ANXIOUS DECADES

America in Prosperity and Depression

1920–1941

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W·W·NORTON & COMPANY·NEW YORK·LONDON

1

The Trials of Herbert Hoover

A severe depression like that of 1920–21 is outside the range of possibility.
—Harvard Economic Society, *Weekly Letter*

Any lack of confidence in the economic future of the basic strength of business in the United States is foolish.
—Herbert Hoover

Scapegoat

In the 1980s broadway musical *Annie*, based on the famous comic strip about a little orphaned girl, her dog, Sandy, and her wealthy benefactor, Oliver "Daddy" Warbucks, an early scene takes place under a New York City bridge. Homeless people huddle around trash-can fires to cook their food and keep warm. The year is 1932. They sing one of the play's most memorable numbers: "We'd Like to Thank You, Herbert Hoover":

Today we're living in a shanty,
Today we're scrounging for a meal,
Today I'm stealing coal for fires,
Who knew I could steal?

I used to winter in the tropics,
I spent my summers at the shore,
I used to throw away the papers,
I don't any more.

We'd like to thank you, Herbert Hoover,
For really showing us the way!
We'd like to thank you, Herbert Hoover,
You made us what we are today!
. . .
In every pot he said "a chicken,"
But Herbert Hoover he forgot!
Not only don't we have the chicken,
We ain't got the pot!
. . .
Come down and share some Christmas dinner,
Be sure to bring the missus, too,
We've got no turkey for our stuffing,
Why don't we stuff you.

We'd like to thank you, Herbert Hoover,
For really showing us the way.
You dirty rat, you Bureaucrat,
You made us what we are today.

Nearly fifty years after his presidency and twenty after his death, Herbert Clark Hoover remained in popular song and story the person most Americans held responsible for the economic calamity that struck the nation after 1929. Few of our political leaders have been more ridiculed and vilified during their tenure in office. By 1931, new words and usages based on his name had entered the country's cultural vocabulary:

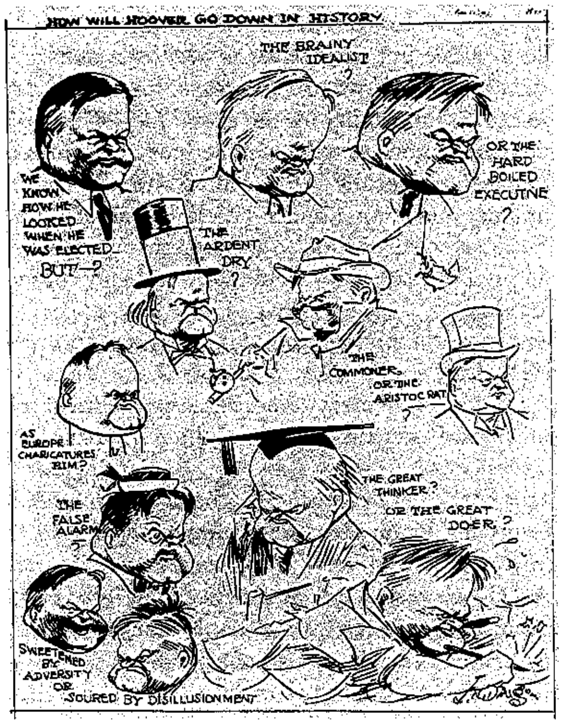
—"Hooverville": a temporary bivouac of homeless, unemployed citizens.
—"Hoover blankets": the newspapers used by people to keep warm at night while sleeping in parks or doorways.
—"Hoover flags": empty pants pockets, turned inside out as a sign of poverty.
—"Hoover wagons": any motor vehicle pulled by horses or mules.
—In the heat of the 1932 presidential election, hitchhikers displayed signs reading "If you don't give me a ride, I'll vote for Hoover."
—Stock speculator Bernard E. Smith claimed that he made a fortune in the market between 1930 and 1932 by selling short every time the president made an optimistic pronouncement about economic recovery.

Such opinions still rule the popular conception of Hoover and the Great Depression; but in a half century of reassessment, many historians take a softer view. Unlike Harding or Coolidge, who enjoyed public esteem while in office but far less favor with later generations, Hoover's reputation has grown with the passing of time. Most scholars now reject the idea of his culpability for the economic collapse of 1929–32. They stress his innovations as well as his serious limitations as a leader. Seldom did a person enter the White House with stronger credentials or brighter promise and leave it under a darker cloud of reproach. Could Americans have selected anyone to pilot them through an economic depression during the 1920s, they would have probably chosen the Great Engineer from Iowa.

As president, for example, he signed into law a path-breaking labor law, the Norris–La Guardia Act, that curbed the use of injunctions during strikes. Yet he stubbornly refused to support direct federal relief to the victims of the Depression, many of them industrial workers. He named the greatest state jurist of his age, Benjamin Cardozo, to the Supreme Court of the United States. But he also attempted to place on that same Court the Honorable John J. Parker of North Carolina, a staunch enemy of organized labor, whose nomination was turned down by the Senate. He appointed a distinguished task force of experts who wrote an impressive analysis of the nation's many domestic problems entitled *Recent Social Trends*. But he often blamed Europeans for the Depression and ignored the many serious defects in America's economic system.

Hoover remained convinced of his own rectitude and usually treated most professional politicians in both parties with contempt. This proved to be a near fatal flaw at a time when the economic crisis required maximum cooperation between president and Congress. Although a trained engineer and businessman, accustomed to looking facts squarely in the eye, Hoover finally shrank from the grim reality of the Depression. He retreated near the end into a fantasy world, where soothing words were used to paper over the accumulating evidence of disaster. When his policies of self-help and voluntary cooperation failed again and again, he stubbornly refused to change course. His words began to depreciate as rapidly as the assets of rural banks, and he lost the most precious and elusive political capital in a democracy: trust and credibility.

