

THE HOOVER-ROOSEVELT INTERREGNUM

By

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AN ABSTRACT

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VERNON ANDREWS

ABSTRACT

The interim between the election of Franklin Roosevelt on November 8, 1932 and his subsequent inauguration on March 4, 1933, left the Nation teetering on the brink of disaster.

This last prolonged interregnum in American History is a period of hope and despair; hope in the man who had received the overwhelming mandate of the people, and despair over the deepening depression. Hoover had been repudiated in the election and a lame-duck Congress refused to support him. Roosevelt was without any constitutional power until after the inauguration. Confusion and indecision were the key-notes of this desperate period.

Grave problems arose in this span of four months: In the international realm, war debts and reparations, disarmament and economic difficulties pressed a country which struggled without a leader. At home, a nation was facing more serious economic problems. During this tragic winter countless numbers were suffering while many were starving. Millions were walking the streets because they were unable to find work. Hoover tightly clenched the purse strings of the nation and adequate relief measures were not forthcoming until later.

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The financial system was rapidly approaching disaster. The very foundations of our economic system were too weak to support its tottering load, and the last two weeks of the interregnum were to see nearly complete economic collapse.

An unusual aspect of this interregnum was the unprecedented frequency of contacts between the outgoing President and the President-elect. They were in almost continual communication through meetings, intermediaries and personal correspondence. Despite these contacts, however, they could not agree on any definite policies and the country continued to grope in the dark for relief.

Basic to the understanding of the Interregnum are the underlying philosophies and motives of Hoover and Roosevelt. To this end, I have tried to analyze the major problems from the viewpoint of these two conflicting ideologies. I have tried to show how the actions of Hoover during the interregnum in dealing with the chaos were directly related to his beliefs and previous activities in combating the depression while Roosevelt's role during the period was directed by his political philosophy as indicated by his work as Governor of New York for two terms and his campaign declarations.

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INTRODUCTION

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philosophy as indicated by his work as Governor of New York for two terms and his campaign declarations.

CHAPTER I

THE EVE OF THE INTERREGNUM

The morning of November 9, 1932, began one of the most trying periods in American history. The election returns were being completed in all parts of the country and the awakening nation found that it had a new President. Franklin Delano Roosevelt, the Governor of New York, had defeated the incumbent, Herbert Hoover, with an overwhelming plurality of almost seven million votes. He had carried 42 out of the 48 states; the popular vote was 22,821,857 to 15,761,841.

Long before the election, it was evident that Roosevelt would be elected. His triumph was not surprising because Public Opinion Polls by the dozens had predicted his victory. The Literary Digest completed their straw poll on November 5 and had predicted that Roosevelt would carry 41 out of the 48 states. They sent out twenty million sample ballots and from the 3,000,000 ballots completed, Roosevelt received 1,715,789 votes to Hoover's 1,150,398.¹ Other polls conducted

¹ "Roosevelt Bags 41 States out of 48," The Literary Digest, CXIV (November 5, 1932), 8-9.

by both newspapers and magazines showed the same general trend with the exception of colleges and universities which favored Hoover.

The Forum magazine conducted an interesting poll by surveying 51 of its contributors. Again Roosevelt emerged as the winner with such well known persons as H. L. Mencken, Simeon Strunsky, Clarence Darrow, John T. Flynn, Joseph P. Pollard, Lee Simonson, and others giving him 19 votes. President Hoover scored nine votes with the support of such men as Roger Babson, Will Durant, Thomas D. Campbell and Harvey N. Davis. Norman Thomas, the Socialist candidate received 11 votes. Several of his supporters were Elmer Davis, Irwin Edman, Paul Hutchinson, Oswald G. Villiard, Joseph Wood Krutch and Ruben Levin among others. William Z. Foster, the Communist candidate, received three votes from Lewis Mumford, Dawn Lovelace, and Granville Hicks. Nine participants were undecided or were so dissatisfied that they would not vote at all.²

² "How I Shall Vote," Forum, LXXXVIII (November, 1932), xiv-xx, 257-261.

This poll indicated several interesting factors which could be applied to the nation as a whole. Those supporters of Roosevelt felt that although he was not the ideal candidate, he would at least remedy the "do nothing" policies of his predecessor and possibly cure some of the pressing evils. John T. Flynn, who later became one of his most severe critics, summed up the general attitude of the country:

I propose to vote for Franklin D. Roosevelt. Our depression is due to economic forces which in turn are stimulated by practices of the government and of our large economic groups. Mr. Hoover has struggled desperately but ignorantly, not to end the depression but to save the practices which caused it. . . . He has stupidly called conferences of businessmen as ignorant as himself, instead of economists and sociologists. If he is reelected We will struggle out of this depression and directly into another. Roosevelt at least promises rectification of these abuses.³

Hoover's supporters felt that he had courageously tried to stave off the depression. They believed like many that it was unwise to change Presidents in the middle of a crisis and that given four more years he could lead us to recovery.

A large group of the electorate felt that both the Democrats and Republicans were unable to meet the crisis. They

³ Ibid., p. 257.

had observed Hoover's inadequacy for four years and felt that the "gentleman from Hyde Park" would do little more. Roosevelt made many promises in the campaign but few really believed his sincerity. They felt that a new system was needed to remedy the economic evils of the capitalistic system.

Norman Thomas toured the country and drew large followings. Masses gathered to listen to his proposals. It was predicted that he would receive over 2,000,000 votes. Election day proved otherwise, however, for he only polled some 800,000 while William Foster, the Communist candidate, polled 102,991 votes. The explanation for this last minute switch was that the supporters of Socialist and Communist candidates voted for Roosevelt to insure Hoover's defeat by a definite majority.⁴

Mr. Roosevelt was no great popular idol during the presidential campaign. Vast crowds came out to look at him and to listen to his promises. They liked his charming personality but they went away skeptical. The country yearned for a Messiah. The depression had become unbearable to

⁴ Oswald G. Villiard, "The Pot and the Kettle," Nation, CXXXV (November 9, 1932), p. 446.

great masses of the electorate and Roosevelt was the one sure way of rebuking the Hoover Administration. "The country did not vote for Roosevelt; it voted against Hoover."⁵

Thousands of hungry and discontented Americans wanted a change. The United States was in the grips of the most terrible depression in its history, in 1932. For three years the management of the country was in the hands of Herbert Hoover and for three years he tried unsuccessfully to stem this great economic collapse. He had assumed greater responsibilities on behalf of the government in fighting the depression than any predecessor had done in a similar plight. He failed, however, to realize the scope and magnitude of the "Great Depression" in comparison to other economic failures of the past.⁶

"Like most of his countrymen, Hoover in the autumn of 1929 failed to gauge either the gravity or duration of the crisis."⁷ He believed that the stock market crash was only

⁵ "This Week," New Republic, LXXIII (November 16, 1932), 1.

⁶ Dixon Wecter, The Age of the Great Depression (New York: Macmillan Co., 1948), p. 41.

⁷ Ibid., p. 43.

a temporary set-back and that "The fundamental business of the country, that is, production and distribution of commodities, is on a sound and prosperous basis . . . There is no reason why business could not be carried on as usual."⁸ Hoover was supported by the financial and business leaders throughout the early stages of the depression with optimistic statements that "Business is sound,"⁹ and, "one may predict for the long run a continuance of prosperity and progress."¹⁰

Despite the many optimistic assurances at the outset of the depression as well as later, the calamity grew more terrible in its many aspects.

Hoover believed at first that the depression could be checked by cooperative measures by the leaders of our huge economic system. He arranged for their support by calling conferences with industrial, financial, railroad, and labor leaders in the latter part of 1929.¹¹ He asked these groups

⁸ New York Times, October 25, 1929.

⁹ Ibid., November 2, 1929.

¹⁰ Ibid., January 1, 1929.

¹¹ William Starr Myers and Walter H. Newton, The Hoover Administration: A Documented Narrative (New York and London: Charles Scribner's Sons, 1936), pp. 23-31.

to assist him in relieving unemployment and distress; to maintain wage scales and preserve the nation's buying power and to stabilize the social order and industrial peace through the prevention of panic. He telegraphed requests to governors and mayors throughout the country not to decrease public works but to cooperate with him in expanding them in every direction to increase employment.¹²

Hoover received promises of cooperation and assistance but the number of unemployed grew—wages dropped still further and the President was forced to adopt new means.

He tried to provide relief to Agriculture even before the Stock market crash. The Federal Farm Board was set up in April, 1929, to raise the prices of farm commodities. The Farm Board, composed of nine members appointed by the President were to administer a revolving fund of \$500,000,000 to make loans available to cooperative marketing associations owned and controlled by the farmers themselves. The Board was also authorized to buy up surpluses of farm products so that farm prices would be maintained. The plan failed because

¹² Ibid., p. 29.

the stock market crash had so upset agricultural prices that the problem of immediate relief to maintain falling prices was more important than any long-range assistance. Huge surpluses purchased by the Board were a drag on the market and prices continued to fall.

The next measure Hoover resorted to was an increase in the tariff schedules covering agricultural products. This legislation was embodied in the Hawley-Smoot tariff which the President signed on June 15, 1930. This did not help the farmers because 925 tariff raises out of a thousand were on manufactured goods. Rates on farm products were increased from less than 20 percent to more than 33 percent. This hurt the farmer, however, because the prices of the major staples were largely determined by the world market and a high tariff resulted in reprisals and subsequent tariff increases abroad which reduced the farmer's market considerably. Because of the increases on manufactured goods his cost of living also exceeded the increase in farm prices.

In December, 1930, Hoover urged Congress to appropriate \$30,000,000 for drought relief for the farmers. This sum was entirely inadequate and failed to provide the necessary

assistance to agriculture although the Democrats in Congress increased the Hoover recommendation by \$15,000,000.¹³

Hoover believed that the obligations for relief and employment should begin with the individual. His philosophy was "Rugged individualism" and he proudly proclaimed it.¹⁴ He defended the public treasury violently against federal aid until economic conditions forced him to reverse this policy. He was in favor of state and local governments providing the necessary relief along with private organizations.

His first real activity towards alleviation was "The President's Committee for Unemployment Relief" in October, 1930, to coordinate the relief activities of private charities and state and local agencies. He tried various "Spread the Work" and "Block-Aid" campaigns for relief purposes. These mutual aid schemes often meant forcing the employed to support the unemployed. These efforts were of some assistance but stronger measures were needed to alleviate the acute distress. Private charity was running out; states and cities were

¹³ Meyers and Newton, op. cit., p. 59.

¹⁴ New York Times, October 23, 1928.

running out of money and were no longer able to continue relief measures.

Such is the problem created by three years of increasing unemployment and two years of hand to mouth relief: city after city attempting to feed half or a third or a quarter of its citizens upon gifts made from the reduced earnings, or from taxes levied on the over-appraised homes of the other half or the other two-thirds or the other three-quarters; city after city maintaining the lives but not the health of its unemployed on a survival ration; city after city where the whole mechanism of relief has failed or is about to fail or has survived only by abandoning a major part of its task¹⁵

Hoover could no longer hold out against the demands for relief and recommended the creation of the Reconstruction Finance Corporation which Congress accepted in January, 1932. Capital to the amount of \$500,000,000 was advanced by the government to loan money to railroads, banks, insurance companies, and industrial corporations. Hoover believed that by easing the credit structure and stimulating business, everyone would benefit.

RFC loans were extended to the states in the summer of 1932. Hoover accepted a relief bill giving \$1,500,000,000 for

¹⁵ "No One Has Starved," Fortune, VI (September, 1932), 28.

self-liquidating public works and \$3,000,000,000 for direct relief to states which were "Absolutely unable to finance the relief of distress."¹⁶ Hoover disliked "non-productive public works," such as city halls and state capitol buildings, streets, highways, and harbor improvements which would not pay for themselves.

Hoover also urged the passage of the Federal Home Loan Banks system. This institution was created to establish a series of discount banks for home mortgages and "To build up home ownership on more favorable terms."¹⁷ The building trades were seriously hampered by the depression. Between 1928 and 1933 the construction of residential property fell 95 percent, while expenditures for repairs dropped from half a billion to fifty million dollars.¹⁸ Many citizens were losing their property through foreclosures. Twelve Home Loan Banks were inaugurated to distribute money securing up to 50 percent

¹⁶ William Starr Meyers, The State Papers and Other Public Writings of Herbert Hoover (New York: Doubleday, Doran and Co., Inc., 1934), II, 235.

¹⁷ Ibid., p. 239.

¹⁸ Wecter, op. cit., p. 49.

of the appraised value of the mortgagor's property. Few however, were really aided.

Hoover believed that the main cause of the depression lay outside of the United States. He said, "During the past twelve months we have suffered with other nations from economic depression," and further, "World wide causes . . . have contributed to prolong and deepen the depression."¹⁹ It seems that once Hoover realized that the depression was steadily growing worse, he shifted the blame to international causes.²⁰

Undoubtedly, the world situation was a contributing factor in our economic chaos and Hoover was quite sincere in his attempt to ease the situation with his "Moratorium" on Allied war debts and his support of the World Economic Conference which was held later. His efforts in this vein like his efforts on the domestic front failed to still the ensuing crisis.

Hoover was a "hard worker, dogged and sincere, [yet] he was unable to dramatize his battle with the depression in

¹⁹ Meyers, State Papers, I, 428.

²⁰ Ernest K. Lindley, The Roosevelt Revolution, (New York: The Viking Press, 1933), p. 15.

a way to kindle popular imagination or rally the nation's morale."²¹ He admitted on October 18, 1931, "I would that I possessed the art of words to fix the real issue with which the troubled world is faced in the mind of every American. . . ."²²

Despite Hoover's many reassurances that prosperity was just around the corner, conditions grew worse. On August 26, 1932, Hoover stated that, ". . . we have overcome the major financial crisis . . . and that with its relaxation, confidence and hope have reappeared."²³

Millions of hungry Americans were doubtful. Evidences of the depression could be observed everywhere. Nearly every person was affected in some way; it was impossible to escape from its clutches. Hoover's optimistic statement seemed absurd to the millions of hungry and unemployed.

Hunger marches were reported far and wide over the country. The "Bonus Army" of some twelve to fifteen thousand

²¹ Wecter, op. cit., p. 45.

²² Meyers, State Papers, II, 14.

²³ Ibid., p. 268.

homeless and unemployed veterans and their families camped on the mud flats across the Potomac, to lobby for an early cash loan on their "Adjusted Compensation" certificates, which were not due until 1945. Hoover squashed their appeals when he stated to the press on September 14, 1932, ". . . there are many million others in the same circumstances. . . . The welfare of the Nation as a whole must take precedence over the demands of any particular group."²⁴ He forced Congress to reject the Patman Bill to provide relief for the veterans and ". . . asked the army to assist the district authorities to restore order . . ."²⁵ and drove the Bonus Army from Washington.

In the West and other agricultural areas, farmers were banding together with shotguns to protect their property from foreclosure. Farm mortgages amounted to 8.5 billion dollars in 1932 and they were banding together to protect each other in the Farmer's Holiday Association.²⁶ They wanted a

²⁴ New York Times, September 14, 1932.

²⁵ Meyers, State Papers, II, 142.

²⁶ Ferner Nuhn, "The Farmer Learns Direct Action," Nation, CXXXVI (March 8, 1933), 254-6.

moratorium on their debts and in December, 250 farmers gathered in Washington from twenty-six different states in a National Relief Conference.²⁷

There were other segments of the population who were also suffering. On February 3, 1931, the President made one of his usual optimistic statements to the press in which he said, ". . . no one is hungry and no one need go hungry or cold."²⁸ Despite his repeated assurances that no one would be allowed to starve, many were known to have died from this cause and many others were suffering from malnutrition.

In New York City at least 29 persons died from starvation in 1933, while one hundred ten such fatalities, chiefly children, were reported for the nation at large prior to 1933.²⁹ About 1,000,000 out of New York City's 3,200,000 working population were unemployed. Over 180,000 families were on relief or were waiting to receive aid in the city. Ninety-five

²⁷ Mary Heaton Vorse, "The Farmers Relief Conference," The New Republic, LXXIII (December 28, 1932), 183-85.

²⁸ Meyers, State Papers, I, 496.

²⁹ Wecter, op. cit., p. 39.

persons were admitted to the city hospitals in 1931, of whom 20 died presumably from starvation while 25 of the 143 admitted for malnutrition died.³⁰ Elsewhere in New York City, the homeless were sleeping in subway stations and in empty freight cars, shacks and in an abandoned reservoir in Central Park.³¹

Fortune Magazine conducted a nationwide survey which challenged the accuracy of Hoover's statement, "No one has starved." The situation in Philadelphia was described by its Community Council in July, 1932, as one of "slow starvation and progressive disintegration of family life . . ." The governor of the state estimated that 250,000 persons in Philadelphia "faced actual starvation." Malnutrition had increased in forty-eight counties—27 percent of school children being undernourished.³²

The survey found that forty percent of Chicago's employables were on relief and the minimum relief budget was cut to \$2.15 weekly for a man, and \$1.10 for a child.³³

³⁰ "No One Has Starved," op. cit., p. 19.

