

Chapter 7

Herbert Hoover and the Depression

Herbert Hoover had the bad luck to be President when the Great Depression started. It was Hoover who had to come up with the programs to stop the Depression. If he failed, the whole country would blame him for their trouble. If he succeeded, many Americans would think he was a great president. You will learn who Hoover was, what he did to end the Depression, and his reason for thinking his ideas would work. You will then be asked whether you think his policies could end the Depression, and you will evaluate Hoover's performance as president.

Who Was Herbert Hoover?



President Hoover

President Herbert Hoover was probably the best prepared *and* most qualified of the three presidents of the 1920's. Born in 1874, he knew poverty from personal experience. His parents died when he was young, and Hoover was raised by two of his uncles. Since they could not afford to send him to college so Hoover worked his way through on his own. One of his jobs took him deep *below* the ground in a coal mine for \$2.50 a day. In school, Stanford University, he studied engineering. He was such a good mining engineer that he made a million dollars before he was 40. After that, Hoover thought he had more money than he and his family needed. He decided to use his great administrative skills for the rest of his working life in government service and private charity. During World War I, Hoover ran the official U.S. relief agency helping the suffering people in Belgium. He was called back to the U.S. to head up the Food Administration under the Democrat, President Woodrow Wilson. His work impressed people so much that many Democrats wanted him to represent their party in the next Presidential election. But, Hoover was a Republican and served as a very distinguished Secretary of Commerce under Presidents Harding and Coolidge.

From his position in the cabinet, Hoover spoke for and carried out the conservative policies of Presidents Harding and Coolidge. He gained a reputation as a good organizer and leader, and was a popular choice among Republicans to run for President in 1928. He is much remembered for his acceptance speech at the Republican National Convention, that the policies the Republican Party followed the past eight years would soon end poverty in America. Many American believed him and voted him to a landslide victory of 21.4 million votes to 15 million for the Democrat's Alfred E. Smith.

President Hoover Faces the Depression

Unfortunately, Hoover did not end poverty in the U.S.A. as he predicted. In fact, he had to face the worst Depression in American history. The stock market crashed on October 29, 1929, seven months after Hoover became president. The market kept declining for the rest of that year. Many banks that held bad stocks or made bad loans had to close their doors. Businesses laid off workers; many closed down completely. Millions of people could not find jobs. Thousands of homeless people had no place to go, and no one to help them. Although farmers could not sell surplus crops, hungry people in the cities could not afford to buy food.

In facing these problems, Hoover was guided by principles which he believed all his life. As a student working his way through college, as a successful businessman, and as a leader in government, Hoover was a firm believer in trickle down and an opponent of government coercion of any kind. He believed businessmen should be free to pursue their self interest, and the government should not tell people what to do. He had been taught these ideas in college and had watched America grow while following them. The fact that he himself had made his fortune without government help reinforced Hoover's belief that people should not look for handouts from their government when they were in trouble.

Hoover's anti-Depression policies were based on his fundamental beliefs, and the theories advocated by the best economists at the time. As you read the basic policies Hoover followed, ask yourself whether you agree with his reasons for following these ideas.

Belief in Volunteerism

Hoover thought the Federal government did not have a right to force people to do anything. He thought that using the government to solve basic economic problems, would do more to harm America's liberties than it would help its economy. He therefore relied on people's good will to do things for others. For instance, when the Depression started, Hoover called business leaders to meet him in Washington. He then asked them to keep up production and not to lay off workers or cut wages. He asked neighbors to help one another and not rely on government aid. He thought that people would act on their own in a fundamentally altruistic way to end the Depression

Looking at the Sunny Side

President Hoover believed that it was necessary to maintain a positive outlook. He thought there was nothing fundamentally wrong with the American economy. All that was needed Hoover thought was to restore peoples' confidence in the economy. Once Americans regained their confidence, Hoover believed, stock prices would rise, factories would open, and people would go back to work.

Hoover made many optimistic statements. He told the people that there was nothing basically wrong with the economy. He told them the Depression was a recession and would soon be over. He repeatedly stated his belief that prosperity was just around the corner.

Saving Business

Voluntarism and optimism failed to stem the tide of business collapse. Unwilling to follow laissez-faire, Hoover now asked Congress at least to save the major economic institutions of the land, the banks, insurance companies, railroads, etc. Congress responded by establishing the Reconstruction Finance Corporation, and Hoover later defended this departure from laissez-faire:

Disaster has been averted in the saving of more than 5,000 institutions and the knowledge that the adequate assistance was available to tide others over the stress. This was done not to save a few stockholders, but to save 25,000,000 of American families, every one of whose very savings and

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employment might have been wiped out and whose whole future would have been blighted had those institutions gone down.²

No Relief

While Hoover broke precedent to spend \$2 billion to save banks and railroads from collapse, he was unwilling to spend any federal money for direct relief. Once the federal government accepted the responsibility of helping America's unemployed, Hoover reasoned, neighbors, communities, cities, and states that had been shouldering this burden would no longer feel obligated to help. Thus government aid would destroy the feeling of neighborly cooperation and self-help so fundamental to the American way of life. Belief in these principles rather than cruelty or indifference to suffering led Hoover to approve a measure providing \$45 million to save cattle in Arkansas but oppose a \$25 million grant to save Arkansas farmers. As late as May, 1932, Hoover vetoed a public works bill that would have provided

thousands of jobs throughout the country.



Balance the Budget

Behind Hoover's reluctance to spend federal dollars on the unemployed lay his belief in the need to keep the budget balanced

A deficit in the budget could only be met with more taxes and more federal bond issues. That makes balancing the budget hopeless. The country also understands that an unbalanced budget means the loss of confidence of our people in the credit and stability of the government and that the consequences are national demoralization and the loss of ten times

as many jobs as would be created by this program. Hoover had two more reasons for balancing the budget. He did not think it was fair for people to run a debt that their children and grandchildren would have to pay back. He also believed if the government kept on borrowing money it would be much harder for businesses to borrow and start producing again.

Trickle Down

Hoover's concern with balancing the budget, saving financial institutions, opposing relief, and restoring business confidence were part of his philosophy that revival of prosperity depended primarily on business recovery. His policies were directed at helping business. Prosperity, Hoover believed, trickles down from business men to the public at large. The major job of government, Hoover once said, "was to bring about a condition of affairs favorable to the beneficial development of private enterprise." This had also been the philosophy which had governed the policy makers of the 1920's, and which at that time was

² Quoted in Broadus Mitchell, *Depression Decade: From the New Era Through the New Deal, 1929-41* (New York: Rinehart and Company, Inc.), p. 88.

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widely accepted by the American people. It is your task here to decide whether the policies which flow from this philosophy are adequate to deal with the problems of the 1930's.

Suggested student exercises:

1. Evaluate the reasoning behind Hoover's actions, i.e. cite his reasons and explain their strength and weaknesses. Does it seem that Hoover's policies are likely to end the Depression?
2. Based on what you read in this chapter and what you know about the cause of the Depression, what do you think of President Hoover:
 - a. a misguided and perhaps narrow minded man, unable to see that his own policie caused and could not end the Depression
 - b. an unlucky man who happened to be there when the Depression started but certainly not to be blamed for it or his failure to end it.
 - c. it is unfair to judge Hoover by measuring him to present-day understandings of the causes and the depths of the Depression.



Contemporary cartoon criticizing Hoover