Hoover had the double misfortune of occupying the White House at the beginning of the Depression and prior to FDR, one of history's most charismatic leaders. Shy, taciturn, ill at ease with crowds and politicians, Hoover would always suffer by comparison with the dashing, aristocratic Roosevelt. An introvert and a bit of a prig, he marched



Herbert Hoover, a riddle in 1929 and for later historians.

always to an inner drumbeat, even when it led him to political calamity. Roosevelt, on the other hand, was a debonair, charming extrovert, who relished most social occasions and thrived in the political arena. Less bookish and intellectual than Hoover, he drew his energy and inspiration largely from people, whose emotions and interests he read and played like a master conductor leading a symphony orchestra. Roosevelt, not Hoover, became the hero of the Depression drama, the commander in chief of a generation tested first by economic privation and then by war. Symbolically and institutionally, FDR fashioned the modern presidency, but in doing so he drew not only on the legacy of his cousin Theodore and Woodrow Wilson, but also on the failed example of Herbert Hoover. An astute William Allen White made this same point in 1933: "So history stands hesitant, waiting for time to tell whether Herbert Hoover by pointing the way to social recovery is the

first of the new Presidents, or whether he is the last of the old." In fact, he was both.

THE PROPHET OF VOLUNTARY COOPERATION

The most apt historical comparisons are not between Hoover and FDR, but between Hoover and earlier presidents who faced financial panics and economic depressions: Martin Van Buren in the 1830s, U. S. Grant in 1873, Grover Cleveland in the early 1890s, Theodore Roosevelt in 1907, and Harding in 1921. Judged against their standard of performance, Hoover was a dynamo of energy, a president who mobilized as never before the powers of his office and the national government to combat the spreading plague of economic collapse.

Treasury Secretary Andrew Mellon set forth the orthodox view about depressions in the wake of the stock market collapse: "Liquidate labor, liquidate stocks, liquidate farmers, liquidate real estate." Hoover spurned this advice. While perhaps appropriate to an economy of self-sufficient farmers in the eighteenth century, Mellon's callous prescription could bring only human suffering and political chaos in the interdependent capitalist society of 1929. "The economic fatalist believes that these crises are inevitable and bound to be recurrent," Hoover said. "I would remind these pessimists that exactly the same thing was once said of typhoid, cholera, and smallpox. . . . That should be our attitude toward these economic pestilences. They are not dispensations of Providence."

When the crisis hit, Hoover took action, but always within a narrow intellectual universe. His press secretary once observed that "the number of times he reversed himself or modified an important position could be counted on the fingers of one hand." Rexford Tugwell, a member of Roosevelt's "brain trust," captured the very essence of Hoover when he remarked, "We all thought he was an engineer, but, in fact, he was a moral philosopher." Engineers are task-oriented, concerned with achieving practical results. To build a bridge or dig a mine they focus first on the quality of the materials or the machinery to be employed, not on the character of the people who will build or use it. Hoover, however, worried about character.

The foundation of American civilization, Hoover believed, rested on the moral fiber of its citizens. Examining his own life and projecting it on the larger society, he equated sound morals with self-reliance and initiative. As he had conquered adversity, rising from childhood poverty to success and wealth, so might others. "The spread of government," he once wrote, "destroys initiative and thus destroys character. Character is made in the community as well as in the individual by assuming responsibilities, not by escaping them." No effort to fight the Depression, he believed, should subvert the character of Americans by violating the fundamental principles of their social and political life: individualism, self-reliance, and voluntarism.

These core concepts tapped a venerable tradition in American political thought. For nearly two centuries Americans had emphasized free will, personal autonomy, and consent, while rejecting forms of domination that arose either from the exercise of private power or official, state power. Americans, by and large, feared dependency and hated coercion. Of course, the ideal often conflicted with reality. Because of class, race, gender, or religion, some Americans had far less opportunity to choose than others. The exercise of one person's individualism or autonomy could mean the domination or exploitation of others. Certain tendencies were repressed sternly by a disapproving social consensus—for example, polygamy, homosexuality, anarchism, and communism. At some point, even voluntarism became coercion, else the principle of majority rule could not have worked in American political life. The ideals of individualism, autonomy, consent, and voluntary cooperation fueled the destruction of slavery and the campaign against monopoly, but they also prevented the adoption of minimum wage legislation, effective unionization in most industries, and the abolition of child labor.

Hoover seldom explored these contradictions. But he did set himself apart from those who touted laissez-faire, unrestricted competition, and the survival of the fittest. As secretary of commerce, he labored mightily to implement his conception of voluntary cooperation and to define the appropriate boundaries of governmental action. He endorsed a major role for government in regulating radio broadcasting and aviation. These industries resembled traditional public utilities, and unchecked competition threatened the economy, human safety, and the profits of initial investors. But for most sectors of the economy, he rejected direct government controls in favor of voluntarism. Private trade associations, he believed, could rationalize and humanize competition and raise productivity by promoting uniform standards for various industries. Hoover balked, however, when these associations tried to use the government to restrict output, allocate markets, or surreptitiously fix prices, because he feared the capture of state power by special interests and classes. Of course, unrestricted competition spawned as much

human misery in the coalfields or textile mills, where Hoover opposed direct government controls, as in radio or aviation, where he endorsed it, but these inconsistencies did not lead the Great Engineer to reconsider his general theories. Self-help and voluntary cooperation failed to bring stability or prosperity to many industries during the 1920s. Despite this legacy of failure, Hoover sought to extend these principles to the nation's suffering agricultural producers in one of the first major policy decisions of his administration prior to the stock market crash.

POVERTY OF ABUNDANCE

Redeeming a campaign pledge made in agricultural states, Hoover called the new Congress into special session in April 1929 to address the special problems of rural producers. From this session sprang both more tariff protection (which farmers did not need) and what the president called "a great instrumentality clothed with sufficient authority and resources to assist farmers." At the threshold, Hoover told congressional leaders he would veto any new tax on producers such as the equalization fee of the old McNary-Haugen bill. Nor would he support mandatory production controls, because they entailed government coercion. And he opposed any export subsidies to encourage the dumping of American farm surpluses abroad. Those subsidies cost too much and would alienate European allies.