³¹ Wecter, op. cit., p. 39.

³² "No One Has Starved," op. cit., pp. 22-3.

³³ Ibid., pp. 23-4.

In St. Louis, 125,000 were unemployed and one-eighth of the population was estimated to face eviction and starvation. Relief campaigners published full-page advertisements pointing to hungry men and women rifling garbage buckets in the search for food. Large numbers of the destitute were found living in refuse dumps along the river where they also hunted for food.³⁴

Fortune cited equally depressed conditions in Passaic County, New Jersey, where 23,749 persons, heads of families, representing 90,699 of the county's 300,000 population, applied for relief. Half of these families were given about nine dollars a month per family. In Paterson, N. J., 8,500 of the registered 12,000 were without relief of any kind.³⁵

North Carolina had 100,000 unemployed textile workers with another 100,000 on the payrolls of closed plants.³⁶

In Georgia, Fortune, found that in the Piedmont Mill Village of Egan Park, fifteen families had banded together to

³⁴ Ibid., p. 24.

³⁵ Ibid., p. 24.

³⁶ Ibid., p. 24.

keep alive on a total weekly income of ten dollars and similar cases were found in other small towns in the region.³⁷

In agricultural and mining districts the story was similar. In coal mining areas, the depression was eight or nine years old. Agricultural areas too had been suffering for many years. Some 1,200,000 souls were dependent upon 240,000 unemployed and distressed bituminous miners. Illinois estimated that of the 500,000 soft coal miners making a living in 1928, only 300,000 were employed in 1932, frequently on wages as low as eight dollars a week. Twenty percent to 99 percent of their children were underweight with many in pressing want.³⁸

Miners in Harlan County, Kentucky, were working from one to one and a half days a week, if at all. They were paid in scrip from which the company deducted an average of \$11.80 monthly for rent, medical attention, insurance and similar expenses. To earn this amount, it was necessary to work nine days but most could only work six days. This resulted in a load of debt with no balance for food. In Pineville, Kentucky,

³⁷ Ibid., p. 24.

³⁸ Ibid., p. 27.

157 children were fed one meal a day at a soup kitchen—the meal consisting of boiled potatoes, boiled beans, and corn bread—an ideal pellagra breeding diet.³⁹

Fortune illustrated that conditions similar to this were to be found all over the country.⁴⁰

The psychological impact of the depression on many was intolerable. The annual rate of increase in admissions to state hospitals for the insane between 1930 and 1932 rose to almost triple that of the preceding decade. The number rose from 439.2 insane per hundred thousand in 1929 to 447.6 in 1931; from 458.3 in 1932, to 472.3 in 1933.⁴¹

The suicide rate on the national level rose from 14 per hundred thousand in 1929 to a record high of 17.4 in 1932, and then gradually lowered to 14.2 in 1936. The statistics indicated that men apparently felt the despair of the depression more than did their wives and the number of suicides was

³⁹ Ibid., p. 27.

⁴⁰ Ibid., p. 86.

⁴¹ C. J.ENZLER, Some Social Aspects of the Depression, (Washington: Statesman Press, 1939), p. 171.

greater in the upper income brackets.⁴² A feeling of hopeless foreboding and helplessness seemed to occupy the national consciousness.

A majority of the American electorate was sick and tired of the Hoover Administration. He had made false promises of prosperity for over three years, but the depression continued with unabated force.

The campaign of 1932 gave the country the opportunity of deciding whether it wanted another four years with Hoover or whether it wanted to take a chance with Roosevelt.

On June 14, 1932, the Republican National Convention opened its session at Chicago. There was no question of President Hoover's renomination—to have rejected him would have been a repudiation of Republican policies in handling the depression. The party platform was largely devoted to praise of the measures which Hoover had sponsored in dealing with the economic crises. The Hawley-Smoot Tariff was upheld and a pledge was added to extend the protectionist principle. Promises were made to the farmers to the effect that they

⁴² Wecter, op. cit., p. 41.

would attempt to raise farm prices and continue the Federal Farm Board.

Their proposals to deal with Prohibition were vague and general. Roosevelt defined them in a campaign speech when he said that the Republican national ticket on this issue was "high and dry" at one end and at the other end there was "increasing moisture."⁴³ There were two opposing beliefs within the party. One group favored a somewhat indefinite formula under which the voters were to pass upon a proposed amendment which would permit the Federal Government to preserve the gains already made in dealing with the evils inherent in the liquor traffic. They also wanted to allow the States to deal with the problem as their citizens might determine, but delegating the Federal government with rights to prevent the return of the saloons and other abuses. The opposing group favored an immediate repeal of the Eighteenth Amendment and the return of the liquor problem to the states. The first

⁴³ Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt: With a Special Introduction and Explanatory Notes by President Roosevelt (New York: Random House, 1938), I, 684. (Hereafter referred to as Roosevelt, Public Papers.)

group—the so-called wet-dry plank, was carried by a vote of 690 to 460.⁴⁴

The Democratic Convention also met in Chicago and formulated a clearer and more concise platform than the Republicans. The Democrats proposed the immediate repeal of the Eighteenth Amendment. They demanded the reduction of government expenses by 25 percent, along with an annually balanced budget so that deficits would not pile up. They also desired a modification of the tariff through reciprocal trade agreements, as they, like many others, believed that the high protective tariff was one of the main causes of our distress. The Democrats favored an enlarged program of public works and unemployment relief, the enactment of state unemployment and old-age pension laws. They also wanted the closer regulation of the sale of securities and some type of banking reorganization.

The platform which Roosevelt had been so influential in preparing⁴⁵ was in complete accordance with his plans as

⁴⁴ Oscar Theodore Barck, Jr. and Nelson Manfred Blake, Since 1900: A History of the United States in Our Times, (New York: The Macmillan Company, 1950), p. 479.

⁴⁵ Basil Rauch, The History of the New Deal, (New York: Creative Age Press, Inc., 1944), p. 39.

he said in his acceptance speech, "That admirable document, the platform which you have adopted is clear. I accept it 100 percent."⁴⁶

In order to understand the Democratic platform clearly it is necessary to understand Roosevelt's political philosophy and his ideas for ending the depression. This can only be accomplished by examining his past record and his campaign utterances.

Roosevelt believed that the depression was caused mainly by domestic problems. Whereas Hoover believed that the depression was caused by world-wide economic difficulties, Roosevelt believed that "the economic structure of other Nations was affected by our own tide of speculation, and the curtailment of our lending helped bring on their distress."⁴⁷ He argued that the "bubble burst first in the land of its origin—the United States," and that the major collapse of other countries followed our collapse.⁴⁸ Unsound investing policies under

⁴⁶ Roosevelt, Public Papers, I, p. 648.

⁴⁷ Ibid., p. 677.

⁴⁸ Ibid.

a lax leadership were responsible for a considerable part of the losses sustained by the people in this country, rather than conditions from abroad.⁴⁹

As governor of New York, Roosevelt had fought for legislation regulating the issuance of injunctions in labor controversies, the extension and more rigid application of the eight-hour day in public work, and a variety of other labor measures. He was concerned with the plight of the unemployed and had championed public relief and public works. New York State led the way in first appropriating money for relief. He advocated unemployment insurance and an old-age pension system. He recognized the need for government assistance in coping with economic problems. "Long before the Presidential campaign of 1932, Mr. Roosevelt had emerged as the leading exponent of modern liberalism . . ."⁵⁰ He wanted to use the power of political government to redress the balance of the economic world and his work at Albany was an application of his liberal philosophy.⁵¹

⁴⁹ Ibid., p. 650.

⁵⁰ Lindley, The Roosevelt Revolution, p. 11.

⁵¹ Ibid.

Whereas Hoover, throughout most of the depression believed in "rugged individualism" and individual initiative in relieving personal economic problems, Roosevelt believed that the government or the state should relieve some of the distress. He defined the state as the "duly constituted representative of an organized society of human beings, created by them for their mutual protection and well-being."⁵² He stated further that one of "the duties of the state is that of caring for those of its citizens who find themselves the victims of such adverse circumstances as makes them unable to obtain even the necessities for mere existence without the aid of others."⁵³ Roosevelt believed that the wealth of the country was concentrated in a few hands as a result of our previous laissez-faire policies in government. This type of "rugged individualism" he felt was responsible for our economic instability. He said:

I believe that the individual should have full liberty of action to make the most of himself; but I do not believe . . . that a few powerful interests should be permitted to

⁵² Roosevelt, Public Papers, p. 457.

⁵³ Ibid., p. 458.

make industrial cannon fodder of half of the population of the United States. . . .

I believe that the government . . . can act as a check or counterbalance to this oligarchy so as to secure the chance to work and the safety of savings to men and women, rather than the safety of exploitation to the exploiter, safety of manipulation to the financial manipulators, safety of unlicensed power to those who would speculate to the bitter end with the welfare and property of other people.⁵⁴

While Hoover relied on state and local aid and private charity to relieve the intense suffering, Roosevelt proposed "immediate relief." "The Federal government should and must provide temporary work . . ." and "expedite the actual construction of public works"⁵⁵ Roosevelt did not wish to defend the public treasury against relief expenditures like Hoover, but believed that society through the Government, "owes the definite obligation to prevent the starvation or the dire want of any of its fellow men and women who try to maintain themselves but cannot."⁵⁶

⁵⁴ Ibid., pp. 680-681.

⁵⁵ Ibid., pp. 851-852.

⁵⁶ Ibid., p. 788.

Roosevelt believed that it was necessary to adopt a swift program for recovery, "This is no time for fear, for reaction, or for timidity."⁵⁷ He reasoned that:

The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it. If it fails, admit it frankly and try another. But above all, try something. The millions who are in want will not stand by silently forever while the things to satisfy their needs are within easy reach.⁵⁸

The basic difference between Hoover and Roosevelt was that Hoover tried to stimulate business in the hope that some benefit would spread to all the people, whereas Roosevelt declared that it was necessary to make the common man secure before we could have any real prosperity. He wanted to reverse Hoover's philosophy and alleviate the distress of the misfortunate lower classes as he declared on April 7, 1932:

These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power, for plans like those of 1917 that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid.⁵⁹

⁵⁷ Ibid., p. 649.

⁵⁸ Ibid., p. 646.

⁵⁹ Ibid., p. 625.

Here was the basic philosophy of Roosevelt. "He had a profound feeling for the underdog, a real sense of the critical unbalance of economic life, a very keen awareness that political democracy could not exist side by side with economic plutocracy."⁶⁰

Roosevelt's liberal political philosophy was not unlike that of many progressives in the country. Many individuals recognized the need for Government action and intervention to battle the depression. Many of these liberal individuals turned to the Democratic party to achieve their aims. Consequently, the Democratic Platform was a more liberal document.

Although Roosevelt had a huge following before the Democratic Convention even started, he met with considerable opposition for the nomination. His most formidable opponent was Alfred E. Smith who had been defeated by Hoover in 1928. Smith was backed by many wealthy and powerful conservatives led by the party chairman, John J. Raskob. They violently

⁶⁰ Raymond Moley, After Seven Years, (New York and London: Harper and Brothers Publishers, 1939), p. 14.

opposed the nomination of Roosevelt. Other powerful factions, namely Texas and California backed Speaker of the House John Nance Garner. Their attempt to block Roosevelt's nomination failed, however because after three ballots, Roosevelt had gained 682 votes and Garner was persuaded to withdraw and throw his support behind Roosevelt. Roosevelt won on the fourth ballot and Garner won the nomination for Vice-President.

Roosevelt broke an established tradition by flying to Chicago to accept the nomination in person. He fired the tired delegates with new vigor in a very aggressive speech which ended with these words:

I pledge you, I pledge myself, to a new deal for the American people. Let us all here assembled constitute ourselves prophets of a new order of competence and of courage Give me your help, not to win votes alone, but to win in this crusade to restore America to its own people.⁶¹

The months that followed began an extensive and vigorous campaign for Roosevelt. Disregarding the advice of many of the old party leaders and close advisors that he should conduct a front-porch campaign, he launched a wide tour of the

⁶¹ Roosevelt, Public Papers, p. 659.

country.⁶² Although many of his supporters felt that his election was assured, he felt that he must take his case to the people. There were, of course, other reasons for the persistent touring which carried him through thirty-eight of the 48 states. One reason was to refute the whispering campaign that he was physically unfit for the strain of the presidency.

Another reason for this long tour was Roosevelt's desire to gather information. He talked with thousands of people from all walks and stations in life; the wealthy and the poor, employees and employers, public officials and voters as well as many others. By this method, Roosevelt gained new ideas and improved his already remarkable knowledge of the country. He had an extraordinary capacity for putting men at ease and making them talk frankly. He learned the condition of the country and sought remedies from the people themselves. "If traced back, some of the novel ideas carried into action during the Roosevelt Revolution undoubtedly would be found to have their origin in the grass roots and in the corner grocery stores."⁶³

⁶² Alden Hatch, Franklin D. Roosevelt, An Informal Biography, (New York: Henry Holt and Co., 1947), p. 181.

⁶³ Lindley, The Roosevelt Revolution, op. cit., p. 34.

During the campaign and the interregnum the so-called brains trust was the subject of much public discussion. Many believed that Roosevelt was surrounded by dangerous radicals; others believed that he was tapping the intellectual energy of the nation to assist him in the complex problems of government.⁶⁴ The use of college professors as experts on various problems of government was not a new innovation with Roosevelt. Other presidents often called upon such men for advice.⁶⁵

The little group that came to be labeled the brains trust was formed early in 1932. Roosevelt needed information on national problems. Sam Rosenman suggested that he call upon the universities for assistance.⁶⁶ Raymond Moley, of Columbia University, whose advice was often sought by Roosevelt as Governor, was asked to organize the necessary men required to aid him. Moley recruited such men as Joseph D. McGoldrick, James W. Angell, Charles Taussig, Rex Tugwell,

⁶⁴ John Gunther, Roosevelt in Retrospect, (New York: Harper and Brothers, Publishers, 1950), p. 269.

⁶⁵ Lindley, The Roosevelt Revolution, op. cit., p. 20.

⁶⁶ Joseph Alsop and Robert Kintner, Men Around the President, (New York: Doubleday, Doran and Co., 1939), pp. 19-20.

Adolph Berle, Ralph Robey, and Hugh S. Johnson. Other men were added from time to time while others dropped out of the small coterie but the core of the brains trust remained Tugwell, Berle, Rosenman, Moley, and O'Conner.⁶⁷

Roosevelt received many ideas from this small following and they contributed greatly to his campaign. They originated the use of several very important phrases in his campaign speeches. Moley was responsible for the phrases, "the forgotten man,"⁶⁸ and the "new deal."⁶⁹ Berle introduced the phrase, "industrial cannon fodder."⁷⁰

Although these men helped draft Roosevelt's speeches they did not alter his philosophy nor did he follow their suggestions completely. Their main duties were ". . . to sift proposals for him, discuss facts and ideas with him, and help him crystallize his own policy."⁷¹

⁶⁷ Moley, op. cit., p. 21.

⁶⁸ Ibid., pp. 23, 146.

⁶⁹ Ibid., p. 11.

⁷⁰ Lindley, The Roosevelt Revolution, p. 27.

⁷¹ Moley, op. cit., p. 55.

Roosevelt was rather bold with some of his proposals. In fact, some of his advisors thought he was taking unnecessary risks in some of his speeches.⁷² This did not worry him because he declared, "I want people to know just what I think."⁷³ Roosevelt was looking to the future also:

Without question, at least two of Mr. Roosevelt's motives were related to the prodigious task that lay ahead of him if he were elected rather than to getting elected. He sought to spread a feeling of good cheer and national self-confidence and lay the base for that democratic direct contact with the electorate which he expected to maintain from the White House.⁷⁴

Roosevelt's campaign tactics and speeches influenced many people in the final vote. Many changed their minds about him. Walter Lippman, who had previously called the Democratic nominee, "hollow, synthetic, a pleasant man who, without any important qualifications would very much like to be President," reversed his stand after some of Roosevelt's campaign speeches. He said, "For some weeks Governor Roosevelt's nomination seemed to me a sour one. . . ." "On the

⁷² Moley, op. cit., pp. 49-52, 64.

⁷³ Hatch, op. cit., p. 181.

