - Bonus Expeditionary Force.
 - Reconstruction Finance Corporation.
 - American Legion.

C. Identification

Supply the correct identification for each numbered description.

- _____ 1. Poker-playing cronies from Harding's native state who contributed to the morally loose atmosphere in his administration
- _____ 2. Supreme Court ruling that removed workplace protection and invalidated a minimum wage for women
- _____ 3. World War I veterans' group that promoted patriotism and economic benefits for former servicemen
- _____ 4. Agreement emerging from the Washington Disarmament Conference that reduced naval strength and established a ratio of warships among the major ship-building powers
- _____ 5. Toothless international agreement of 1928 that pledged nations to outlaw war
- _____ 6. Naval oil reserve in Wyoming that gave its name to one of the major Harding administration scandals
- _____ 7. Farm proposal of the 1920s, passed by Congress but vetoed by the president, that provided for the federal government to buy farm surpluses and sell them abroad
- _____ 8. American-sponsored arrangement for rescheduling German reparations payments that only temporarily eased the international debt tangle of the 1920s
- _____ 9. Southern Democrats who turned against their party's "wet," Catholic nominee and voted for the Republican in 1938
- _____ 10. Sky-high tariff bill of 1930 that deepened the depression and caused international financial chaos
- _____ 11. The climactic day of the October 1929 Wall Street stock-market crash
- _____ 12. Depression shantytowns, named after the president whom many blamed for their financial distress
- _____ 13. Hoover-sponsored federal agency that provided loans to hard-pressed banks and businesses after 1932
- _____ 14. Encampment of unemployed veterans who were driven out of Washington by General Douglas MacArthur's forces in 1932
- _____ 15. The Chinese province invaded and overrun by the Japanese army in 1932

D. Matching People, Places, and Events

Match the person, place, or event in the left column with the proper description in the right column by inserting the correct letter on the blank line.

- | | |
|-----------------------------|--|
| ___ 1. Warren G. Harding | A. The worst single event of the great stock market crash of 1929 |
| ___ 2. Charles Evans Hughes | B. Extremely high tariff act that killed international trade and deepened the Great Depression |
| ___ 3. Andrew Mellon | C. The "Happy Warrior" who attracted votes in the cities but lost them in the South |
| ___ 4. Henry Sinclair | D. Harding's interior secretary, convicted of taking bribes for leases on federal oil reserves |
| ___ 5. John Davis | |

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|---------------------------|---|
| ___ 6. Albert B. Fall | E. Weak, compromise Democratic candidate in 1924 |
| ___ 7. Harry Daugherty | F. U.S. attorney general and a member of Harding's corrupt "Ohio Gang" who was forced to resign in administration scandals |
| ___ 8. Calvin Coolidge | G. Strong-minded leader of Harding's cabinet and initiator of major naval agreements |
| ___ 9. Robert La Follette | H. Wealthy industrialist and conservative secretary of the treasury in the 1920s |
| ___ 10. Herbert Hoover | I. Weak-willed president whose easygoing ways opened the door to widespread corruption in his administration |
| ___ 11. Al Smith | J. Hoover's secretary of state, who sought sanctions against Japan for its aggression in Manchuria |
| ___ 12. Black Tuesday | K. Secretary of commerce through much of the 1920s whose reputation for economic genius became a casualty of the Great Depression |
| ___ 13. Hawley-Smoot Bill | L. Leader of a liberal third-party insurgency who attracted little support outside the farm belt |
| ___ 14. Douglas MacArthur | M. Wealthy oilman who bribed cabinet officials in the Teapot Dome scandal |
| ___ 15. Henry Stimson | N. Commander of the troops who forcefully ousted the "army" of unemployed veterans from Washington in 1932 |
| | O. Tight-lipped Vermonter who promoted frugality and pro-business policies during his presidency |

E. Putting Things in Order

Put the following events in correct order by numbering them from 1 to 5.

- ___ Amid economic collapse, Congress raises tariff barriers to new heights and thereby deepens the depression.
- ___ An American-sponsored plan to ease German reparations payments provides a temporarily successful approach to the international war-debt tangle.
- ___ An American-sponsored international conference surprisingly reduces naval armaments and stabilizes Far Eastern power relations.
- ___ The prosperous economic bubble of the 1920s suddenly bursts, setting off a sustained period of hardship.
- ___ A large number of corrupt dealings and scandals become public knowledge just as the president who presided over them is replaced by his impeccably honest successor.

F. Matching Cause and Effect

Match the historical cause in the left column with the proper effect in the right column by writing the correct letter on the blank line.

Cause	Effect
___ 1. Republican probusiness policies	A. Led to a Republican landslide in the election of 1928
___ 2. American concern about the arms race and the danger of war	B. Weakened labor unions and prevented the enforcement of progressive antitrust legislation

- ___ 3. The high-tariff Fordney-McCumber Law of 1922
 - ___ 4. The loose moral atmosphere of Harding's Washington
 - ___ 5. The improved farm efficiency and production of the 1920s
 - ___ 6. America's demand for complete payment of the Allies' war debt
 - ___ 7. Hoover's media campaign and Smith's political liabilities
 - ___ 8. The stock-market crash
 - ___ 9. Domestic overexpansion of production and dried-up international trade
 - ___ 10. Hoover's limited efforts at federally sponsored relief and recovery
- C. Plunged the United States into the worst economic depression in its history
 - D. Drove crop prices down and created a rural economic depression
 - E. Led to the successful Washington Disarmament Conference and the Five Power Naval Agreement of 1922
 - F. Encouraged numerous federal officials to engage in corrupt dealings
 - G. Helped cause the stock-market crash and deepen the Great Depression
 - H. Failed to end the depression but did prevent more serious economic suffering
 - I. Sustained American prosperity but pushed Europe into economic protectionism and turmoil
 - J. Aroused British and French anger and toughened their demands for German war reparations

G. Developing Historical Skills

Reading Diagrams

Sometimes a schematic drawing or diagram can help explain a complicated historical process in a simpler way than words. The international financial tangle of the 1920s is an exceptionally complicated affair, but examining the diagram on p. 764 makes it much easier to understand.

Answer the following questions:

1. What two roles did Americans play in the process?
2. What economic relationship did Great Britain and France have with Germany?
3. To whom did Britain owe war debts? To whom did France owe war debts?
4. Why was credit from American bankers so essential to all the European powers? Can you explain what happened when that credit was suddenly cut off after the stock-market crash of 1929?

PART III: Applying What You Have Learned

1. What basic economic and political policies were pursued by the conservative Republican administrations of the 1920s?
2. What were the effects of America's international economic and political isolationism in the 1920s?
3. What weakness existed beneath the surface of the general 1920s prosperity, and how did these weaknesses help cause the Great Depression?
4. Why were liberal or "progressive" politics so weak in the 1920s? Discuss the strengths and weaknesses of La Follette and Smith as challengers to the Republicans in 1924 and 1928.
5. The three Republican presidents of the 1920s are usually lumped together as essentially identical in outlook. Is it right to see them that way, or were the personal or political differences between them at all significant?
6. What were the effects of the Great Depression on the American people, and how did President Hoover attempt to balance his belief in "rugged individualism" with the economic necessities of the time? Why do historians today tend to see Hoover as a more tragic figure than people of the time, who bitterly denounced him?
7. How did some of the economic policies of the 1920s and 1930s help cause and deepen the depression?