Given these presidential strictures, the "great instrumentality" that Congress brought forth was the Federal Farm Board, the centerpiece of the Agricultural Marketing Act of 1929. Although the Farm Board was clothed with greater powers than any other agricultural agency in American history, its mandate depended mainly on the voluntary cooperation of farmers. Congress gave the nine-person board a budget of $500 million and authorized it to help farmers help themselves in several ways. First, it could make loans to existing agricultural cooperatives and finance the organization of new ones. On the production side, co-ops could use their buying power to reduce the farmer's bill for fertilizers, pesticides, and equipment. On the selling side, farmers could use these co-ops to reduce the profits of middlemen and prevent sharp price declines that resulted when crops came on the market all at once.

Congress also authorized the Farm Board to loan money to so-called crop stabilization corporations organized by cooperatives as part of their effort to promote "orderly marketing." With these loans, the stabilization corporations could buy, sell, store, and process various crops such as wheat and cotton. Because the law did not set a limit with respect to either quantity or price, the stabilization corporations could attempt to boost farm prices by making purchases above the market as long as the Farm Board lent them money. On a practical level, the Farm Board's financial support of cooperatives and stabilization corporations put the United States government directly into the business of competing with private enterprise and seeking to fix farm prices. Hoover supported it because anything less would bring down the wrath of the farm bloc and the competition would be carried out by private associations and corporations. This distinction seemed artificial to many people who advocated a larger role for the government, but for Hoover it defined a rigid boundary between economic tyranny and economic freedom.

What seemed to Hoover and others to be a bold expansion of federal aid to agriculture in the summer of 1929 proved woefully inadequate within a year. The Agricultural Marketing Act proposed a domestic solution to an international crisis. By early 1930, as waves of grain from the United States, Argentina, Canada, and the Soviet Union swamped the international market and sent wheat prices down to 85 and then 80 cents a bushel, the stabilization corporations became the only institutions supported by the Farm Board with the hope of salvaging the situation. Farmers from Iowa to the Dakotas who had borrowed money with wheat at 90 cents or $1 a bushel faced bankruptcy and foreclosure. The country banks that had made mortgage and crop loans stared at insolvency. Drawing on Farm Board funds, the Grain Stabilization Corporation, organized in February 1930, began buying surplus wheat from cooperatives and trading in futures, hoping in this way to halt the decline.

But the grain buyers proved no more successful at reversing the disintegrating market than Richard Whitney and his allies had been on Wall Street during the panic of 1929. The Grain Stabilization Corporation bought wheat in Chicago for 80 cents a bushel in January 1931, although the world price had by then plummeted below 60 cents. By summer, when it ceased to make more purchases, the corporation had become the owner of nearly 300 million bushels of wheat for which it had paid on average 82 cents. The world price was then under 40 cents and still headed down. In short, the Farm Board and the corporation had saved American farmers millions of dollars, but, in the words of one observer, they had also found "a first-class way of throwing good money in to a bottomless pit."

Within a year or so, as more farmers went broke and with them rural banks and local merchants, mandatory crop controls received a hearing in Washington. Congressional committees investigating the failure of the Farm Board in 1932 heard from Professor M. L. Wilson of Montana State, who outlined a "domestic allotment plan" that he and other agricultural economists such as John D. Black of Harvard had worked on for several years. Wilson and Black proposed to pay farmers a subsidy if they reduced acreage, an idea put into legislative form by Senator Elmer Thomas of Oklahoma. Most of Thomas's congressional colleagues thought the scheme too radical. And because it clearly violated his cherished ideal of voluntarism, Hoover helped to kill the measure by threatening a veto. In the farm belt, meanwhile, fear, frustration, and anger rose steadily as the index of wheat, corn, and cotton went down. "We farmers have been the underdogs too long," a dairyman told a reporter from a national magazine. "We have been humbugged by the politicians, cheated by the railroads . . . and now we are going to get justice or know the reason why."

THE ZENITH OF PROTECTIONISM

Apart from its futile price support activities, Hoover's Farm Board could not be blamed for making economic conditions much worse in the countryside between 1929 and 1932. The same could not be said for the other legislative accomplishment of the special congressional session in 1929, the infamous Hawley-Smoot tariff, signed into law on June 17, 1930. This tariff raised American import duties to stratospheric levels and made it even more difficult for foreign nations to earn dollars that would pay off their World War I loans. A dreary example of national selfishness, the new tariff encouraged other nations to retaliate with protectionist measures of their own. As the stock market crash helped to dry up the springs of international credit, the Hawley-Smoot tariff choked off international trade and compounded economic misery from Boise to Berlin, from San Diego to Singapore.

Hoover, Congressman Willis Hawley of Oregon, and Senator Borah hoped to restrict any tariff revision in 1929 to the agricultural sector. Instead, they opened the floodgates to a general tariff overhaul. Despite the efforts of Borah and Reed Smoot of Utah to maintain the measure's dominant agricultural flavor, they and Hoover were no match for Senator Joseph Grundy, a former president of the Pennsylvania Manufacturers Association. Grundy put together a powerful coalition of protectionist groups from the Northeast and West who rewrote the bill to give manufacturers even greater aid than the farmers. When Grundy and his allies had wrapped up their work, the rates on many items stood 50 and 100 percent above the Fordney-McCumber schedules. Even the average ad valorem rates had soared from 33 percent to 40 percent. With biting sarcasm, an editorialist in the farm belt praised Senator Grundy for giving help to all the farmers who grew cement, shoes, umbrellas, oil, bricks, and pocketknives. "In fact there is nothing the Grundyites will not do for the farmer except to give him what he wants. All they wish to do is to tax him out of house and home—perhaps on the theory that the only way to solve the farm problem is to exterminate the farmer."