⁷⁴ Lindley, The Roosevelt Revolution, op. cit., p. 33.

score of his own abilities my own judgment has been greatly modified. . . ." He added, "What impresses me most about his western speeches is the quality of judgment they display. He has talked as concretely as any candidate I know of and yet he has driven very few pegs into the ground that he will have to pull out later with his teeth. . . ." ⁷⁵

As the campaign progressed, the differences between the two parties became apparent. President Hoover did not take an active part in the campaign until two months preceding the election. He was too busy with important matters of the government. For over two months Roosevelt had been attacking the Republican Administration and its effects were telling. He played up the mistakes and evasions of the administration. He described and emphasized the wretchedness of the agrarian states, and the gathering disillusionment of manufacturers and merchants in respect to the Hawley-Smoot Tariff. The key to his own program was the restoration of the farmers lot and the stimulation of the national economy. He hammered away on the unbounded popular resentment of the small investors who

⁷⁵ "Democrats," Time, XX (October 17, 1932), p. 13.

had thrown away their savings because of the Republican Administration. Roosevelt was strengthened by two allies of enormous weight; these were the millions of unemployed who were looking for a solution for their woes and the tremendous Anti-Prohibition sentiment released in favor of the Democrats because of the clear cut repeal plank in their platform and Roosevelt's definite stand on the issue. The electorate was aware of the ugly facts of the depression without Roosevelt's repeated references to them but they welcomed his promises of relief and definite aid. He promised them jobs and gave many the first hope of the depression.

When Hoover decided to defend his administration, he offered little to relieve the suffering. He called Roosevelt's promises to put 10,000,000 people to work—"fantastic." He said, "It is a promise no government could fulfill. It is utterly wrong to delude suffering men and women with such assurances. . . ." ⁷⁶

Hoover offered no hope to the country and asked it to put their faith in his second term because he was leading the

⁷⁶ Meyers, State Papers, II, 381.

nation to recovery. It was a very difficult campaign for the Republican Party. As Hoover's Secretary of State testified, "It was not a pleasant campaign or an easy one; from the beginning defeat was so clearly probable that it was uphill work all the way."⁷⁷ Hoover tried bravely to defend his policies and he lashed out bitterly against Roosevelt. He issued a warning of what to expect if Roosevelt won:

They are proposing changes and so-called new deals which would destroy the very foundations of our American system. . . . the enormous expansion of the Federal Government . . . means the growth of bureaucracy such as we have never seen in our history . . . the grass will grow in streets of a hundred cities, a thousand towns; the weeds will overrun the fields of millions of farms . . . Their churches and school houses will decay.⁷⁸

The campaign developed into the fear stage. On October 17, bulletin boards in Ford plants urged the employees, "To prevent times from getting worse and to help them get better, President Hoover must be elected."⁷⁹ On October 18, General

⁷⁷ Henry L. Stimson and McGeorge Bundy, On Active Service in Peace and War, (New York: Harper and Brothers, 1947), p. 282.

⁷⁸ Meyers, State Papers, II, 418.

⁷⁹ "The Campaign in the 'Fear' Stage," The Literary Digest, CXIV (November 5, 1932), 5.

W. W. Atterbury, President of the Pennsylvania Railroad, urged that employees vote for President Hoover for "his program will bring back normal conditions."⁸⁰ Secretary of the Treasury, Ogden Mills said at Chicago on October 13, "Roosevelt was trying to ride into office on a wave of discontent born of the depression," and on October 25, at Cincinnati, he said, "Democratic success may mean a complete reversal of the very policies that have overcome the panic and made a firm foundation for recovery."⁸¹

President Hoover declared in his Des Moines speech on October 4, 1932, that the foreign countries going off the gold standard accompanied with the large domestic hoarding had "at one moment reduced the amount of gold we could spare for current payments to a point where the Secretary of the Treasury informed me that unless we could put into effect a remedy, we could not hold to the gold standard but two weeks longer"⁸² This serious observation caused runs on the banks

⁸⁰ Ibid., p. 6.

⁸¹ Ibid., p. 6.

⁸² Meyers, State Papers, p. 302.

and increased hoarding. Hoover said that it was only the "cool head of the Republican Administration" that saved the country. He urged that the Republicans be kept in office because they were leading the country to recovery. This attempt to instill fear in the minds of the people was a false misrepresentation. Senator Glass, Chairman of the Senate Committee on Banking and Currency, quoted both Senator Reed and Secretary of the Treasury Mills as testifying that "they were confident of our ability to meet all demands upon us."⁸³ Also Dr. E. W. Kemmerer, one of the foremost authorities on banking and currency, said, "There was no danger at any time of this country going off the gold standard as the result of the withdrawal of gold by foreign countries."⁸⁴ Many were skeptical of Hoover's arguments:

It is likely enough that as the voters listened to the vaticinations of the President that many thousands made a mental comment to the effect that the description was a not too outrageous picture of the United States after twelve years of government by the extraordinarily

⁸³ "The Republicans Try Panic," Nation, CXXXV (October 26, 1932), p. 386.

⁸⁴ Ibid.

powerful directors of the party that was about to be de-throned.⁸⁵

Roosevelt fought back at Hoover's assertions. At Wheeling, West Virginia, on October 18, he spoke of the "spectre of fear" raised by the Republicans; at Pittsburgh on October 19, 1932, he spoke of the "gospel of fear" that the opposition was spreading. At Indianapolis, on October 20, he alluded to their "political desperation" and "October Hysteria." At Baltimore he told his listeners that he was "waging a war against 'Four Horsemen' of the present Republican Leadership—Destruction, Delay, Deceit and Despair."⁸⁶

The campaign ended on a very bitter note. Hoover resorted to personalities. He made campaign history by mentioning his opponent by name.⁸⁷ Roosevelt did not attack the Republican Party but instead attacked the "Republican Leadership."⁸⁸ Hoover in his October 31, 1932, speech implied that

⁸⁵ S. K. Ratcliffe, "From Hoover to Roosevelt," Nineteenth Century, CXII (October, 1932), p. 671.

⁸⁶ "The Campaign in the 'Fear Stage,'" op. cit., p. 5.

⁸⁷ "Republicans," Time, XX (October 31, 1932), 10.

⁸⁸ Roosevelt, Public Papers, I, 648, 670.

Roosevelt advocated direct governmental operation of business and stated:

It is a false liberalism that interprets itself into government operation of business. Every step in that direction poisons the very roots of liberalism. It poisons political equality, free speech, free press, and equality of opportunity. . . . the proposals of our opponents represents a profound change in American life. . . . a radical departure from the foundations of 150 years . . .⁸⁹

Roosevelt deeply resented this attack upon his character and ideals: "I simply will not let Hoover question my Americanism," he snapped.⁹⁰ Roosevelt wanted to retaliate shortly afterwards in his address at Boston which took place on the same night. His close supporters advised him not to yield to the temptation which would only hurt his reputation. He followed their advice and in his speech he did not make the sharp answer which had been prepared.⁹¹ Rather, he deplored the "personalities" which Hoover had injected into the campaign and asserted that the New Deal would not change the fundamental

⁸⁹ Meyers, State Papers, II, 425.

⁹⁰ Moley, op. cit., p. 64.

⁹¹ Ibid.

principles on which the nation was founded, but would "aim to bring those principles into effect."⁹²

It was left up to the people to decide between the policies of the two men. Both were somewhat vague and many glittering generalities entered into the campaign but election day gave convincing evidence of a revolution in American public opinion since 1928. Big Business and prosperity were no longer the key words in American thought; they had been replaced with words like relief, government assistance and New Deals.

Roosevelt's election was favorably received. Newspapers throughout the country were praising his election. The Boston Herald commented: "If the wholesome, gracious gentleman who was elected President guides the nation with the fine spirit and quick perception which he showed in the Jimmie Walker hearings, nobody need worry about the developments at the White House." The Seattle Times stated: "He has drawn large support from variously conflicting elements for whose theories of government and politics there is no apparent ground of

⁹² Roosevelt, Public Papers, I, 844-845.

compromise." The Philadelphia Record stated: "The mere election of Roosevelt improves the national morale, changes the view point of the army of sufferers, smooths the road."

The New York Herald Tribune: "If only he will sail by the stars and not where the winds of opinion would take him, he will bring the ship into port." The Norfolk Virginian Pilot:

"He is to be congratulated on his great victory." The New York Times stated: "We may feel ourselves fortunate in the choice of such a man as President."⁹³ The rank and file were jubilant over the election. Hoover had been repudiated and many believed that the country could begin anew.

The four months following the election brought the American economic crisis to a dangerous climax. The dangers of so long an interregnum were remedied by the passage of the Twentieth Amendment. There had been considerable agitation for this legislation for several years; it was proposed on March 2, 1932, after a long crusade by Senator Norris to eliminate lame-duck sessions of the old Congress and was ratified on

⁹³ "The New Deal—What It Means to Us," The Literary Digest, CXIV (November 19, 1932), pp. 5-7.

February 6, 1933. This amendment, the so-called Lame Duck Amendment, provided for the terms of the President and Vice-President to end at noon on January 20, and the term to end for Congressmen at noon on January 3. Unfortunately, this relief came too late to prevent the chaos which followed.

During this last prolonged interregnum, there were crises and changes that were world wide. Just five weeks before Roosevelt came to power in the United States, Hitler came to power in Germany. The imperialistic policies of Japan which were later to make their devastating mark on world history were foretold when they withdrew from the League of Nations. Russia was well on her way to become a leading world power with the announcement that they were beginning another "Five Year Plan." The banking system of the United States which had been crumbling for several years finally collapsed. The basic differences between the old administration and the new command were so great that it was almost impossible to solve the many complex problems.

The period between November 8, 1932 and March 4, 1933 has little resemblance to any other in our presidential history. The shift in power was far more decisive than in Wilson's first election, and the chasm between

outgoing and incoming administrations was almost as wide as that between Buchanan's and Lincoln's.⁹⁴

The nation had repudiated the policies of the outgoing administration but they had to wait for four agonizing months before Roosevelt could assume the presidency and carry out the position entrusted to him.

Ernest K. Lindley asserted:

Almost to a man, I believe, the country would have been delighted to see him step into the presidency at once. Many who had voted against him were glad that, since he had won, it had been a tremendous majority and that he had been given a democratic Congress. Others bowed to the inevitable and, since the change had been decreed, would rather have seen it become effective at once than risk the dangers of a four months' interregnum.⁹⁵

⁹⁴ George Fort Milton, The Use of Presidential Power, 1789-1943, (Boston: Little, Brown and Co., 1944), p. 255.

⁹⁵ Lindley, The Roosevelt Revolution, p. 42.

CHAPTER II

WORLD PROBLEMS VERSUS INDECISION

On November 9, after hearing the news of his election, Franklin Roosevelt left his 65th Street house in New York City, returned to Albany to finish his work as Governor of New York, began organizing his Cabinet and formulating his program for the difficult task that lay ahead. He was interrupted shortly however, because four days later he received a long telegram from President Hoover, who was vacationing in California, asking him to discuss the foreign debts that were due to the United States on December 15.

The war debts issue that Hoover proposed to discuss with the president-elect began with the outcome of the first World War. Both before and during the war the United States had loaned some ten billion dollars to the Allied Nations. At the end of the war the victorious powers proposed to take from Germany in the form of reparations at least enough money to repay us. This placed a tremendous burden on the Germans which was almost impossible for them to meet. It was only

through large loans and investments by the victorious powers to Germany during the Twenties that they were able to pay at all. "It has been calculated that out of one pocket Germany paid £400 millions in reparations under the Dawes plan . . . while into the other she took £750 millions derived from the trusting bankers of Lombard Street and Wall Street."¹ With the economic collapse in this country in 1929 we were obliged to begin withdrawing credit from Germany. Then followed the collapse of the Credit-Anstalt, the largest bank in Austria, in May, 1931. The collapse of this powerful bank together with the already weak financial system precipitated a general financial panic. The United States still insisted upon payment of the war debts from their debtors, while the debtors in turn insisted upon the payment of reparations from Germany. In 1931, the schedule for the following year involved net payments by Germany of approximately four hundred million dollars. Payment of this almost impossible sum would surely have bankrupted the Germans.

¹ Harold Butler, "An Englishman's Impressions of Germany Between Wars," in Harold and Margaret Sprout, Foundations of National Power, (Princeton: Princeton University Press, 1945), p. 351.

Recognizing this situation, Hoover in June, 1931, proposed a moratorium on all foreign debts. In other words, the United States would not insist upon payment of the war debts if Great Britain and France among others would not insist upon the payment of reparations from Germany. This world-wide moratorium temporarily eased the grave international situation.

The problem returned upon the expiration of the moratorium in June, 1932, and the resumption of major debt payments. There was growing resentment in Great Britain and France against the payment of their debts. Stimson, Hoover's Secretary of State, declared that, "the people of Great Britain and France had come to think of the war debts as a millstone hung around their necks by the shortsighted—and self-destructive—greed of Uncle Shylock."²

Germany's creditors had met with German representatives at Lausanne, Switzerland, in June, 1932, upon the end of the moratorium and had agreed to reduce the obligations of Germany by 90 percent. This reduced their claims to approximately \$700,000,000, payable in 5 percent German bonds and

² Stimson and Bundy, op. cit., p. 213.

ended strictly "reparations" payments entirely. They believed that it was practically impossible for Germany to pay the reparations and she probably wouldn't in any case. The one loophole in the agreement was that the creditors of Germany said that it would not become final until they had made a satisfactory arrangement for scaling down their own obligations to the United States. They also maintained that with the lowering of reparations payments, the subsequent reduction of the war debts by the United States was necessary.

Appeals for war debt reductions began to reach the United States during the presidential campaign. Both major party platforms opposed cancellation of the war debts. Both feared the opinion of the voters who regarded the payment of the war debts as a means of alleviating their own economic distress. "For a dozen years in accordance with the assertions of Democrats and Republicans alike, the American people had been convinced that the war debts were a moral and economic obligation as binding as any debt in personal affairs."³

³ Stimson and Bundy, op. cit., p. 214.

There were, however, some elements in the country who felt that a scaling down of war debts was indispensable for international stability. Secretary of State Stimson, Senator Borah, many leading bankers and various economists felt that the cancellation or at least the reduction of the war debts was necessary in order to stimulate world trade and create better understanding between the United States and Europe.⁴ Stimson believed, and he was later proved to be right, that it would be nearly impossible to collect much of the debt. He said:

. . . I know mighty well that if the nations that were receiving reparations could not hold them, we shall not be able to save much of our debts. . . . When I see France, who has a large stake in Europe and who is right next to Germany, give up her reparations to an extent per capita nearly equivalent to our war debts . . . in spite of all the feeling in France arising out of the war on behalf of those reparations, and in spite of the fact that she has the right to invade Germany to save them, it seems preposterous to think that we should be able to keep our debts when we are three thousand miles away from them and without an army and have no intention or desire to have a war with either France or Britain.⁵

⁴ Ibid., pp. 215-216.

⁵ Ibid., p. 216.

Hearst Newspapers conducted a poll of the members of Congress and found that "out of 285 members of the House contacted, 253 opposed cancellation, and 27 were non-committal." Out of 79 Senators polled—39 Democrats, 39 Republicans and 1 Farm-Laborite opposed cancellation. Four Senators were non-committal and 12 were absent."⁶

On November 10, two days after the election, the debtor nations reasserted their demands to take prompt advantage of any differences in leadership following the election.⁷ They asked for immediate readjustment of their debts before their payments were due on December 15. The British and French Ambassadors, Sir Ronald Lindsey and Paul Claudel, called on Secretary Stimson to review the \$95,550,000 payment due from Great Britain and the \$19,261,432 payment from France. Payments were due from several other countries also, but they were insignificant as compared to those of France and Great Britain.

⁶ "Lausanne's Bitter Pill," The Literary Digest, CXIV (July 23, 1932), p. 3.

⁷ Meyers and Newton, op. cit., p. 278.

President Hoover immediately sent Roosevelt a telegram asking him to cooperate on this matter and to assist him in determining the policy to be followed. Hoover was opposed to cancellation of the war debts and in his telegram on November 12, he stressed this point. He reviewed the latest developments in the war debt question and the previous policy of the Government. He stated that he did not favor cancellation but "that we should be receptive to proposals from our debtors of tangible compensation in other forms than direct payment in expansion of markets for the products of our labor and our farms . . . and that substantial reductions of world armament, which will relieve our own and world burdens and dangers, has a bearing upon this question." President Hoover also pointed out that any negotiations now begun would be protracted beyond his administration, and added that "I am loath to proceed with recommendations to the Congress until I can have an opportunity to confer with you personally at some convenient date in the near future."⁸

⁸ Meyers, State Papers, II, 486.

Such was the situation when Roosevelt received this serious message from President Hoover. On November 14, Roosevelt replied. The two day delay occurred because Roosevelt consulted with Colonel Louis McHenry Howe, Colonel Edward M. House and Bernard M. Baruch to make clear his own relation to the problem before entering such a parley.⁹ Roosevelt believed that the heart of the recovery program must be domestic and that it was too early for him to assume responsibility. In his reply to the President, he stated that he would be delighted to confer with Hoover and suggested that the meeting be "wholly informal and personal," and added specifically that he hoped that the President himself would confer with the members of Congress at the earliest opportunity because "in the last analysis, the immediate question raised by the British, French and other notes creates a responsibility which rests upon those now vested with executive and legislative authority."¹⁰

⁹ New York Times, November 14, 1932.

¹⁰ Roosevelt, Public Papers, I, 876.

A conference was arranged by telephone between the President and President-elect for November 22 at the White House. There was a great deal of speculation about the meeting throughout the country.¹¹ Such a meeting was unprecedented in the annals of American History. "Ike" Hoover, the chief usher of the White House for many years observed, "The visit of President-elect Roosevelt to President Hoover was most interesting and unusual. It was the only time in my years of service that any President-elect came to call on the incumbent in advance of the inauguration."¹² On the way to the conference, thousands cheered the President-elect which was rather unusual for Washington, a city that had seen many Presidents come and go.¹³ "This warmth was rather different from the studied courtesy at the White House."¹⁴

The participants of the conference were President Hoover, Secretary of the Treasury Mills, Governor Roosevelt, and his

¹¹ See New York Times, November 12, to November 22, 1932.

¹² Irwin Hood Hoover, Forty-Two Years in the White House, (Boston: Houghton Mifflin Co., 1934).

¹³ New York Times, November 22, 1932.

¹⁴ Moley, op. cit., p. 72.

chief advisor Raymond Moley. After a few preliminary pleasantries, they immediately began their discussion of the war debts. Professor Moley, the only person present at the meeting who has written an account of the proceedings, described it as follows, "Hoover plunged into a long recital on the debt question. He spoke without interruption for nearly an hour . . . " Hoover's administration had observed four principles with respect to the debts. He believed that they were "not political debts, but substantially honest business obligations . . . " He believed that the United States "had and should consider each country as a unit and each debt as an independent transaction . . . and that the debts and reparations were not related" and that the United States were not responsible for the Lausanne agreement. Further he believed that we must take account of "professed and proven inability on the part of any of our debtors to pay us. . . ." ¹⁵ Hoover also declared that, ". . . Either cancellation or default would shake international credit," and would cause "economic shivers to pass through this country." ¹⁶

¹⁵ Ibid., p. 73.

¹⁶ Ibid., p. 74.

Hoover's proposals were based on the conception that foreign instability was the source of the American depression and that American recovery had already begun. Roosevelt rejected this explanation, because he believed that the main sources of the depression were domestic, the chief one being the failure of purchasing power to keep pace with production, which could only be corrected by sweeping domestic measures.¹⁷

Hoover disregarded these basic differences between the two men and stated that "While both cancellation and default ought to be avoided at all costs," we could not insist upon payment unless we gave the debtor nations some chance of revision or readjustment without precipitating a world crisis. Hoover then proposed that Roosevelt assist him in appointing a Debt Commission to settle the difficulty. He felt that if Roosevelt would cooperate in this matter that Congress would go along with the proposal. Congress had come to dominate the debt question and Hoover expressed the belief that if he negotiated any agreement with the debtor nations, without the support of Roosevelt, that Congress would refuse to approve it. Roosevelt

¹⁷ Ibid.

agreed with the President, that the debtor nations should have a better opportunity to present their claims, and he agreed with the basic four points of Hoover's debt proposals. He believed that the December 15 payments should be made by the European countries, but he also believed that Hoover should negotiate for revision of the debts and that it was not necessary for him to assist Hoover in setting up a Commission to solve the problem, when Hoover himself already had the necessary powers.¹⁸

This proposal rather "visibly annoyed" Hoover and Mills, because they had hoped that Roosevelt would accept the Debt Commission proposal and support the President's actions. The meeting ended shortly with the agreement that Hoover would issue a statement after communicating its contents to Roosevelt, whereupon Roosevelt would then issue a statement and "Perhaps the preponderance of agreement between the two statements might indicate a sufficient degree of harmony to reassure the country."¹⁹

¹⁸ Ibid., pp. 75-76.

¹⁹ Ibid., p. 76.

Hoover released a statement to the press on November 23. It went fully into the whole question of the war debts. He reviewed the former policies of the United States in conducting negotiations. He argued that any settlement of the question would have to come from Congress, and he asked them to reinstate the Debt Commission. This Commission, he believed, should be so constituted as to work in close agreement with the delegations to the World Disarmament Conference and the World Economic Conference. He was convinced that the solution of the problem depended upon a frank and fair discussion between the disagreeing nations.²⁰

On the same day, Roosevelt issued a statement in which he reaffirmed his position on the war debt question. He declared that the December 15 payments should be insisted upon because they were "actual loans made under the distinct understanding that they would be repaid." He believed, however, that the individual debtors should have access to the creditor as this is "a basic obligation of civilization." He asserted that the necessary contacts between the United States and the

²⁰ New York Times, November 24, 1932.

debtor nations could be made through the "existing agencies and constituted channels of diplomatic intercourse. Furthermore, he contended that Congress could not "limit the constitutional power of the President to carry on diplomatic contacts or conversations with foreign governments." Roosevelt believed that this would be the most convenient way to dispose of the situation.²¹

Roosevelt's stand on the war debt question evoked loud criticism from the public. Many believed that Hoover's stand on the war debts was praiseworthy, while Roosevelt's attitude was one of evasion and irresponsibility. His position occasioned sharp outbursts from the Press. The New York Times reviewed the expressions of 13 leading newspapers and showed that their Editors were very critical of Roosevelt's actions. The New York Herald Tribune stated:

. . . We think the country will be disappointed that Mr. Roosevelt could not see his way to cooperate in respect to this particular issue, involving no domestic problem. But on Mr. Roosevelt's side it is to be said that he was suddenly confronted by a complex issue with which he had no opportunity to familiarize himself.²²

²¹ Ibid.

²² New York Times, November 24, 1932.

The Baltimore Sun said that the debts

may not be legally his baby until the fourth of March, but it seems to us that Mr. Roosevelt might wisely have given thought to the possibility that this baby, which is not now his, may soon develop into an unruly stepchild, permanently lodged under his roof, and disposed to play with matches.²³

Meyers and Newton, Hoover's all-but-official biographers, stated that Roosevelt's behavior "was very disappointing." They also declared that "the importance of this to the later banking crisis was simply that it caused discouragement in the country and apprehension as to delay in stabilization of debts and currencies."²⁴

Despite the bitter criticism, Roosevelt did not alter his position on the question. The debtor countries were notified of the agreement reached on November 22. Since both men had agreed that the December 15 payments could not be altered, there was little that the foreign countries could do. They protested this settlement vigorously until the date the payments were due but with little success. Of the total of about

²³ Ibid.

²⁴ Meyers and Newton, op. cit., p. 288.

\$125,000,000 due to the United States on December 15, \$98,685,910 was collected with Great Britain, Italy, Latvia, Lithuania, Czechoslovakia and Finland meeting their payments. The other countries defaulted, France, the second largest debtor, refusing to make any payment. President Herriot of France tried to persuade the Chamber of Deputies to follow the British course of action, but his government collapsed over this issue.²⁵

Those nations that made prompt payment of the December 15 installment immediately began clamoring for readjustment of their debts. Hoover believed that unless some type of settlement was reached regarding these debts, other economic problems could not be agreed upon. He declared that these nations would not cooperate on trade agreements and on disarmament questions. As stated before, Hoover believed that our own depression was caused by the lack of trade and the economic disparity between the United States and Europe. Therefore, on December 17 he reopened the subject with the President-elect.

²⁵ New York Times, December 14-December 18, 1932.

He informed Roosevelt that the problem of the debts could not be "disassociated from the problems which will come before the World Economic Conference and . . . the Conference on World Disarmament." He stated further that as "the economic situation in foreign countries is one of the dominant depressants of prices and employment in the United States it is urgent that the World Economic Conference should assemble at as early a date as possible." He proposed that the United States should choose a strong and effective delegation immediately so that they might prepare for the many problems which might arise. He reasserted his theory that if the war debts problem could be settled before the Economic Conference, we could arrive at more satisfactory solutions to other economic problems. He asked Roosevelt to assist him in the selection of a delegation and recommended that it should include certain members of the Congress.²⁶

Hoover wanted Roosevelt to consider the war debts along with the Economic Conference and the Disarmament Conference. Roosevelt was disinclined to accept this proposal. He believed

²⁶ Meyer, State Papers, II, 554-56.

that the debtor nations were trying to secure the reduction of their war debts by reaching possible economic and financial agreements at the Economic Conference. Roosevelt thought that any agreements reached at this conference would benefit other nations as well as the United States, and that it was not necessary to give them debt reductions in turn for their participation.²⁷

Roosevelt replied to the President's telegram on December 19. He reasserted his earlier position that the three questions of disarmament, economic relations, and the war debts required separate treatment. He said that he felt Hoover's policies as to disarmament were "clear and satisfactory" and might well be pursued but that it would take considerable time. He stated that the debts could be settled by the Chief Executive through the existing machinery of the Diplomatic service "or by supplementing it with specially appointed agents of the President himself." However, "any steps taken in this direction should be to determine facts and explore the situation" rather than fixing policies binding on the incoming administration."

²⁷ Moley, op. cit., p. 87.

He declared as to the Economic Conference that a "permanent economic program for the world should not be submerged in conversations relating to disarmament or debts. He again informed the President that he did not have any constitutional authority until March 4, and suggested the appointment of the permanent delegates and the final determination of the program of the economic conference should wait until after he was inaugurated. He recommended that Hoover could continue preliminary work on these matters if he saw the necessity of this action, but Roosevelt refused to accept joint responsibility while "wholly lacking in any attendant authority."²⁸

On December 19, before he received a reply from the President-elect from his December 17 telegram, Hoover sent a message to Congress. He reiterated the developments in the war debts question but he told Congress that the "successful outcome of the World Economic Conference would be greatly furthered if the debt problem were explored in advance." He proposed a delegation be picked at once so that they could begin coordinating the three questions and set up the preliminary

²⁸ Roosevelt, Public Papers, I, 879-880.

machinery for their settlement. He said fallen prices, decreased consumption, trade restrictions and other domestic problems were partly the result of foreign implications. He suggested that the foreign exchange must be stabilized to permit the movement of commodities which would in turn raise prices throughout the world. Hoover proposed that these economic difficulties could be solved by an active participation in the World Economic Conference. He again urged Congress to set up a debt commission to start the necessary proceedings for economic recovery.²⁹

After receiving Roosevelt's answer on the 19th, Hoover immediately replied to the President-elect on December 20. The President declared that "in the face of foreign conditions which are continually degenerating agricultural prices, increasing unemployment and creating economic difficulties for our people," that cooperation between the outgoing and incoming administration was necessary for earlier recovery. He recognized the fact that they differed on the solutions to the pressing problems and that these questions would not be concluded within

²⁹ Meyers, State Papers, II, 547-554.

his administration. He told Roosevelt he was not attempting to determine the nature of the solution of the problems he had outlined, but to set up the machinery for their consideration. He disclaimed any desire to commit Roosevelt to his own views, realizing that the problems of debts, economic difficulties, and disarmament required separate treatment, he also believed that they needed coordination. In order to secure cooperation and solidarity of national action, he again asked Roosevelt to designate Mr. Owen D. Young, Colonel House, or any other men that he wished, to join his administration and begin work on the foreign problems.³⁰

It is difficult to understand Hoover's motives in securing Roosevelt's cooperation. It is almost impossible to determine whether or not Hoover genuinely believed that the causes of the depression were foreign and sought cooperation for this reason or if he simply wanted to saddle Roosevelt with part of the responsibility for the depression.

Roosevelt believed the latter as he stated in his reply to Hoover on December 21, "I think perhaps the difficulties

³⁰ Ibid., p. 557.

to which you refer are not in finding the means or the willingness for cooperation but, rather, in defining clearly those things concerning which cooperation between us is possible." Roosevelt affirmed the fact that he also wished to avoid the loss of any time and would gladly receive any information concerning the international questions but he asserted, "for me to accept any joint responsibility in the work of exploration might well be construed by the debtor or other nations, collectively or individually, as a commitment . . . as to policies and courses of action." Roosevelt believed that the designation of men of such eminence as Hoover suggested would infer more than mere fact finding; it would presume that these men were empowered to work for a binding policy. FDR suggested that Hoover proceed in selecting the delegation to begin the preliminary exploration into the international situation but that they be made to understand that they were not authorized to bind the new administration as to any ultimate policy.³¹

Again, Roosevelt definitely refused to participate in the foreign policies to which Hoover stubbornly wished to commit him.

³¹ Roosevelt, Public Papers, I, 883.

On December 22, President Hoover turned over the complete correspondence to the press because part of the information had already leaked out. President Hoover said in a statement to the press:

Governor Roosevelt considers that it is undesirable for him to assent to my suggestions for cooperative action on the foreign problems outlined in my recent message to Congress. I will abide by his wishes.

Situations will no doubt develop and will be dealt with by the Administration as they arise, but of course no commitments will be made for the next administration.³²

It was evident from the President's statement that he was very angry because the President-elect had not seen fit to agree to his proposals. Roosevelt gave a very indignant statement to the press declaring that he was willing to cooperate with the outgoing administration and had proposed a method to that end, which was consistent with the incoming administration's policies. He added that the President was free to accept it or not, as he saw fit.³³

This ended any direct contacts between the two men over the war debt question and other international problems.

³² Meyers, State Papers, II, 554.

³³ New York Times, November 23, 1932.

The issue was still very much alive after this clash but each participant was virtually left free to determine his own policy on foreign affairs.

The press reaction on this disagreement was more favorable to Hoover than to Roosevelt. Many felt that Roosevelt had failed to take advantage of a perfect opportunity to begin his recovery program.

On December 22, Norman H. Davis, the United States delegate to the Disarmament Conference, and the Organizing Commission of the World Economic Conference returned from Geneva. On landing, Davis announced to the press that the World Economic Conference would be held at London in April, with the preliminary meeting of experts in January.³⁴

Roosevelt was unprepared for this event, because it was his desire that the conference be delayed until his domestic relief measures could take effect.

Davis arranged a meeting with Roosevelt for December 26. The meeting was private and extended over to the 27th. Davis persuaded Roosevelt to delegate Edmund E. Day and

³⁴ New York Times, December 22, 1932.

John H. Williams (two experts appointed by Hoover) to represent the United States in the Preliminary committee of experts to launch the World Economic Conference. This arrangement was far from satisfactory because Day and Williams were not acquainted with the program of the new administration. This alone would make their negotiations worthless if Roosevelt decided to abandon them.³⁵

Davis tried to persuade Roosevelt to agree on holding the Economic Conference in April, but Roosevelt refused.

On January 6, 1933, Roosevelt invited Secretary of State Stimson to lunch with him at Hyde Park. Roosevelt had been trying since December 22, through Professor Felix Frankfurter of Harvard to arrange a meeting with Stimson to discuss the war debts. Hoover was opposed to this meeting after his disagreements with the President-elect, and remained adamant until January 4, when Stimson convinced him that such a discussion was necessary. Hoover agreed to the proposed meeting, provided that Roosevelt ask him first. Roosevelt sent

³⁵ Moley, op. cit., p. 92.

the necessary letter to the President and it was agreed that Stimson should visit Roosevelt.³⁶

The meeting between the two men was private. They talked for six or seven hours and discussed every aspect of foreign policy. On balance, "Stimson found that they were in very substantial agreement. . . ." The most important point to Stimson was "Mr. Roosevelt's quick understanding and general approval of his Manchurian policy."³⁷

The far eastern crisis had developed when Japan invaded Southern Manchuria on September 18, 1931. They turned it into the puppet state of Manchukuo—this was her way of combating the depression. Stimson had steadily refused to recognize the validity of a transfer of territory against the wishes of China. The United States was not a member of the League of Nations and Stimson could not assert any pressure through this organization. Japan's actions were in defiance of the Nine-Power Treaty and the Kellogg-Briand Pact, to both of which Japan was a party. Stimson tried to act in cooperation

³⁶ Stimson and Bundy, op. cit., pp. 289-292.

³⁷ Ibid., p. 293.

with the League and support their policies but they were unable to accomplish any real settlement. Stimson wanted to try more than verbal action and apply economic sanctions to Japan to check their aggression. Mr. Hoover did not agree with Stimson on applying any policy of embargo or sanctions because it might lead to war. For a year Stimson had been urging England to join the United States in applying sanctions and a show of force against Japan. England refused to follow Stimson's lead because of anti-war sentiment within their Government.³⁸

When Stimson met with Roosevelt on January 9, he urged Roosevelt to support his policy against Japan. Roosevelt was reluctant to participate in any program that might lead to war but he felt that the United States had fought a war to uphold the sanctity of treaties and the rights of small nations, and being somewhat of an internationalist since his former association with Wilson, he promised that he would do nothing to weaken Stimson's stand.³⁹

³⁸ Ibid., pp. 220-263.