The final Hawley-Smoot bill passed the Senate with only two votes to spare, which set the stage for possible intervention by the White House. Hoover could have threatened a veto unless the Grundyites gave greater concessions to agriculture and moderated their outrageously high demands for nonfarm products. The prestigious American Economics Association, representing over a thousand of the leading scholars in the profession, urged the president to reject the bill on numerous grounds. Hoover could have utilized any one of them. Despite such prescient advice, the president signed Hawley-Smoot into law with a statement that sugar-coated its protectionist features and pledged modifications through the Tariff Commission. This proved to be a huge policy blunder; for the first time the American people learned that what Herbert Hoover often said to be true did not square with the facts.

More Voluntarism

Both the Agricultural Marketing Act and the Hawley-Smoot tariff were soon tested and found wanting in the furnace of economic decline. But neither represented Hoover's immediate response to the stock market panic. In the face of the uncertainty that rippled across the county in its wake, the president went against the grain. He took immediate, decisive, and, in retrospect, intelligent action. Darkening economic skies, according to the orthodox view, dictated retrenchment. Hoover sought to mobilize the country behind a program of economic expansion.

First, he called the nation's leading businessmen and elected officials to the White House for a series of meetings at which he urged them to continue as if the panic had not occurred. Since private corporations combined with state and local governments contributed the lion's share of investment in the economy, this plan of action made very good sense indeed.

From the captains of industry Hoover secured pledges that they would not reduce wage levels, lay off employees, engage in price cutting, or lower production. The National Business Survey Conference, led by Julius Barnes of the United States Chamber of Commerce, endorsed the president's plan and urged homeowners to spend money for "the extra sunporch, new fixtures for the bathroom, or a new floor in the cellar."

From the nation's mayors and governors, who controlled the bulk of public expenditures, Hoover secured similar pledges of aid. They would not reduce expenditures for planned public works such as roads, schools, libraries, and parks. For his part, the president promised to maintain and expand major federal construction projects for rivers and harbors, public buildings, highways, and dams. He applauded Federal Reserve Board decisions to lower interest rates. And he proposed an immediate reduction in federal personal and corporate income taxes in order to stimulate more investment and consumer spending. Hoover kept his initial promises.

The president and his corporate allies asked Americans to alter deeply ingrained patterns of behavior about how to act during moments of economic crisis and uncertainty. Although reliable statistics were hard to come by in 1930, the numbers of Americans out of work seemed to be growing. They had nothing to spend on "the extra sunporch, new fixtures for the bathroom, or a new floor in the cellar." They were lucky to have food on the table. Workers believed resolutely that the only way to weather such a crisis was by means of austerity—cutting back on expenditures, not enlarging them; saving money, not spending it. In flush times they had been willing to follow the prophets of the new profligacy. Fearing more unemployment, they repaired to the time-tested wisdom of their parents' generation: be cautious, retrench.

Businessmen cracked first, despite the persuasive efforts of the National Business Survey Conference. Concerned about a total collapse of sales, they cut production and sold off inventories. While not trimming wage levels at first, they laid off workers. Now without income, these unemployed fulfilled the grim expectation of reduced consumer spending. Corporate investment in new plant and equipment also fell off sharply from 1929 to 1931. From 15 percent of the gross national product before the crash, it had dipped to 7 percent two years later.

By the spring of 1931, wage cuts had become epidemic in key industries such as textiles and coal mining. At summer's end, United States Steel, followed by Bethlehem Steel, General Motors, and United States Rubber, announced general wage cuts between 10 and 20 percent. The gross national product had fallen almost 30 percent in two years, and unemployment stood at nearly 16 percent of the labor force. A newspaper in upstate New York reported the discovery by police of a young couple in a remote snowbound cottage. Out of work and without food for three days, they had nearly starved to death. The *New York Times* reported that 100,000 Americans had applied for work in the Soviet Union.

Promises by local pubic officials to maintain expenditures depreciated quickly once business activity declined, tax revenues shrank, and budgets became tight. Soon overwhelmed by demands for immediate relief to the unemployed, local governments from Maine to California shelved plans to refurbish city hall or build a new library. They began to lay off public employees, too. Hoover and Congress fulfilled federal spending plans, but the tax cut, touted as a powerful antidepression measure, proved to be a dud. Secretary Mellon's prior reductions had left little to trim. On a $5,000 income, for example, the reduction amounted to only $11.25. A taxpayer earning $10,000 saw his bill from Uncle Sam lowered by $55, but there were too few individuals in this bracket or even paying the income tax to make a difference. Despite the spending and the tax cuts, the United States government still had a small budget surplus at the end of the 1930 fiscal year.

Undaunted by the inability of the Farm Board or the National Business Survey Conference to generate much economic cooperation, Hoover mounted two additional efforts in banking and unemployment relief to fight by voluntary means the spreading economic and social crisis. Bankers faced a situation both simple and terrifying: too many of them, rural and urban, had made loans that went sour, especially in the stock market and real estate. While they legally held title to securities and land as collateral, banks could neither collect on the defaulted loans nor turn this collateral into cash. Who wanted to buy 10,000 shares of common stock whose market value had fallen almost to zero? Who would buy a Kansas farm with wheat selling at 30 cents a bushel?

Under intense pressure from Hoover, the nation's great bankers organized the National Credit Corporation, which opened for business in October 1931. With a capital fund of $500 million contributed by some of the country's major financial institutions, the NCC was a perfect expression of Hoover's philosophy. Bankers, not government, would help other bankers weather the storm. The NCC would use its resources

to break the liquidity crisis by purchasing the dubious assets held by banks on the verge of insolvency and some of those already closed. Fear would be checked. Depositors would be reassured. Bankers generally would gain confidence and make new loans. "It is a movement of national assurance and of unity of action in an American way," declared Hoover. The National Credit Corporation, declared *Business Week*, "puts private leadership and the philosophy that sponsors it to the supreme test. The public is bound to judge the soundness of this philosophy by the results achieved."