³⁹ Ibid., p. 293.

Mr. Roosevelt kept his promise and on January 11, he endorsed President Hoover's request to Congress for power to join with other nations in embargoing the shipment of arms.⁴⁰ Hoover had asked the right to widen the embargo on arms exports only after considerable pressure was placed on him by Stimson and general public opinion. While the people of the United States did not wish a war with Japan, they did, however, have a friendly feeling toward China and felt that the Japanese aggression should be stopped without force if possible. Hoover wanted to widen the embargo by ratification of the international convention signed at Geneva in 1925. Congress remained cool to the plea and Hoover asked for legislation which would confer upon him the authority to limit or forbid shipments of arms for military purposes in cases where special undertakings of cooperation could be secured with the principle arms manufacturing nations.⁴¹

On January 16, Stimson made a public statement reaffirming his position towards Japanese violation of international

⁴⁰ New York Times, January 11, 1933.

⁴¹ New York Times, January 11, 1933.

treaties. He urged a more forceful policy against aggression.⁴²

On January 17, Roosevelt made another public statement in support of the administration's Far Eastern policy. He said, "Any statement relating to any particular foreign situation must, of course, come from the Secretary of State of the United States." He said, however, that he was "wholly willing to make it clear that American foreign policies must uphold the sanctity of international treaties . . ." and he added "That is the cornerstone on which all relations between nations must rest."⁴³

Roosevelt arrived at the decision to back Stimson's foreign policy, without any advice from his close advisers. He believed that it was the duty of the United States to take definite action against any type of aggression. As opposed to Hoover, Roosevelt was a strong internationalist as shown by his actions both before and during World War II.

Roosevelt met Stimson again on January 19. Mr. Roosevelt insisted upon his own powers of personal negotiation with

⁴² Ibid., January 17, 1933.

⁴³ Ibid., January 18, 1933.

the British over the war debts and other matters. He wanted to hold the debts problems over until after the inauguration before any definite commitments were made, but he agreed to discussions with foreign representatives before this time. He worked well with Stimson; as he commented, "We are getting so that we do pretty good teamwork, don't we?"⁴⁴ This relationship opened new avenues between Roosevelt and Hoover with Stimson acting as a sort of liaison officer between the two men. Another meeting was arranged between the President and Roosevelt for January 20, at the White House. The question which had seemed closed after the December disagreements was again reopened. The only explanation of Roosevelt's change of plans, after he had previously expressed them to Hoover, comes from Raymond Moley, who acted as Roosevelt's right-hand man during this period. According to Moley, Roosevelt explained that after various conversations with Stimson and Davis, that he felt the debtor nations request for a review of their war debts was "not wholly unreasonable." He believed that although it would complicate his domestic program to take

⁴⁴ Stimson and Bundy, op. cit., p. 293.

up international problems so soon after his inauguration, that since Great Britain had paid their December 15 payments—they deserved to be heard. Roosevelt was also convinced that preliminary exploration of the many disagreements and problems between the various countries would further better negotiations at the forthcoming World Economic Conference.⁴⁵

Although making these concessions, Roosevelt staunchly maintained that any debt negotiations which took place would have to be conducted by Roosevelt-appointed officials after March 4. He also refused to permit the linking of the debts to the problems of the Economic conference; he felt that the two sets of negotiations must be separate.⁴⁶

The scheduled meeting took place on December 20, and immediately settled on the British proposals to review the war debts before March 4. For several weeks the British had been clamoring for a settlement. The press daily carried statements from British representatives concerning the necessity of reducing these obligations. Britain, along with the other countries,

⁴⁵ Moley, op. cit., p. 97.

⁴⁶ Ibid.

maintained that they were unable to pay because of the depression. Sir Ronald Lindsay, the British Ambassador, asked for a reconsideration of the debt issue before March 4, and a preliminary discussion of the problems that would come before the Economic Conference.

Roosevelt held firm to his December 19 statement to Hoover in which he stated that he wished all debt negotiations be held up until after March 4.⁴⁷ Failing to reach any agreement on this issue, Hoover, who was supported by Stimson, Mills, and Davis, attempted to induce Roosevelt's acceptance of future discussions on both the debts and other economic matters. Roosevelt agreed with Moley that the two issues should be discussed separately, and he firmly refused to review them as one problem. In a later review of this meeting Roosevelt said, "It seemed to be the thought of President Hoover and Secretary of the Treasury Mills that a solution of the debt question would act as a principal cure for our domestic ills. . . . it was a necessary complement to the distant Economic Conference," and that the debtor Nations were at that time

⁴⁷ Ibid., p. 98.

"in a position to make a substantial and immediate settlement." He stated that he did not discourage the President from making preliminary contacts with other Nations but he felt "the world economic situation at that time would prevent any proposal to the United States which could possibly receive the approval of the Congress," and "a wholly different line of action should be initiated." He argued that measures should be taken in this country to supplement "a broad domestic program with protection for the American dollar in international exchange." He implied that the whole economic machinery of the country needed overhauling, instead of several minor parts.⁴⁸

There was nothing that Hoover and the others could do but obey the President-elect's wishes. Any measures taken before March 4 might be repudiated when he took office. There was some disagreement over the statement that was to be given to the Press.⁴⁹ They finally agreed upon the following:

The British Government has asked for a discussion of the debts. The incoming Administration will be glad to receive their representative early in March for this purpose.

⁴⁸ Roosevelt, Public Papers, I, 868.

⁴⁹ Moley, op. cit., p. 98.

It is, of course, necessary to discuss at the same time the world economic problems in which the United States and Great Britain are mutually interested, and therefore, that representatives should also be sent to discuss ways and means for improving the world situation.

It is settled that these arrangements will be taken up by the Secretary of State with the British Government.⁵⁰

It was the second part of this press statement that presented difficulty. Stimson suggested that the statement to Great Britain should be a joint product of the two administrations, as there was considerable disagreement over the policy to be pursued. As the conferences would be held after he took office, Roosevelt agreed to this proposal. He was leaving for Warm Springs that afternoon and gave Moley full authority to act for him.⁵¹

Before Roosevelt left, Stimson called him to approve a statement that he had composed in the interim. Roosevelt refused to accept the statement until Moley had a chance to see it. Moley believed that this was a deliberate attempt to get Roosevelt to agree to a policy that he had refused earlier in

⁵⁰ New York Times, January 20, 1933.

⁵¹ Moley, op. cit., p. 99.

the midst of hurry and departure.⁵² At least, according to Moley, the statement that Stimson had drafted had linked together the debts and other economic problems.⁵³

After much haggling and bitterness, Moley and Stimson agreed upon a statement saying that Roosevelt would be glad to receive "a representative or representatives of the British government to discuss the future of the debts," and would also receive representatives "to discuss world economic questions in which the two governments were mutually interested."⁵⁴ Thus, Roosevelt had his way with the problem and matters would have to be held in abeyance until after March 4.

There was some reaction by the British to this notification but there was little they could do about it as any negotiations with the new administration would have to be based on Roosevelt's terms.⁵⁵

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid., p. 100.

⁵⁵ See New York Times, January 21 to January 26, 1933.

To precipitate better understanding between Great Britain and himself over his decision, Roosevelt suggested to Stimson that Sir Ronald Lindsay meet with him to discuss some of their differences. On January 28, Lindsay flew to Warm Springs to confer with the President-elect. ". . . for the most part the conversations at Warm Springs were a friendly and not very definite chat about all manner of things."⁵⁶ This seemed to be an accurate summation because following the meetings, both Lindsay and Roosevelt refused to be very specific in their press statements.⁵⁷ The conference seemed to have some import because "soon after his [Lindsay's] return to England, when with every day that passed, the British grew less eager to discuss the debts and concentrated on preparing for the economic discussions."⁵⁸

This last discussion with Lindsay on the war debts and other international economic problems ended this controversy until after the interregnum. The question of war debts nearly

⁵⁶ Moley, op. cit., p. 104.

⁵⁷ See New York Times, January 30 and January 31, 1933.

⁵⁸ Moley, op. cit., p. 104.

ended for all time with the interregnum discussions because after the interregnum, there were several token payments by the debtors to the United States, but no agreement could be reached. In 1934 the Johnson Act passed which ended token payments and banned loan flotations to all defaulting countries. Every country defaulted on their obligations except Finland who paid her debts later.

CHAPTER III

DISTRESS

Hoover maintained that recovery had started. He seemed blind to the misery and the distress around him. The depression was growing worse instead of better. The "Great Humanitarian" was doing practically nothing to relieve the nation's distress. There was growing resentment towards his Administration. Riots and uprisings were reported around the country. Cries of revolution were becoming louder as the despair increased, but nothing was done.

In 1932 before the full impact of the depression fell with all its fury, the talk of revolution seemed confined to the upper classes.

If you want to hear discussions of the future Revolution in the United States, do not go to the breadlines and the milltowns but to Park Avenue and Wall Street, or to the gatherings of young literary men. Well-fed people will anxiously inquire when you think the Revolution is coming.¹

¹ George Soule, "Are We Going To Have A Revolution," Harpers, CLXV (August, 1932), p. 277.

As the terrible winter of the interregnum progressed, however, cries of revolution, or at least rebellion, were coming from the downtrodden American people. The president of the National Farmers' Union, John Andrew Simpson, told the Senate Committee on Agriculture: "The biggest and finest crop of revolutions you ever saw is sprouting all over this country right now."²

Simpson was referring to the revolt of the farmers. They wanted relief from their debts and were uniting to protect themselves from foreclosures. Time magazine reported several cases of opposition by direct action. At Overton, Nebraska, any outsider who dared to bid at a foreclosure sale was threatened with a ducking in the horse trough at the hands of 200 farmers. At Perry, Iowa, the holder of a \$2,500 mortgage collected precisely \$45.05. Near Bowling Green, Ohio, 800 farmers assembled to watch a finance company foreclose its \$800 mortgage. The company's representative entered the bidding and the Sheriff had to rescue him from the irate farmers.

² "Remedies for Revolution," Time, XXI (February 6, 1933), p. 17.

The farmers bought their neighbor's equipment for \$14 and handed it back to him. At Le Mars, Iowa, 25 farmers gathered to block the foreclosure of a mortgage on the home of a dentist because they owed him money and wanted to help him.³

The Literary Digest reported several similar instances. In Wilmar, Minnesota, a gathering of indignant farmers mauled a representative of a mortgage company so they could prevent foreclosure on a farm tilled by its occupant for fifty-seven years. At Logan, Iowa, 500 farmers milled around the courthouse to prevent a sale of an unfortunate farmer's property. At Storm Lake, Iowa, the farmers got a rope and were going to hang the lawyer who conducted the foreclosure. In Van Buren County, a woman got out her rifle and forced the sheriff to leave her farm when he came to foreclose.⁴ There were many similar cases throughout most of the 2,911 farm counties of the United States.

The farmers wanted a moratorium on their debts. Their rebellion against the law could have been avoided if Congress

³ Ibid.

⁴ "When the Farmers' Fury Explodes," Literary Digest, CXV (February 4, 1933), p. 10.

had given them relief. They had to suffer, however, for no farm-mortgage relief act passed the lame-duck Congress. The farmers, although very violent at times were not really "revolutionists." They did not want to overthrow the government—but merely to protect their families and their properties. They wanted assistance from the government and some were ready to use violence as one man declared, "Just give me a six-shooter and four red-blooded men who will have the nerve to follow me and we'll make the legislature put through any law we want."⁵

The President also failed to see the growing distress in the cities. "It was impossible for Hoover . . . to believe that the Coolidge-Hoover prosperity was completely dissolved and the unassailable American System broken down."⁶ Misery and suffering which were steadily increasing when he notified the country that the depression was over during the summer of 1932 had now reached terrible proportions. In June, 1932, he consented "only with the greatest reluctance" to grant

⁵ "Remedies for Revolution," op. cit., p. 17.

⁶ S. K. Ratcliffe, "From Hoover to Roosevelt," Nineteenth Century, CXII (July-December, 1932), p. 669.

\$300,000,000 to the states for direct relief. Even then, he urged that "the States should apply to the Federal Treasury only under the compulsion of necessity. The speed with which they took advantage of their quotas under the Act afforded an impressive demonstration of the national need."⁷

Hoover took another precaution to protect the Federal Treasury with the warning that "funds shall be made available by the Reconstruction Finance Corporation not in lieu of but merely supplemental to local and state funds and private contributions."⁸ The RFC also demanded full information on the various States relief programs previous to any loans and an outline of the legislation by which state and local relief funds could be made available, "in order that the Reconstruction Finance Corporation may determine its course of action."⁹ This made it almost impossible for the States to receive any aid for relief until they could struggle no farther.

⁷ Ibid., p. 670.

⁸ Russell H. Kurtz, "American Relief Caravan," The Survey, LXIX (January, 1933), p. 11.

⁹ Ibid., p. 11.

According to the United States Children's Bureau, from January, 1929, to October, 1932, expenditures for relief nearly doubled each year. Relief expenditures in 1932 were nearly eight times greater than that in 1929. However, the increase in relief activity came mostly from state, local and private agencies.¹⁰ As shown in Chapter I, Hoover's activities on Federal aid were practically unheard of. The problem was growing extremely serious as the winter was approaching. The States and local units of government were running out of money. Private relief was dwindling also. These various units had been supporting the relief activities for three years and it was impossible for them to continue without drastic support. As Newton D. Baker stated, "Where increased funds are to come from, especially during the next four months when the distress of this winter will reach its peak, becomes a matter of immediate and practical concern."¹¹

The increased funds that Newton Baker insisted were needed were not forthcoming to any great extent during the

¹⁰ Newton D. Baker, "The State Key to Relief," The Survey, LXIX (January, 1933), p. 1.

¹¹ Ibid.

interregnum. Many States made legislative provisions and took the necessary steps to secure aid from the RFC. Up to December 1, thirty-five states had secured relief loans from the RFC amounting to about 76 millions.¹² RFC loans were far from adequate however. They prevented the abandonment of all relief effort but "They have on the whole not enabled the communities benefiting from these loans to give adequate relief on a minimum basis of subsistence. At best they have maintained emergency relief rations."¹³

The officials of the RFC expressed their sentiments in a hearing on the Costigan-LaFollette relief bill which proposed to grant an additional \$500,000,000 to the states for relief purposes. Atlee Pomerene, chairman of the RFC believed that we ought not "to do anything which is going to destroy or minimize the charitable dispositions of the people generally." Charles A. Miller, president of the corporation, gave assurance that "No one should suffer to the point of actual starvation

¹² Joanna C. Colcord and Russel H. Kurtz, "Unemployment and Community Action," The Survey, LXIX (January, 1933), p. 36.

¹³ Harry L. Lurie, "The Gist of the Situation," The Survey, LXIX (January, 1933), p. 53.

. . . It is a conscientious necessity to handle these big funds on a business basis and not a sentimental basis." Fred C. Croxton, another official, said that "Relief can never be adequate. . . . Nothing except wages will be adequate relief." The RFC, he said, has gone quite beyond the objective that "no hungry person shall go without food and has gone as far as the community thinks it ought to go. . . ." ¹⁴ These statements represented the views of supposedly intelligent American leaders. While these men were making these ridiculous comments on our relief situation, thousands were starving.

The States and local units were forced to bear the brunt of the relief work. On December 1, the Delaware legislature appropriated two million dollars for emergency relief. The city of Seattle raised \$10,000 in a work relief bond issue to relieve unemployment. In Rhode Island, \$3,000,000 was appropriated for direct grants to the municipalities for relief. In West Virginia, about 90,000 families were receiving aid while it was estimated that half a million persons were destitute

¹⁴ Walter M. West, "The Relief State-of-the-Nation," The Survey, LXLX (February, 1933), p. 54.

and dependent upon federal funds. In Wisconsin, the state relief program was financed with \$5,427,000 from taxes while local units contributed \$10,111,000 for their relief program. St. Louis and St. Louis county passed a relief bill amounting to \$3,766,000 in 1932 and they needed an estimated \$8,335,000 for 1933, most of which would be derived from the sale of bonds.¹⁵

These were merely a very few of the States and local units who were providing relief for their citizens. Nearly every method of private and public relief imaginable was tried by these units of government. The sad plight of the nation was recognized on the lower levels of government but the Federal government failed to take full cognizance of the need for complete cooperation and additional aid to the needy millions.

Relief as a whole was far from adequate: Some 200,000 youths, ranging in age from 10 to 18—the bezprizorni of America—were wandering around the country. The lame-duck Congress refused to appropriate money for their relief.¹⁶ A

¹⁵ The Survey, (January to April, 1933), passim.

¹⁶ Lowell Ames Norris, "America's Homeless Army," Scribners, XCIII, (May, 1933), 316-318.

growing number of persons were reaching the point of complete destitution during the interregnum and approximately one-fourth of the unemployed were receiving some relief. Some of the employed were in nearly the same condition as the unemployed. In the investigation of a Baltimore strike involving garment workers, conditions were found to be intolerable. Wages of many of the girls had been cut to between \$5 and \$8 a week. Employees testified that they worked in shops which were infested with mice, roaches and other vermin. Many girls fainted when the steam from the presses and lack of ventilation was intensified by the hot summer heat. They had to lie on the cement floors of "filthy toilets" or in the hallway of factories lacking even a rest-room or a cloak room. Many of them had their already meager wages reduced or were fired when replaced by "learners" who could be paid apprentice wages.¹⁷ These conditions could be multiplied in many parts of the country.

Relief was largely limited to food rations and some fuel and it was generally on a subsistence basis. Work relief

¹⁷ Beulah Amidon, "When Standards Break," The Survey, LXIX (January, 1933), p. 20.

for wages was gradually abandoned for the cheaper and less desirable forms of direct relief in grocery orders and commissary rations. Voluntary funds were growing limited and were approximately nonexistent for unemployment relief. Approximately 90 percent of unemployment relief was dependent upon governmental funds because the local units could not take care of both emergency relief and work relief. Municipalities and counties were suffering from depleted income, decreased taxes and tax delinquencies and the local public funds for relief were rapidly becoming limited. The same condition applied to the States. The RFC gave some benefit to the States but a great deal more federal aid was needed.¹⁸

The situation was serious. Growing resentment swept the country. Violence was becoming more common.

There is a growing dissatisfaction and irritation on the part of the unemployed with existing relief methods and inadequate doles. There have been a number of violent manifestations resulting in deaths, injuries and destruction of property. An undercurrent of resentment, disaffection and threats is becoming more prevalent, and it is believed that lack of program and leadership among the unemployed has prevented more serious outbreaks. A part of the general dissatisfaction has diverted into mutual aid and self-help projects among the unemployed. Fears are expressed that a mounting unrest may begin to assume violent forms of expression more frequently if constructive

¹⁸ Lurie, op. cit., p. 53.

and adequate measures for relieving distress arising from unemployment do not materialize in the near future.¹⁹

After the New Deal was inaugurated and Federal Relief was poured into the country one man indicated the seriousness of the situation during the interregnum:

I don't believe you realize how bad things were getting before this set-up started. I used to hear the men talking. There'd be a bunch of us sitting around the stove, maybe in one of those little stores over on the North Side. They all said if things got any worse and something didn't happen pretty soon, they'd go down Main Street and crash the windows and take what they needed. They wouldn't pick on the little stores. They'd go after the big stores first. Perhaps it was just talk, but I don't know. They'd stand a lot themselves before they'd get rough, but no man is going to let his wife and children starve to death.²⁰

President Hoover did not realize the turmoil rising up from the American people. ". . . It is plain that he misread the temper of the American people under the strain . . ."²¹ He failed to realize that the mass of ordinary folk, being in hourly contact with the harsh facts of the depression, were looking to the government for aid. They failed, however, to receive any much needed relief from Hoover or the Lame-duck Congress. The Congress was a mass of confusion during the interregnum. The Democrats had a bare

¹⁹ Ibid.

²⁰ Louise V. Armstrong, We Too Are The People, (Boston: Little, Brown and Company, 1938), p. 30.

²¹ Ratcliffe, op. cit., p. 669.

majority in the House of Representatives and the Senate was nominally Republican by one vote. With this sharp division, Hoover could get nothing accomplished. ". . . From the beginning the President found it almost impossible to work with Congress, which, to be sure, has been sufficiently outspoken in its antagonism to him."²²

Roosevelt also encountered difficulty in attempting to have certain measures passed before the inauguration. He wanted Congress to reduce the budget, repeal the Eighteenth Amendment, legalize beer, provide for the domestic allotment plan and mortgage relief for the farmers, and a bill to expedite bankruptcy proceedings. Roosevelt succeeded in seeing only two of his proposals pass this short session. After a bitter struggle a resolution to repeal the Eighteenth Amendment was finally passed on February 20. A bill to revise the bankruptcy law in the interest of private debtors was finally passed in the closing days of the session. The two most important items, domestic allotments and mortgage relief for the suffering farmers, failed to be enacted. Other relief measures for the nation as a whole were needed but Congress failed. The confusion and distress was to continue.

²² S. K. Ratcliffe, op. cit., p. 668.

CHAPTER IV

THE BANKING COLLAPSE

The credit system of the United States had been crumbling for over three years. Unemployment had been steadily increasing. Estimates of the number unemployed ranged from eleven million to 17,000,000 during the critical winter of 1932. Dwindling industrial production fell from 64 in June, 1932, to 56 in March, 1933, as expressed in index numbers adjusted for seasonal variation. This was the lowest point it had ever reached. Falling agriculture prices dropped from an index average of 100 during the years 1909-1914 to 65 in 1932. The cash income of farmers dropped from seven billion dollars in 1929 to two billion in 1932, while prices fell but 30 percent. The farming industry was also saddled with eight to nine billion dollars in mortgages and other debts. The total income of all individuals fell from 82 billion dollars in 1929 to 40 billions in 1932.¹

¹ Above statistics found in Statistical Abstract of the United States, 1940, (Washington: U. S. Government Printing Office, 1941), pp. 310-346, 496, 804.

On a lower level of prices and a lower level of production the nation could not support its debt load. Between 1922 and 1929, the nation had been piling up debts about three times as fast as the national wealth and income increased. The total long term debt of the United States which had been 75 billion dollars in 1921 had increased to 135 billions in the years 1932 to 1933. The long-term debt had increased 7.8 billion dollars alone between 1929 and the end of 1932.²

The banking situation was another grave cause for alarm. For many years banks had been closing. All through the depression, the newspapers chronicled daily the bank failures. Some of these failures were undoubtedly caused by mismanagement but unstable economic conditions probably contributed to more of the failures. During the supposedly prosperous Twenties 6,987 banks declared their insolvency. Nearly a fifth (1,181) of these failures were members of the Federal Reserve System with deposits totaling \$874,670,000 which should have given especial cause for alarm. The

² Evans Clark, The Internal Debt of the United States, Twentieth Century Fund, (New York: Macmillan Co., 1933), pp. 211-217.

suspended non-member banks numbered 5,806 with deposits of \$1,711,718,000. The heaviest mortality was among small banks in small towns in areas (West North Central and South Atlantic States) of depressed staple agriculture. More than 60 percent of the failures were among banks with a capital of \$25,000 or less, and 90 percent were among those with a capital of less than \$100,000. Almost 60 percent of the closed banks were in places of fewer than 1,000 population; less than 6 percent were in places of 25,000 inhabitants and over.³

During the crisis years of 1930, 1931, and 1932 the total net failures of National banks were 773 with deposits of \$721,000,000 while there were 3,604 net state bank failures with deposits of \$2,031,000,000.⁴

The major weakness lay with the State banks because of inadequate regulatory control over their lending policies,

³ C. D. Bremer, American Bank Failures, Federal Reserve Board Annual Reports, 1921-1931, (New York: Columbia University Press, 1935), pp. 40-57.

⁴ Meyers and Newton, The Hoover Administration, op. cit., p. 7.

and because the Federal Reserve System had little or no control over many of them. However, the failure of even the National banks and State banks which were under the Federal Reserve System showed a major weakness in our banking system. This fundamental weakness was the major cause of the complete banking collapse during the interregnum.

These various factors: unemployment, falling production, depressed agricultural areas, increasing national debts, banking failures, and many other faults in our economic system were responsible for the economic collapse in the beginning of 1933.

In the immediate sense, the banking collapse began two months before the inauguration. Depositors were taking their money out of their own banks. Foreign depositors were withdrawing their balances here, which increased the flow of gold out of the country. A few large investors were turning their security holdings into cash and this into gold to ship abroad. Fear and tension gradually increased and then on February 14, Governor Comstock closed the Michigan banks for eight days. This sent a wave of apprehension through the country. The

closing of the Nevada banks on October 31, 1932,⁵ for six weeks, and the Louisiana bank panic on February 4, 1933, did not cause nearly as much alarm as the Michigan panic. An ominous warning filled the air.

The next day--February 15, 1933-- the attempted assassination of Mr. Roosevelt took place. Roosevelt returned to Miami after a vacation aboard Vincent Astor's yacht Nourmahal. He gave a short address before a large crowd, and as he prepared to leave, several shots rang out which miraculously missed him. Several people were wounded, including Anton Cermak the Major of Chicago, who was fatally injured. Guiseppe Zangara, the maniac assassin was immediately apprehended and later was electrocuted. Roosevelt's behavior throughout the experience was very cool and nonchalant. As Moley said later, "And I confess that I have never in my life seen anything more magnificent than Roosevelt's calm that night on the Nourmahal."⁶

⁵ New York Times, November 1, 1932.

⁶ Moley, op. cit., p. 139.

Roosevelt was to receive another shock several days later. On February 17, President Hoover dispatched a letter to Roosevelt asking him for cooperation to help stave off the impending bank collapse. President Hoover said that the flight of gold from the country, the rush of cash from the banks into hiding, and the appearance of terror and fear were creating a threat to the whole national banking structure. He said that there was a growing lack of confidence in public opinion concerning the safety of the banks and he was convinced that "a very early statement by you [Roosevelt] upon two or three policies of your Administration would serve greatly to restore confidence and restore a resumption of the march of recovery." Hoover went on to point out that the fear and apprehension could be removed in this way because he had frequently made such optimistic statements during the course of the depression and had settled similar panics. He declared that the inflation policies of European countries since 1931 were the cause of the continuance of the depression. He maintained that his optimism during these crises had restored public confidence and that the march to recovery had been resumed.

He felt that recovery was halted because of increasing doubt as to the new administration's policies, the failure of Congress to balance the budget, the publication of RFC loans to banks and the bank runs, hoarding and bank failures from this cause and other events and rumors. Hoover said that it would steady the country greatly if there could be "prompt assurance that there will be no tampering or inflation of the currency," and if the budget "will be unquestionably balanced," even if further taxation would be necessary, and that the "government credit will be maintained by refusal to exhaust it in the issue of securities." Hoover also urged that it would be of further help "if the leaders [Congressional] could be advised to cease publication of RFC business."⁷

This letter to Roosevelt gave formal notification that the banking situation was getting out of hand. Hoover felt that he was no longer able to handle the problem by himself; he no longer had any effective power. He had been repudiated in the election and now faced a hostile country. He appealed to Roosevelt: "It is obvious that as you will shortly be in a

⁷ Meyers and Newton, op. cit., pp. 338-340.

position to make whatever policies you wish effective, you are the only one who can give these assurances."⁸

Hoover reasserted his thesis that recovery had already started but this must have seemed strange to the thousands of unemployed who were standing in bread lines waiting for hand-outs. He also argued that assurances would stem the panic as they had done in the previous stages of the depression. It is true that Hoover had made many optimistic predictions but they seemed to have little effect; the depression grew steadily worse with each succeeding day. "The stock market crash of October, 1929, was but the beginning of an economic decline that had continued with little interruption until the spring of 1933."⁹

Hoover's requests seemed rather odd. As Moley observed:

The tone of the letter was truly extraordinary. For one thing, it asked Roosevelt in effect, to accept the Hoover thesis about the origin of the depression which

⁸ Ibid., p. 339.

⁹ H. U. Faulkner, American Economic History, 6th ed. (New York: Harper and Bros. Publishers, 1949), p. 661.

Roosevelt had torn to shreds during the campaign. For another, it assumed that Roosevelt would succeed--where Hoover had repeatedly failed--in hornswoggling the country with optimistic statements which everyone knew weren't justified. It invited Roosevelt to make a promise that could not honestly be made, for things had already gone so far that the temporary suspension of specie payments seemed inevitable. . . .¹⁰

Hoover asked Roosevelt to balance the budget or to at least give assurances that it would be balanced. Roosevelt was elected on pledges to balance the budget and probably intended to do so. Disregarding the fact that Roosevelt and his administration later piled up a tremendous deficit, the first full fiscal year--"between July 1, 1933, and June 30, 1934--would see the nation back on a practically balanced budget. . . ."¹¹ Meyers and Newton stress the fact that the budget could have been balanced under Hoover if the Democratic Congress had been willing to cooperate.¹²

Hoover had tried a downward revision in the budget after the election because, "he thought that the incoming

¹⁰ Moley, op. cit., p. 141.

¹¹ Meyers and Newton, op. cit., p. 305.

administration would welcome his lifting from their backs the political unpopularity of retrenchment and new taxes."¹³

On December 6, 1932, the President said in the annual message to Congress that there was a real need to balance the budget and he felt that there was now a good opportunity to do so. He proposed reductions in appropriations of over \$830,000,000 and he asked Congress to give him powers to reorganize the Federal Government to produce still further economies. He believed that with this cooperation he could reduce a threatened deficit of nearly two billion dollars to around \$300,000,000. He also asked Congress to pass a general revenue bill which would include a manufacturers' sales tax.¹⁴

These proposals gained considerable support by both Republicans and Democrats alike in Congress. House Speaker Garner, the Vice-President-elect, Chairman Collier of the House Ways and Means Committee, and Senator Pat Harrison were among those Democrats who favored the President's

¹³ Ibid., p. 304.

¹⁴ Meyers, State Paper, II, 497-500.

proposal. Garner said that he "was willing to use his influence for the adoption of the sales tax if that should be necessary to accomplish his purpose. . . ." ¹⁵

However, Roosevelt was definitely opposed to the passing of any type of sales tax. He announced the next day at Albany that he was definitely against such a levy. ¹⁶ He declared later, "For many years I had expressed my opposition to a general sales tax, on the ground that such a tax bore inevitably far more heavily on the poor than on the rich." ¹⁷

This threw the Democratic leaders into a state of confusion and they refused to take any action on the question until they conferred with Roosevelt in a proposed conference scheduled for January 5. At this meeting, Roosevelt dissuaded the Democratic leaders from passing the proposed sales tax. ¹⁸

President Hoover tried again on January 17, in a special message to Congress, to urge a general sales tax upon all

¹⁵ New York Times, December 27, 1932.

¹⁶ Ibid., December 28, 1932.

¹⁷ Roosevelt, Public Papers, I, 871.

¹⁸ New York Times, January 5, 1933.

manufactured goods except food and the cheaper grades of clothing. He said that if this measure were not adopted, there would be a deficit of "anywhere from \$100,000,000 to \$300,000,000," and he believed that the proposed sales tax could offset this deficit.¹⁹

Congress did not respond to the President's request, however, and the Democratic leaders held to their January 6 statement that no revenue bill would be undertaken during that session of Congress.²⁰

Hoover also attempted to reorganize some of the government bureaus in hopes of further economy. However, on January 19, 1933, Congress defeated this proposal. Hoover wanted to reorganize 58 different functions of the government into fewer groups but the resolution failed by a vote of 203 to 176. The 203 negative votes included 199 Democrats and three Republicans while the 176 members for the proposal were all Republicans. This Democratic deadlock forced the task of reorganizing the Government onto the new administration.²¹

¹⁹ Meyers, State Papers, II, 577.

²⁰ New York Times, January 6, 1933.

²¹ Ibid., January 20, 1933.

Throughout the interregnum, Hoover urged the balancing of the budget but many Democrats felt that he was simply trying to pass the measure so that the Republicans could gain the prestige and popularity for their past bungling. Hoover's supporters believed the opposite: "It is a reasonable assumption that the immediate purpose of all this partisan political activity and the interference of the President-elect was to give to the incoming administration the prestige of balancing the budget."²² They felt that if the budget had been balanced when Hoover wanted it, there would have been no need of Roosevelt demanding it on March 10.²³

Thus, Hoover when asking the President-elect to give assurance that he would unquestionably balance the budget felt that he tried to do so but failed because of Democratic opposition. His opponents felt that he was not really serious in his attempts. For instance, his budget proposal on December 9, 1931, made proposals designed to balance the budget in 1934 with taxes levied on amusement tickets, automobiles,

²² Meyers and Newton, op. cit., p. 313.

²³ Ibid.

radios, checks and drafts, and higher taxes on tobacco, estates, corporation income and personal income. He said that the recommended increase of taxes "shall be definitely terminated two years from next July." "Mr. Hoover hardly went beyond generalities in asking for economy."²⁴

Another reason for the many objections to Hoover's directives for balancing the budget was because the national debt had increased during his administration by \$3,593,762 from March 5, 1929, to March 13, 1933.²⁵

For this reason Roosevelt felt that Hoover's proposals were slightly hypocritical; he had not been able to balance the budget, yet, he was asking Roosevelt to make assurances that he would do what Hoover failed to do.