The results proved dismal. Voluntary cooperation failed Hoover again. Testifying before Congress at the end of 1931, the head of the New York Federal Reserve Bank confessed that the National Credit Corporation had expended only a tiny fraction of its funds, about $10 million to be exact, while the banking crisis continued to get worse. Sober, cautious, judicious bankers all, the managers at the NCC proved reluctant to use the $500 million to take over most of the dubious assets offered to them by other bankers. They feared for the liquidity of the National Credit Corporation! That year, total bank failures hit 2,293, the highest of the Depression era. In his own *Memoirs*, Hoover passed a scathing judgment on the banker-run NCC. It became, he said, "ultraconservative, then fearful, and finally died."

By the time voluntarism failed among the bankers, it appeared unavailing as well in the most critical area of all: providing basic relief—food and shelter—to millions without work. With little or no savings to fall back upon, working-class and middle-class families who had earlier tasted the fruits of high mass consumption faced unpaid mortgages and bills, foreclosure, bankruptcy, and destitution. From the president's perspective, the nation's private charities and disaster relief organizations such as the Red Cross, the Salvation Army, Community Chest, the YMCA, and Travelers' Aid offered the first line of defense against the calamities of unemployment.

Hoover promptly created the President's Emergency Committee for Employment, later renamed the President's Organization of Unemployment Relief, to assist these private and state relief efforts. He appointed distinguished philanthropists and businessmen such as Colonel Arthur Woods of the Rockefeller Foundation and Walter S. Gifford of AT&T to lead these organizations. Both committees began to gather and spread information on local relief activities across the country and to urge still greater voluntary efforts. The president himself gave substantial donations to charity.

But Hoover adamantly opposed a larger role for the federal government, especially direct employment or relief payments to those without jobs. Such federal intervention, he alleged, would discourage private giving, undermine voluntarism, and destroy self-reliance by creating a class of dependent citizens. "The humanism of our system demands the protection of the suffering and the unfortunate," Hoover declared. "It places that prime responsibility upon the individual for the welfare of his neighbor, but it insists also that in necessity the local community, the State government, and in the last resort, the National government shall give protection to them."

Hoover's approach to relief received a stern test when the severe drought of 1930–31 added to the staggering woes of farmers from the Mississippi River to the Rocky Mountains. In states such as Arkansas, where temperatures soared above 100 degrees for over a month, crops withered in the field; livestock died from starvation; Red Cross workers distributed food and clothing in virtually every county. Hoover pressured the railroads to deliver feed grains into the region below normal rates. His Federal Farm Board offered farmers with sufficient collateral loans to assist in these purchases.

The president balked at more aid, however. When Congress pushed for an additional $60 million in loans to help drought victims buy fuel, feed, fertilizers, and food, Hoover raised strong objections to the last item. Feeding farmers, he argued, would put the federal government into the business of providing direct relief, similar to the hated British dole. With reluctance, the president finally accepted legislative language that permitted drought loans for fuel, feed, fertilizer, and something called "rehabilitation," which, the secretary of agriculture soon ruled, might include food. Congress proved stingy, too. The final sum appropriated for these loans, $47 million, was pathetically small in comparison to the need of the farmers. Only those with some resources could qualify for the loans, and Hoover's opposition to the food provision became another self-inflicted political wound.

Woods and Gifford, misled by haphazard information from around the country, regularly offered upbeat commentary on the national relief situation. Hoover echoed their optimism. "The country as a whole," said Woods, "has responded most heartily to the emergency. Evidence is pouring in that communities are organizing to meet their own problems." Down to the smallest village and hamlet, he added, "there has been a recrudescence of that community spirit hitherto reserved for wartime emergencies." But accumulating evidence also suggested that the tide of joblessness had overwhelmed the heroic efforts of private charities as well as state and local governments, which faced shrinking tax revenues and constitutional limits on borrowing.

By the winter of 1931, for example, Illinois labor experts estimated that 40 percent of the men and women seeking work in Chicago could not find it. Their combined lost wages amounted to $2 million a day, while the Chicago funds available from all relief organizations, private and public, totaled about $100,000 a day. Chicago therefore provided relief only to the destitute and set its payments at $2.40 per week for an adult and $1.50 per week for a child. President Hoover, meanwhile, quoting the head of the Public Health Services, affirmed that despite mounting unemployment figures and rising relief demands, "our people have been protected from hunger and cold." That statement drew fire from physicians, social workers, and state public health workers in dozens of cities. They pointed to hospital statistics that indicated a growing number of deaths attributed to starvation and illnesses associated with malnutrition. The head of the Federation of Jewish Charities in Philadelphia reported hundreds of families "reduced for actual subsistence to something of the status of a stray cat prowling for food."

New Departures

The failures of the banking community to solve voluntarily the liquidity crisis through the National Credit Corporation generated near-panic among Hoover's senior financial advisers by the end of 1931. Both Eugene Meyer, a Hoover appointee to the Federal Reserve Board, and Ogden Mills, the president's new Treasury secretary, predicted more disastrous bank failures and total economic chaos unless the federal government now intervened directly. They proposed the creation of an agency similar to the War Finance Corporation of World War I, which had been authorized by Congress to help fund enterprises deemed essential to the war effort. Hoover, also a veteran of the wartime federal bureaucracy, had been thinking along these same lines.

These ideas gave birth to the administration's first significant departure from voluntary cooperation—the Reconstruction Finance Corporation, approved by Congress in January 1932 with authorization to lend up to $2 billion of the taxpayers' money to rescue commercial banks, savings banks, trust companies, credit unions, and insurance companies. After approval of the Interstate Commerce Commission, the new agency could also lend funds to railroads on the verge of insolvency. With passage of the RFC statute, Hoover both confessed the inadequacy of voluntarism and launched the boldest antidepression measure ever undertaken by the national government.