Another important factor in the banking crisis was the fear that the new administration would devalue the currency and enact other inflationary policies. The Western faction was urging the inflation of the dollar and other free-silver policies

²⁴ Lippman, Interpretations, op. cit., p. 75.

²⁵ Meyers and Newton, op. cit., p. 313. (Also see Statistical Abstract-1940, op. cit., p. 167.)

and the Democratic party had advocated currency revaluation several times in the past. There were many other elements throughout the country who advocated going off the gold standard. During the campaign the Democrats had advocated "sound money" but they did not specify what exactly a sound money really meant to them and this worried Hoover.

When Great Britain went off gold in September, 1931, an increased feeling of apprehension swept over the country and this fear was accelerated by the abandonment of the gold standard by many other countries. There were heavy drains and withdrawals of gold by these foreign countries and it caused hoarding and some panic within the country.²⁶

This was one of the main theses in Hoover's contention that Roosevelt caused the banking collapse. Hoover felt that because there had been setbacks in the progress towards recovery when other European nations went off gold that the American people were worried now and were withdrawing their money from the banks because of fears concerning Roosevelt's policies.

²⁶ New York Times, September 21-September 30, 1931, passim.

Another factor was that Roosevelt was closely associated with such men as James Harvey Rogers, George F. Warren, Henry Wallace, R. E. Wood, James H. Rand, Jr., Frank A. Vanderlip, John Henry Hammond and such Senators as Burton K. Wheeler, Tom Connally and Elmer Thomas and many others. As a result of these associations, Hoover as well as many others felt that Roosevelt had every intention of "tinkering with the currency."²⁷

Hoover also asserted frequently that Roosevelt was not completely definite in his pronouncements that he would adhere to "sound money" during the campaign. On November 4, Roosevelt said in a campaign address in New York City, "The Democratic platform specifically declares, 'We advocate a sound currency to be preserved at all hazards.' That, I take it, is plain English."²⁸

When Roosevelt discussed the National Democratic platform on July 30, 1932, he said, "A sound money to be preserved

²⁷ Meyers and Newton, op. cit., p. 329-346, passim.
See also Raymond Moley, op. cit., Ch. 1-5, passim.

²⁸ New York Times, November 5, 1932.

at all hazards . . . sound money is an international necessity, not a domestic consideration for one nation alone.²⁹ Roosevelt mentioned in several other public statements that he advocated a sound currency but he did not say at any time that by sound money he meant the existing gold standard. He satisfied both the inflationists and the conservatives; the inflationists believing that he would inflate the currency while the conservatives believed that he would maintain a dollar with the existing gold content.

This was Hoover's main point of contention. He and others believed that since Roosevelt did not definitely state his policies that he would take us off gold. The seriousness of the situation is implied by Ernest K. Lindley:

Mr. Roosevelt, as we have seen, had at least a mental reservation as to the possibility or desirability of maintaining the gold standard. But he could not admit it or even hint at it except in the most intimate circle of tight lipped friends. Only a hint that he contemplated departure from the gold standard or inflation and he would have instantly caused the catastrophe that everyone wished to avoid. . . .³⁰

²⁹ Roosevelt, Public Papers, pp. 661-663.

³⁰ Lindley, The Roosevelt Revolution, op. cit., p. 64.

Hoover maintained that the banks were stronger in December, 1932, than they had been in a long time: Gold was coming to the country from abroad, deposits were increasing, and generally a much sounder situation had been built up. Also public confidence had increased in the banks and if the anxiety over Roosevelt's policies had not appeared, there would have been no panic.³¹

According to the New York Times in a later appraisal of the situation: "The change for the better in the last half of 1932 is beyond dispute . . . That this evident revival of confidence was suddenly reversed in February of 1933 is equally true. . . ."³²

Obviously there was some fear that Roosevelt was going to take us off gold and there was some anxiety over this. For instance on January 2, 1933, some twenty leading economists sent an open letter to Roosevelt emphasizing the maintenance of the gold standard. They said:

³¹ Meyers and Newton, op. cit., pp. 331-32.

³² New York Times, June 16, 1935.

The gold standard of present weight and fineness should be unflinchingly maintained. We should also encourage and facilitate the prompt restoration of the gold standard abroad—which settlement of interallied debts and tariff reductions will do. With adequate movement of goods across international borders, the gold of the United States and the world is more than adequate for all credit needs. If, however, trade restrictions throw an undue burden on gold in making international payments, then debtor countries have difficulties in maintaining the gold standard and confidence is so low in creditor countries that they cannot make any effective use of their own gold on expanding credit.

Credit rests on the movement of goods as well as on the gold supply. Agitation for currency experiments would impair confidence and retard recovery.³³

This letter was signed by such leading economists as Morris Copeland, Broadus Mitchell, Abraham Berglund, E. W. Kemmerer, and Benjamin H. Hibbard among others.

Alexander Dana Noyes, the financial editor of the New York Times also urged Roosevelt to affirm his intentions in regard to his future currency policies because of increasing public uneasiness. He said, "It is probable enough that the present spirit of hesitancy, not only in financial markets but in general trade is more or less influenced by lack of such reassurance. . . ."³⁴

³³ Ibid., January 3, 1933.

³⁴ Ibid., January 23, 1933.

Roosevelt believed that the run on gold and the domestic hoardings was caused by the financial condition of the banks and not the rumors as to his policies. After many years of unsound banking practices, public confidence was rapidly failing. Despite the fact that Hoover and his supporters maintained that Roosevelt's election would bring inflation and despite all the indications that he was going to be elected there was only a very slight run on gold. As Meyers and Newton verify, ". . . there still was, up to mid-January, no panic in the public mind." They give the following statistics:³⁵

Net Additions to the Gold Stock . . .	\$322,000,000
Returns of Currency from	
Hoarding	40,000,000
Net Bank Closings (In Deposits) . . .	118,000,000
RFC Loans	121,000,000

The run on gold did not begin until after the Louisiana banking crisis on February 4, and did not gain real momentum until the Michigan crisis on February 14.

The demand for gold in any quantity did not precede the inception of the final banking crisis. Total gold coin withdrawals between January 31 and March 4 amounted to \$146,000,000

³⁵ Meyers and Newton, op. cit., p. 348.

and withdrawals of gold coin and certificates together amounted to \$318,000,000.³⁶ In the same period about \$300,000,000 in gold was drawn by earmarking. Nearly two-thirds of these demands were concentrated in the week ending March 4.

In the same period, between January 31 and March 4 the amount of currency in circulation, other than gold and gold certificates, increased by \$1,510,000,000.³⁷ No one who withdrew currency other than gold and gold certificates stood to gain a cent if the old gold standard were abandoned. In other words, \$1,510,000,000 in other currency was withdrawn in the whole course of the banking panic while there was only \$318,000,000 withdrawn in gold and gold certificates.

Therefore the run on gold was not as large and as important as Hoover maintained. Following the banking collapse in Michigan and other similar occurrences shortly after, the panic spread very rapidly and mass hysteria developed because the people were afraid of the soundness of their banks.

³⁶ Federal Reserve Bulletin, April, 1933, p. 215.

³⁷ Annual Report of Federal Reserve Board, 1933, p. 8.

A very important factor in the bank runs which began shortly after the Michigan collapse was the testimony of the leading bankers of the country before the Senate Committee on Banking and Currency. These investigations of the unsound banking principles of the leading institutions shocked the country. Charles E. Mitchell, President of the National City Bank of New York which was the second largest in the United States admitted that for the years 1927, 1928, and 1929, he received \$3,556,732 for his services. He also admitted that the National City Bank had loaned \$2,400,000 to its officers to help them carry their stock after the crash while the bank's employees were forced to pay for 60,000 shares of National City stock from their salaries. The National City Bank by the use of high pressure salesmanship had sold millions of dollars worth of stock in faulty enterprises to the unsuspecting nation. These shares were practically worthless as the depression reached its climax. Mitchell also testified that to avoid payment of a 1929 Federal income tax he sold 18,000 shares of his National City stock to a member of his family at a \$2,800,000 loss.³⁸ These and many other flagrant malpractices were

³⁸ "Business and Finance," Time, XXI (March 6, 1933), 47-48.

uncovered by the Committee. The bankers throughout the country blamed this Senate Committee for weakening the credit of the United States by making these scandals public.³⁹ They failed to realize that it was their unsound practices that was shaking the confidence of the country. The average citizen could see by the number of bank failures that something was amiss long before these confessions.

These disclosures aroused immediate public criticism. The Milwaukee Journal called the testimony of the bankers "a sickening story of exploitation." Such newspapers as the New York Herald Tribune, the New York Journal of Commerce and the Chicago Daily News and others deplored the speculation and financial machinations revealed by the testimony at Washington. The New York Daily News said, "Of course, you can't blame people for becoming nervous," when such news is brought to light.⁴⁰

Public confidence was shaken in the banks. Hoover completely disregarded the fact that the citizen who was rushing

³⁹ Ibid., p. 48.

⁴⁰ "Big Bankers' Gambling Mania," The Literary Digest, CXV (March 11, 1933), 11.

to the bank to draw out his money may have known vaguely about the gold standard. The ordinary man on the streets was worried about the soundness of the banks in which he had his money.⁴¹

This is a very important factor in the situation. When Roosevelt asked the people to put their money back into the banks on March 12, they complied—not because he promised the things Hoover asked him to promise on February 17, but because he assured them that the banks that were reopened would be safe.⁴² By April 5, 1933, the people had returned \$645,000,000 in gold and gold certificates to the banks.⁴³ This seems to indicate that they trusted the soundness of the banking institutions and were not worried about devaluation.

Ernest K. Lindley sums up the situation well when he says:

How anyone in his right senses could have thought that people all over the country were going to the banks to get cash because they were thinking about the gold standard

⁴¹ Moley, op. cit., p. 142.

⁴² Ibid.

⁴³ Federal Reserve Bulletin, (April, 1933), p. 209.

still remains unexplained . . . People went to their banks and drew out cash because they were afraid of their banks. And there was no use in trying to tell them that their banks were sound. Because they were not. Banks had been going down all through the depression—and broadly speaking, always for the same reason. They went down for the same reason banks went down in the grain States in the post-war deflation of agriculture. They were frozen or insolvent because of the decline of their assets.⁴⁴

The demand for gold was a factor in the crisis but it was not an immediate cause. The crisis began not in the big financial centers where bankers and speculators who thought in terms of the gold standard could have precipitated a "gold" panic by their actions, but in the interior cities and in the small towns.⁴⁵

In the period of a little over three weeks between February 8 and March 3, the withdrawals of currency by the member banks from the Reserve Banks were over \$1,700,000,000. Out-of-town banks withdrew nearly \$800,000,000 from their balances with New York City banks in order to meet the demands on them, and banks throughout the country found it necessary

⁴⁴ Ernest K. Lindley, Half Way With Roosevelt, (Viking Press, 1936), p. 94.

⁴⁵ Ibid.

to draw more and more heavily upon the Federal Reserve Banks for additional credit.⁴⁶ This showed that the ordinary individual was withdrawing his money from the banks. Hoover was right when he said there was a panic but it seems incorrect to believe that this panic was caused by fear of leaving the gold standard.

Hoover's thesis that fear over the continuance of the gold standard was the main cause of the banking crisis hardly seems justified by later results. When Roosevelt did take the country off the gold standard, business activity boomed and the country took its first real step toward recovery. If most of the people had expected the country to go off gold, presumably the prices of wheat and such commodities would have been bid up by speculators in the winter of 1932-33 and business activity would have increased. This was not the case however for prices fell and industrial activity dwindled after the election.⁴⁷

⁴⁶ New York Federal Reserve Banks, Monthly Review of Credit and Business Consolidations, April, 1931, p. 26.

⁴⁷ Lindley, Half Way With Roosevelt, op. cit., pp. 90, 392, 398.

The President also argued that another cause for the banking collapse was the publication of Reconstruction Finance Corporation loans to the banks. He suggested that it would help "if the leaders could be advised to cease publication of RFC business."⁴⁸

Shortly before the adjournment of Congress on July 16, 1932, an amendment was added to the Unemployment Relief Act which provided for the future monthly publication of the names of all borrowers from the Reconstruction Finance Corporation.⁴⁹ This amendment was modified by the Senate, and a public declaration was made by the leaders of the Senate to the effect that under the changes made, the disclosure extended only to confidential filing with the clerks in the House of Congress. On January 4, 1933, the House passed a resolution commanding that all loans prior to July 21, 1932, should also be made public. On January 27, Congress published a retro-active list of all loans and recipients of the first five months of the Reconstruction Finance Corporation.⁵⁰

⁴⁸ Supra, p. 101.

⁴⁹ New York Times, July 17, 1932.

⁵⁰ Meyers and Newton, op. cit., p. 325.

There were many rumors circulating that preferences were being given to Republicans in the making of loans by the Corporations. Also the fact that three weeks after the resignation of Charles G. Dawes on June 6, 1932, his bank in Chicago received \$90,000,000 from the RFC led to a clamor for full publicity of its lending activities.⁵¹ There was considerable public doubt concerning these lending ventures.

Following the publication of the RFC loans, the President as well as many leading bankers, appealed to Congress to stop these publications because increasing runs on banks were precipitated.⁵² President Hoover in an address before Congress on February 20, 1933, appealed for their cooperation. He told Congress that he was in favor of them having full information on the RFC loans but he said, ". . . their publication in the last few months has led to widespread, mostly innocent misinterpretations, vicious in effect by depositors and alarmists who do not recognize that such borrowings represent an endeavor . . . to provide funds in service of their

⁵¹ Wecter, op. cit., p. 326. Also see Literary Digest, "The R. F. C. on the Griddle," p. 7.

⁵² New York Times, January 27 - February, passim.

respective communities." He also added that the publication of these loans was destroying the "effectiveness of the RFC," and introducing new fear which was causing the "hoarding of currency."⁵³

Hoover felt that the publication of the loans of over 4,000 institutions all at once, had an extremely dangerous effect on the banking problem. Reports promptly came in of runs on several hundred banks, savings banks, building and loan associations, and insurance companies, in consequence of the publication of their borrowings. A sample list furnished by one of the directors of the President showed sixty-two banks holding \$70,000,000 of deposits which were closed by runs within thirty days after the publication of the RFC loans. Another list showed forty banks with \$42,000,000 in deposits which were able to hang on sixty days after the publication of the loans but finally closed under the runs.⁵⁴

These estimates were slightly speculative in nature due to the fact that no one can positively know why the average person was withdrawing his money from the banks.

⁵³ Meyers, State Papers, II, p. 598.

⁵⁴ Meyers and Newton, op. cit., p. 32b.

A study of closed and distressed banks made by Cyril

B. Upham and Edwin A. Lemke discusses the significance of Hoover's assertions:

It has been alleged that the publication of names of banks borrowing from the Reconstruction Finance Corporation caused depositors in these institutions to lose confidence. This allegation is not substantiated by the record of failures. Names of Reconstruction Finance Corporation borrowers were made public for the first time in the latter part of August 1932, and there were fewer failures in September than in any previous months since March. In October and November the number was slightly higher than in August. Depositors had a right to know if their institution was borrowing, and they would have known it from the next statement of conditions in any event.⁵⁵

This was the extent of Hoover's appeal to Roosevelt on February 17, 1933. He gave what he believed were the causes of the impending crisis and asked Roosevelt to accept his ideas on the origins of the depression and the bank panic.

Hoover was aware of the full extent of his requests from the President-elect, because he stated in a confidential letter to Senator David A. Reed on February 20:

I realize that if these declarations be made by the President-elect, he will have ratified the whole major program of the Republican Administration; that is, it means

⁵⁵ C. B. Upham and E. A. Lemke, Closed and Distressed Banks, Brookings Institution, (Washington, D. C., 1934), p. 156.

the abandonment of 90% of the so-called new deal. But unless this is done, they run a grave danger of precipitating a complete financial debacle. If it is precipitated, the responsibility lies squarely with them for they have had ample warning—unless, of course, such a debacle is part of the "new deal."⁵⁶

On March 1, Hoover received an answer to his message to Roosevelt on February 17. The reply arrived after an elapse of twelve days. Roosevelt explained this as an oversight by his secretary. However, he did say in answer to Hoover's proposals that he was aware of the acute gravity of the banking situation but he believed "it is so very deep-seated that the fire is bound to spread in spite of anything that is done by way of mere statements." He said the real trouble is that "on present values very few financial institutions anywhere in the country are actually able to pay off their deposits in full, and the knowledge of this fact is widely held." Roosevelt said that he had been urged by various bankers to make a reassuring statement, "but even they seriously doubt if it would have a definite effect." He also added that, ". . . I doubt if anything

⁵⁶ Meyers and Newton, op. cit., p. 341.

short of a fairly general withdrawal of deposits can be prevented now."⁵⁷

Roosevelt again inferred that Hoover's problems were not his responsibility until March 4. Roosevelt was not bothered by these problems. He believed that Hoover was perfectly capable of acting without his concurrence. Nor did he know any remedy which was not available to Hoover.⁵⁸

John T. Flynn maintains that Roosevelt was not worried about the banking crisis because he didn't as yet have any responsibility and because it was Hoover's problem, but that he wanted to cause a complete banking collapse. Flynn said, "What he wanted was a complete crash. He wished for the panic to sweep on to a total banking disaster." Flynn felt that Roosevelt "wished for the public to see his predecessor go out in a scene of utter ruin, thus setting the stage for him to step upon it as the savior who would rebuild from the very bottom."⁵⁹ Flynn conveniently forgets, however, that several

⁵⁷ Ibid., pp. 344-345.

⁵⁸ Moley, op. cit., p. 143.

⁵⁹ John T. Flynn, The Roosevelt Myth, (New York: Garden City Publishing Co., Inc., 1948), p. 21.

months before the panic, he was urging Roosevelt's election because Hoover was pampering "big business" and doing nothing to stop the depression.⁶⁰ Then later, he asserts that Roosevelt should have backed Hoover's program.

Hoover was becoming more nervous as the panic reached greater proportions and on February 28, 1933, he wrote FDR again.⁶¹ He informed the President-elect the financial situation was even more grave and the lack of confidence had extended even further than when he wrote on February 17. He urged Roosevelt to make a declaration assuring the country of his policies (which must of course, conform to Hoover's) because it would still save losses and hardships to millions and restore confidence. He felt that stability of the public mind would be increased if Congress were to be called into session shortly after March 4. He said that there was much legislation urgently needed that would not be completed in that session of Congress.⁶²

⁶⁰ See above for Flynn's previous statement.

⁶¹ This was before he received Roosevelt's March 1 reply.

⁶² Meyers and Newton, op. cit., p. 360.

On February 21, Roosevelt announced the appointment of Will Woodin as the next Secretary of the Treasury. This appointment was reassuring to many of the conservative leaders of Wall Street because he was president of the American Car and Foundry Company. Roosevelt had tried previously to get Senator Carter Glass, the leading Democratic expert on banking and Finance. Glass was definitely opposed to any type of currency inflation. He refused the position because both he and his wife were in poor health.⁶³ Meyers and Newton insist that it was because of fear of Roosevelt's intentions to inflate the currency that he refused the position.⁶⁴ It was probably for both of these reasons that Glass refused.

Upon the notification of Woodin's appointment, Hoover sent a note to Ogden Mills, his Secretary of the Treasury, requesting him to impress upon the new Secretary of the Treasury the fact that an early statement was needed by the President-elect, based upon Hoover's earlier assertions, to stem

⁶³ Rixey Smith and Norman Beasley, Carter Glass, (New York: Longmans, Green and Company, 1939), p. 332.

⁶⁴ Meyers and Newton, op. cit., pp. 340-342.

the widespread alarm.⁶⁵ Hoover was trying to secure Roosevelt's support in any way possible.

Mills reported back on February 23 that Mr. Woodin had informed him that positively no statement would be made.⁶⁶ Hoover tried the same strategy on March 1. He again urged Mills to "offer the full cooperation of the administration to the President-elect in any line of sensible action which will meet the present banking situation." He told Mills that Congress would not act on any legislation unless the President-elect indicated his approval. He insisted that "In view of our repeated offers to cooperate, this very fact assesses him with responsibilities for the present situation which no amount of declamation can postpone until after March 4."⁶⁷

Secretary Mills, after conferring with Mr. Woodin, called Hoover in the same evening from New York to say that Mr. Woodin had repeated the statement that his "instructions" were not to agree to anything.⁶⁸

⁶⁵ Ibid., pp. 343-344.

⁶⁶ Ibid., p. 344.

⁶⁷ Ibid., p. 361.

⁶⁸ Ibid.

On the evening of March 2, the situation was growing worse. Twenty-one states had total or partial bank holidays and there were many runs on banks throughout the country.⁶⁹ The Federal Reserve Board suggested that the President declare under certain old war powers, a general banking holiday until after the inauguration. Hoover had considered the use of the Trading-With-The-Enemy Act of 1917, a piece of wartime legislation still on the books, to counteract the foreign drain and domestic hoarding of gold in February, 1932.⁷⁰

This act provided:

During the time of war or other periods of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, investigate, regulate or prohibit, under such rules as he may prescribe, by means of license or otherwise, any transaction in foreign exchange, transfers of credit between or payments by banking institutions as defined by the President, and export, hoarding, melting or earmarking of gold or silver coin or bullion or currency by any person subject to the jurisdiction of the United States, and the President may require any person engaged in any transaction referred to in this subdivision to furnish under oath, complete information, there to including the production of any books of account, contracts, letters or other papers in connection therewith in custody or control of such persons whether before or after the transaction is completed.⁷¹

⁶⁹ New York Times, March 2, 1933.

⁷⁰ Meyers and Newton, op. cit., p. 363.

⁷¹ Public Act No. 1, 73rd Congress, Federal Reserve Bulletin, (March, 1933), p. 115.

Roosevelt left New York on March 2 for Washington to prepare for the inaugural ceremonies. After he had arrived word came from Will Woodin that Federal Reserve Board members and Treasury officials were urging him to secure Roosevelt's approval of the Trading-With-The-Enemy Act.

President Hoover was advised by Attorney-General Mitchell that this statute was practically invalid and could be safely used only if Congress would ratify this action. Hoover felt that Roosevelt was the only person who could secure favorable Congressional action. He then informed the Board to gain this approval from Roosevelt before he could take action.⁷²

Roosevelt summoned the Democratic leaders in Congress to discuss Hoover's proposals and it was decided that there was no need for joint action by the President-elect. They notified Hoover that he was to proceed as he thought best.⁷³

The situation remained this way until the following day when things took a turn for the worse. Secretary Mills had reported to Hoover in the morning that the banks in the larger

⁷² Meyers and Newton, op. cit., p. 364.

⁷³ Moley, op. cit., p. 144.

cities had taken various measures which he felt would make it unnecessary to order a general closing before the inauguration. They felt that the inaugural address might give the necessary assurances to stop the panic. In the afternoon, however they felt differently.⁷⁴

On the afternoon of March 3, Roosevelt went to the White House to make the traditional call upon the President before the inauguration. He expected nothing more than the formal exchange of courtesies, but when he arrived, Ike Hoover, the chief usher, whispered to him that President Hoover had planned a conference with Secretary Mills and Eugene Meyer, Governor of the Federal Reserve Board, to discuss the bank panic. Roosevelt immediately asked that Moley be called and he arrived several minutes later, much to the surprise of Hoover.⁷⁵ This was a rather unorthodox method of procedure as Moley asserted, "I have never been able to understand why the attempt to stage the 'approach' should have been in this

⁷⁴ Meyers and Newton, op. cit., p. 365.

⁷⁵ For an interesting account of this meeting see Moley, op. cit., p. 145.

After the meeting, a very busy evening ensued. For Hoover there were frequent calls throughout the country to ascertain the extent of the disaster. At the Mayflower Hotel, Roosevelt and his advisors were discussing the crisis. Hoover called Roosevelt twice during the evening. Around ten o'clock Hoover told Roosevelt that he had decided to do nothing. Again at one o'clock he telephoned Roosevelt to say that the officials at the Treasury were still busy and that he "just wanted to keep Roosevelt informed."⁷⁸

Governors Horner and Lehman of Illinois and New York were persuaded to close their banks. The smaller institutions throughout the country could do little but follow their lead. By dawn on the cold Saturday morning of March 4, nearly every bank in the country was closed.

Throughout the country the masses were in a state of bewilderment and despair, as the great economic crisis thundered to a climax. The Hoover Administration helplessly watched while the financial machinery of the Nation ground to a virtual standstill. "In all history there have been few such

⁷⁸ Ibid., p. 146.

ironic coincidences as this collapse of an economic order in the last minutes of its zealous guardianship by the man who thought it fundamentally perfect."⁷⁹

⁷⁹ Lindley, The Roosevelt Revolution, op. cit., p. 69.

CHAPTER V

THE END OF THE INTERREGNUM

At one o'clock Saturday afternoon, March 4, Franklin Roosevelt accepted the lifeless form of the country. The long and terrible interim of confusion and indecision had finally ended.

Roosevelt was ready to assume his high office. His cabinet was chosen and was ready to undertake the prodigious task which lay ahead of them. There was some disappointment voiced among the conservatives of the country because it was not a cabinet of "big men." It was however, "a rare piece of political craftsmanship," according to the New York Herald Tribune. The New York Times said that, "President Roosevelt has a cabinet that will work with him."¹

The new President faced many grave problems: There was the balancing of the budget; the problem of farm relief needed solving; many departments of the government needed

¹ "Grave Problems the New President Faces," Literary Digest, CXV (March 4, 1933), 7.

reorganizing. International questions of tremendous moment were pressing for attention: war debts, disarmament, the approaching World Economic Conference, stabilization of currencies and many other problems. There were between 12,000,000 and 17,000,000 hungry and starving unemployed citizens with a third of the nation's entire population directly affected. The Jackson, Mississippi, Daily News ably described the picture of the misery flung into the face of Franklin Roosevelt:

Ships are tied up in harbors and their hulls are rotting; freight trains are idle; the treasury building is bursting with Gold, yet Congress wrestles with a deficit mounting into billions, the result of wild and extravagant spending; granaries are overflowing with wheat and corn; cotton is a drug on the market; food crops are gigantic and unsalable; yet millions beg for food; mines are shut down; oil industries are engaged in cutthroat competition; farmers are desperate, taking the law into their own hands to prevent foreclosures; factories are idle; industry is paralyzed; 200,000 to 300,000 beardless boys are drifting aimlessly along the highways; an active smokestack is a curiosity.²

These problems had to be solved and the nation put its faith in Roosevelt. Thousands waited out the last days of the interregnum in suspense and apprehension—fearing that another

² Ibid.

fanatic would attempt to assassinate the new President.³ There was relief and happiness when he finally took his office.

The whole country in the words of one editor, "looks to the new President as the keystone of recovery . . ."⁴ The country felt friendliness and hope towards Roosevelt. As David Lawrence of the Consolidated Press pointed out, "the attempt on his life has brought a great tide of friendly feeling toward Roosevelt. . . ."⁵ The economic system of the country had fallen so far that the financial and business leaders also looked to Roosevelt as their savior. They were ready on the memorable morning of March 4, to give up practically everything for some semblance of stability. After four months of chaos the public mind was ready to grasp at any remedy. The nation wanted a strong leader to relieve them of their distress; "it is tired of going nowhere with the mob. It wants to go somewhere with a man."⁶ With this sentiment being expressed

³ Armstrong, op. cit., p. 50.

⁴ "Grave Problems the New President Faces," op. cit., p. 7.

⁵ Ibid.

⁶ Ibid.

throughout the United States, it is of little wonder that the famous "Hundred Days" following the interregnum were to receive such unanimous support.

BIBLIOGRAPHICAL ESSAY

Due to the recent nature of the period with which this thesis deals, periodicals and newspapers were of prime import to a full understanding of the interregnum. Magazines ran timely and important articles which reflected the effects of these four months on the national consciousness. Periodicals such as Survey, the Nation and the New Republic were valuable sources for such information as relief activities, unemployment data and the sociological state of the nation. Forum, Harpers and in particular the Literary Digest revealed well the chaotic political and economic conditions which prevailed then. The despair and disillusionment with the Hoover Administration, coupled with the hope engendered by the incoming New Deal, which characterized the American thinking was well illustrated in these magazines. Time magazine and the New York Times newspaper were invaluable and excellent chronological accounts in this epochal period.

The Depression. Excellent background material for surveying the general aspects of the economic collapse can be found in

Dixon Wecter's, The Age of the Great Depression, 1929-1941 (New York, Macmillan, 1948); Broadus Mitchell, The Depression Decade, Vol. IX of The Economic History of the United States, (New York, Rhinehart, 1947); and Oscar Barck and Nelson Blake's, Since 1900. A History of the United States in Our Times, (New York, Macmillan, 1950).

For more vivid descriptions of the depression, Frederick Lewis Allen's, Since Yesterday, (New York, Harper, 1939) and Charles A. and Mary R. Beard, America in Midpassage, (New York, Macmillan, 1939) are interesting accounts of the debacle. Hoover and the Depression. A very laudatory account of Hoover's efforts in dealing with the depression can be found in William S. Meyers and Walter Newton, The Hoover Administration: A Documented Narrative (New York, Scribners, 1936). Hoover's public papers and writings reveal his thoughts, ideas and many of his actions as President; see William S. Meyers, ed. The State Papers and Other Public Writings of Herbert Hoover, 2 vol. (New York, Scribners, 1934). Volume II was used primarily for this thesis. Herbert Hoover's, Addresses Upon the American Road, 1933-1938, (New York, Scribners, 1938) were of little value for the interregnum period. A more

personal account of Herbert Hoover can be found in a memoir of his secretary, Theodore Joslin, Hoover—Off the Record, (Garden City, Doubleday Doran, 1935).

The Campaign of 1932. Interesting accounts of the 1932 campaign can be found in: James A. Farley's, Behind the Ballots: The Personal History of a Politician, (New York, Harcourt Brace, 1938); Roy V. Peel and Thomas C. Donnelly, The 1932 Campaign, an Analysis, (Farrar and Rinehart, New York, 1935); the memoirs of Roosevelt's admirers shed light on much of the behind the scenes political activity. An indispensable source for the campaign pledges of Hoover is Meyers', State Papers and other Public Papers of Herbert Hoover; and for documentary material of Roosevelt's campaign utterances and subsequent comments on events is Samuel I. Rosenman, comp., The Public Papers and Addresses of Franklin D. Roosevelt, 9v. (New York, Random House, 1938-1940). For the study of the interregnum, I used the second volume of Hoover's papers and the first volume of Roosevelt's public papers.

Roosevelt. Many of Roosevelt's supporters and other persons who were close to the President have written memoirs which

were very valuable in this study. Though many of them are biased they are still highly informative. The most valuable account is Raymond Moley's, After Seven Years, (New York, Harper, 1939). Moley shows a definite bias but is indispensable as he was one of Roosevelt's closest advisors before and during the interregnum. In many cases, his testimony is the only one available for many of the important events which occurred during this period. Other very important memoirs which shed light on Roosevelt's personality and ideas are Frances Perkins, The Roosevelt I Knew, (New York, Viking, 1946); Alden Hatch, Franklin D. Roosevelt: An Informal Biography, (Boston: Houghton Mifflin, 1934); John Gunther, Roosevelt in Retrospect, (New York, Harper, 1950); Charles Michelson, The Ghost Talks, (New York, G. P. Putnam's, 1944); and Don Wharton, ed. The Roosevelt Omnibus, (New York, Doubleday Doran, 1935). The most critical account of Roosevelt is John T. Flynn's, The Roosevelt Myth, (New York, Garden City, 1948).

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Foreign Questions. The most important sources used in the second chapter were Henry L. Stimson and McGeorge Bundy, On Active Service in Peace and War, (New York, Harper, 1947), Walter Lippman and W. O. Scroggs', The United States in World Affairs, (New York, Macmillan, 1932), Raymond Moley, After Seven Years, has written the only account of the personal correspondence and meetings between Roosevelt and Hoover. The New York Times, was a very valuable source for the background material in these international problems.

The Bank Panic. The literature on this phase of the interregnum is more abundant than in many of the other incidents. A very detailed discussion is Basil Rauch, The History of the New Deal, (New York, Creative Age, 1944). Two valuable accounts by the Washington journalist, Ernest K. Lindley are, The Roosevelt Revolution, First Phase, (New York, Viking, 1933), and Half-Way With Roosevelt, (New York, Viking, 1937). John T. Flynn gives a very critical account of Roosevelt's actions during the banking panic in his, The Roosevelt Myth. This is so highly biased that it leaves much to be desired in scholarly pursuits. Hoover's defense for his actions during the crisis are ably recorded by William S. Meyers and Walter

Newton, The Hoover Administration: a Documented Narrative. They also present more of the story in Saturday Evening Post articles, (June 8, 15, 22, 29, 1935). Other material used in this study are Clark Evans', The Internal Debt of the United States, (New York, Macmillan, 1933); Lawrence Sullivan, Prelude to Panic, (Washington, D. C., Statesman Press, 1936); Cyril B. Upham and Edwin A. Lemke, Closed and Distressed Banks, Brookings Institution, 1934. The New York Times, was very valuable for day to day developments during the panic.

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