In the face of complaints that the administration's first dose of direct federal aid targeted financial institutions and corporations instead of people out of work, Hoover declared that the RFC was "not created for the aid of big industries or big banks." Secretary Mills said he looked upon the new agency as "an insurance measure more than anything else," a psychological stimulus that would restore confidence in financial institutions and make massive federal loans unnecessary. Hoover and later apologists for the RFC in 1932–33 argued that the agency had done its best to help the little people in the financial and business world. They pointed to statistics showing that 90 percent of the loans authorized by the RFC went to small and medium-sized banks and that over 70 percent of such authorizations had been made to help institutions in cities or towns with fewer than five thousand inhabitants.

Critics of the RFC read the agency's statistics differently. They focused on the size of the loans, not on the absolute number. By this measure, for instance, 7 percent of the borrowers, usually the largest banks, got over half the money lent by the agency in its first two years. Of the first $61 million committed by the RFC, $41 million went to just three institutions, and one—former vice president Charles Dawes's own Central Republic National Bank and Trust Company—tapped the agency for a total of $90 million after the Chicago financier resigned from the RFC and went back home in a vain attempt to prevent its reorganization.

RFC loans to railroads and public utilities presented a similar picture. Again, the largest dollar amounts went to the biggest companies. While some experts noted that it made very little economic sense to saddle debt-ridden enterprises such as the railroads with additional loan obligations—even from benevolent Uncle Sam—the chief complaint against the RFC centered on the issue of equity and social justice, not economic efficiency. The administration claimed that saving the largest firms from insolvency saved more jobs and prevented further economic chaos.

But by the summer of 1932, the Hoover administration had great difficulty explaining why the federal government should directly assist faltering corporations but not destitute workers and their families. An angry spokesman for North Dakota farmers announced to Congress: "The same people who have cried, 'Socialism' against us Bolsheviks out on the farm, have gone to the United States Government and asked for the most socialist program that has ever been put over in the history

Eugene Meyer, head of the RFC.

of this Government. We feel that, without any blush of shame, we can come and ask for the same thing."

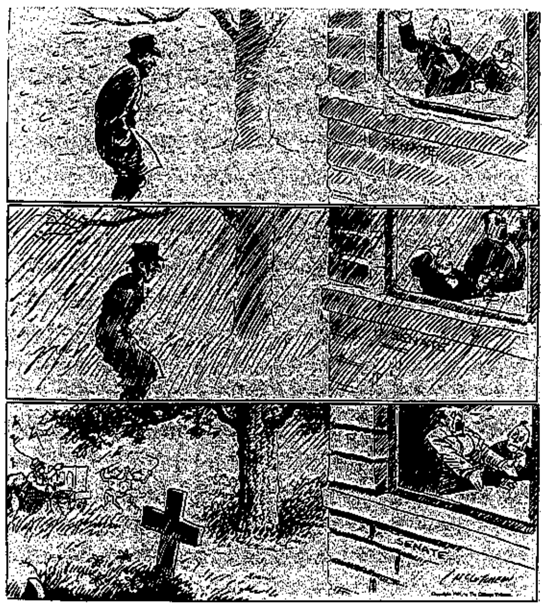
Senators Robert La Follette, Jr., of Wisconsin and Edward Costigan of Colorado along with Congressman James Lewis of Illinois emerged as champions of direct federal aid to the unemployed. Their bill, introduced almost simultaneously with the initial RFC measure in late 1931, proposed the creation of a Federal Emergency Relief Board authorized to spend $375 million to assist the states in their efforts to provide food, clothing, and shelter to the jobless.

Hoover quickly denounced the La Follette–Costigan–Lewis bill as extravagant and destructive of the constitutional balance between the states and the federal government. Other congressional leaders sided with the president. Although the Republicans' advantage in the Senate and House had been cut substantially in the elections of 1930, the Southern Democrats, who now held the balance of power in Congress, were not prepared to support so bold an initiative. They too feared runaway federal spending and national intervention; such policies might disturb the racial status quo in their region. When finally put to a vote in February 1932, the bill fell fourteen votes short in the Senate.

By the summer of 1932, however, the case for some federal aid to the unemployed had become almost irresistible. By then, the RFC's generosity to banks and utilities was generally known. Hoover finally endorsed a bill sponsored by Senator Robert Wagner of New York and

House majority leader Henry T. Rainey that authorized the RFC to loan up to $1.5 billion to states for the purpose of financing local public works. The president and congressional leaders made certain, however, that this so-called Emergency Relief and Construction Act would not degenerate into a direct federal relief program.

In order to be even eligible for RFC loans under the new Emergency Relief and Construction Act, state governments had to take a virtual pauper's oath by declaring that they had reached the end of their constitutional tether with respect to borrowing and taxation. In addition, only "self-liquidating" public works, those that would produce revenues to pay off the federal loan, could be funded. This provision sharply limited types of construction and the kinds of workers—generally the more skilled—who would be hired under the program. The federal government thus entered the relief business, indirectly and with great reluctance. Hoover and congressional leaders had been driven there by necessity, not moral conviction. The governor of New York, Franklin Roosevelt, although opposed like Hoover to the dole, told his constituents plainly in 1931 that government aid to the jobless "must be extended . . . not as a matter of charity, but as a matter of social duty." In 1932, however, his remained a minority voice among the nation's political leaders.



"While Washington Makes Up Its Mind . . ." (caption). On the issue of relief to the unemployed, Congress also remained confused and divided.

The creation of the Reconstruction Finance Corporation and approval of the Emergency Relief and Construction Act represented the limits of Herbert Hoover's willingness to utilize directly the fiscal and legal resources of the national government to combat the Depression. Both proved pathetically inadequate. The agency's modest lending activities in 1932–33 could not halt the slide into economic darkness. Yet very few leaders in either major party advocated more radical measures. La Follette and Costigan could not get a direct relief bill through even one house of Congress. And had Hoover abandoned voluntary cooperation earlier and sanctioned creation of the RFC in 1931, it is not likely that RFC loans to the banks, railroads, utilities, and states would have turned the tide. The economic collapse now outran political initiatives. Hoover did take two final actions in 1932 that sealed his fate, however: he raised people's taxes and he drove World War I veterans from the nation's capital.

BUDGETS AND BONUSES

By the spring and summer of 1932, nothing meant more to Hoover than balancing the federal budget. The president and his key advisers believed that unless the government practiced fiscal responsibility by paying its own bills each year, all of their antidepression measures would be eroded by a general loss of confidence. A balanced budget, he declared, was "the most essential factor to economic recovery"; it was "the foundation of all public and private financial stability." But by early 1932 the federal red ink mounted to over $2 billion as antidepression spending rose while fewer tax dollars came into the Treasury because of falling personal and corporate income. Further borrowing by the government, the president said, would only increase the deficit and make it harder for corporations to raise capital. The fact that private borrowing remained stagnant and that a tax increase would further dampen consumer spending did not weaken Hoover's resolve. His was not the only voice urging fiscal restraint. Democrats and liberal Republicans in Congress wanted larger public works spending, but virtually all of the Democratic Party leadership criticized the growing deficit and urged the president to balance the budget.

Act Hoover did. On June 6, 1932, he signed into law the largest peacetime tax hike in American history. Liberal Democrats in the House, led by New York's Fiorello La Guardia, scuttled the president's request for an increase in the general sales tax by arguing that it would hit hardest those least able to pay. In addition to new levies on income, the bill raised excise taxes on luxuries such as yachts and jewelry and imposed a new gift tax on the wealthy as well.

But whatever its equitable features, the Revenue Act of 1932 was a wholly counterproductive measure. In a time of soaring unemployment, business failures, and waning consumer demand, the tax increase demonstrated the power of symbolism over substance. The administration and a majority of senators and representatives preferred building confidence with bankers and businessmen by budget balancing to filling empty stomachs with public works jobs and relief payments. During the final showdown in the House, speaker John Garner of Texas, his voice choked with emotion, left his chair and pleaded with his colleagues from the well of the chamber to keep faith with the American people by displaying fiscal responsibility. Those in favor of a balanced budget should stand up and be counted, said the speaker. No member of the House stayed seated.

Two weeks after the Revenue Act became law, the United States Senate engaged in another act of fiscal responsibility. It refused to advance the payment to World War I veterans of their "adjusted compensation certificates," or bonuses, scheduled for disbursement in 1945. Nearly twenty-thousand veterans, calling themselves the Bonus Expeditionary Force (and also called the Bonus Army or Bonus Marchers), had assembled in the Capitol plaza during the Senate debate. The veterans received the news of their legislative defeat stoically. Then, following the advice of their leader, Sergeant Walter S. Waters of Portland, they marched back to their tar-paper shacks and tents on the other side of the Anacostia River. Their decorum and calm contrasted sharply with the fury of law enforcement and military forces soon unleashed against them.

Congress first passed a veteran's bonus bill, over Coolidge's veto, in 1925. Based on years of service, it provided a Treasury-paid endowment for each veteran, payable in full at the end of twenty-five years. In 1931, responding to further demands from the nation's former servicemen, Congress adopted additional legislation permitting veterans to borrow up to 50 percent of the value of their certificates. Hoover predictably vetoed the bill because it would, he said, "provide an enormous sum of money to a vast majority who are able to care for themselves." Congress overrode him.

A year later, the veterans came back for more. With many of their number now unemployed, they demanded immediate payment of the entire bonus. On grounds of equity and economics, they had a good case. The federal government had begun to spend public funds to assist farmers, banks, utilities, and railroads. And like the public works projects funded by the RFC, the bonus money would increase consumer spending. Led by Representative Wright Patman of Texas, the House passed the bonus bill, but barely a third of the Senate could be persuaded to vote for it.

Hoover meanwhile refused to meet with the veterans or their representatives throughout their stay in Washington, although as president he found time to greet a heavyweight wrestling champion and delegates from various fraternal organizations. How long after the Senate vote the Bonus Army would have remained in Washington, camped in vacant federal buildings and on Anacostia Flats, is difficult to say. They had fashioned a sophisticated social organization complete with a newspaper and committees that handled everything from cooking to sanitation.

At the same time, the Senate vote and the adjournment of Congress on July 16 deflated the hopes of a great many who had waited patiently outside the Capitol. At Hoover's request, Congress appropriated $100,000 to assist those who wanted to go home. The money advanced was to be deducted from the final bonus. Even on these Scrooge-like terms, perhaps a quarter of the veterans had already left Washington when Secretary of War Patrick Hurley and Treasury Secretary Mills made an announcement—the government would begin to clear several vacant buildings of Bonus Marchers in order to rehabilitate the structures. Many questioned the urgent necessity for these removals, especially the superintendent of the District of Columbia police, Brigader General Pelham D. Glassford, who had cultivated friendly and civilized relations with the veterans and helped to keep the demonstrations peaceful. It is virtually certain that Hurley hoped to provoke an incident; further, he would not have acted without the knowledge of the president.

The showdown came on July 28, when police attempted to carry out Hurley's orders by removing veterans from two buildings. Until then, the communist-led faction in the Bonus Army had been more strident than influential. When force replaced patience, the communists' influence rose. The police retreated from one building under a barrage of bricks and garbage. In the second assault, an officer tripped, accidentally discharged his revolver, and triggered a burst of gunfire by other policemen who mistakenly thought themselves under attack. When the smoke had cleared, two veterans lay dead.

Later that afternoon, Hoover ordered federal troops under General Douglas MacArthur into the streets of the nation's capital to restore order. Despite pleas to the president from Glassford and several senators not to send the soldiers across the river to the main Bonus Army camp, MacArthur marched on to Anacostia with his cavalry, six machine-gun-laden tanks, and infantry with bayonets at the ready. Men, women, and children fled in panic before the soldiers, who fired off tear-gas bombs and burned down the BEF's tents and shanties. By nightfall, one infant had died from the gas attack. The remnants of the Bonus Army fled into the Maryland countryside, many nursing wounds and bruises. Plumes of acrid smoke drifted over Capitol Hill.

Although MacArthur had not followed the orders of his commander in chief when assaulting the veterans, Hoover and his advisers attempted to diffuse criticism of the administration by heaping blame on the protesters. The president claimed that the Bonus Army threatened the very existence of the government of the United States, a point of view shared by MacArthur, who equated his former comrades in arms with foreign invaders occupying the nation's capital. A War Department official branded them a "mob of tramps and hoodlums, with a generous sprinkling of Communist agitators." Secretary of War Hurley claimed MacArthur's soldiers treated the BEF with "unparalleled humanity and kindness."

Americans who viewed news photographs and reports in the following days thought otherwise. Whatever their opinion about the bonus, they found it hard to believe that the men, women, and children gassed and manhandled by the military constituted a revolutionary menace or were pawns of the Communist Party. "If the Army must be called out to make war on unarmed citizens," wrote one newspaper, "this is no longer America." At the Veterans of Foreign Wars convention in Sacramento, California, the members condemned "the unhumanitarian and un-American manner" in which the administration had dealt with their fellows. General Glassford, speaking around the country, accused Hoover of pushing the panic button and manufacturing the incidents that led to tragedy. "The peacetime army of our present commander in chief," he said to large crowds, "drove from the National Capital at

Police from the District of Columbia battle members of the Bonus Army at Anacostia Flats, 1932.

the point of the bayonet the disarmed, disavowed and destitute army of Woodrow Wilson."

In mishandling the Bonus Army, Hoover made his last and greatest political blunder. His belief in voluntary cooperation, his constitutional scruples, his fiscal conservatism—these might be forgiven, but not sending tanks and cavalry against unarmed civilians. That smacked too much of newsreels from Italy, Germany, or China. In symbol and substance, events beyond America's shores began to close in on Herbert Hoover, too.

Bitter Memories

In 1930 as unemployment mounted, banks closed, and soup kitchens opened, Americans flocked to movie theaters across the country to relive the horror and confusion of World War I. The film that most touched them in this first year of the Great Depression was *All Quiet on the Western Front,* a haunting rendition of Erich Maria Remarque's 1929 novel. Directed by Lewis Milestone, *All Quiet on the Western Front* held unforgettable images of gas attacks, rotting corpses, and hungry rats. Such suffering evoked sympathy for the film's two main characters, German infantrymen played by Lew Ayres and Louis Wolheim, and left a vivid sense of the war's complete futility.

As their own domestic economic order began to erode and its crumbling touched the world, many Americans saw in this film a grim reminder of the dangers of idealism, the folly of involvement in foreign quarrels, and the imperative to steer an independent course in international affairs. These assumptions were tested and found wanting by some Republican leaders in the next few years, but no alternative seemed more palatable to most Americans, who daily grew more anxious about their own security and welfare.

As with the domestic economy he inherited on March 4, 1929, Hoover attempted to pick up the pieces of Coolidge's floundering foreign policy. This was especially the case with disarmament, an issue over which the previous administration had stumbled badly at Geneva. Two weeks before the Wall Street crash, however, the Quaker who abhorred war and budget deficits met at his mountain retreat in the Virginia mountains with the new British prime minister, Ramsay MacDonald. The first leader of the Labour Party to head his majesty's government, MacDonald had opposed England's entry into the Great War and hoped to shift the country's priorities from military to social spending. Soon, both he and Hoover would be destroyed politically by the economic crisis, but now they made history. The prime minister and the president quickly agreed to a formula permitting each naval power to tailor cruiser construction to its own military needs while still imposing a ceiling on total tonnage. With their two nations at least in accord, the Americans and the British invited the other great powers to London in early 1930 for another round of naval talks.

The care and diligence that Hoover and his secretary of state, Henry Stimson, lavished on the London conference brought tangible results: a six-year treaty signed by the United States, Britain, and Japan. It set cruiser, destroyer, and submarine tonnage ratios almost identical to those put in place earlier at the Washington Conference. The London pact also included a provision outlawing submarine attacks without warning, a principal American grievance during World War I.

Although limited and filled with loopholes, the treaty hammered out at London represented the high tide of disarmament sentiment in the post-Versailles era. There would not be others. In Japan, for example, an angry debate erupted over provisions of the London treaty. Conservatives and military leaders, growing stronger in the cabinet, denounced the pact because England and the United States retained a 30 percent naval superiority. Not long after its approval in Tokyo, assassins murdered one of the treaty's leading supporters, Prime Minister Yuko Hamagachi. Two years later, when Hoover proposed scrapping a third of all arms to a new League-sponsored conference in Geneva, only silence greeted his plan. By January 1933, Germany's new government, headed by Adolf Hitler, openly advocated rearmament.

Things Fall Apart

On the eve of the Great Crash, the Republicans who had managed America's foreign relations since 1920 could claim that with a small commitment of the nation's resources, time, and energy they had fashioned a new world order of peace, disarmament, and prosperity, especially in Western Europe. Fueled by private American investments and loans, the German economy revived, which permitted successive Weimar governments to meet their reparations payments to England and France. The Allies, in turn, continued to pay their American creditors. In a series of treaties signed at Locarno, Italy, in 1925, the Germans, French, and Belgians agreed to respect the borders established at Versailles. They agreed also to maintain a demilitarized zone west of the Rhine, and to settle all disputes peacefully. England and Italy guaranteed what observers called "the spirit of Locarno." Germany soon joined the League of Nations and signed the Kellogg-Briand Pact. The last foreign troops began to leave German soil a few months after the U.S. stock market collapsed. By the fall of 1929, virtually every great power except the United States had extended diplomatic recognition to the Bolsheviks in Russia. They too had taken the pledge renouncing war as an instrument of policy.

The fragility of this international goodwill and harmony became quickly evident once the bubble of economic prosperity burst in the United States. The liquidity crisis that gripped America's banks in the wake of the market debacle choked off foreign and domestic loans. The drying up of American credit, coupled with the rising tariff walls of the Hawley-Smoot Act, dealt a heavy blow to the world's economies, which depended on a steady flow of capital from New York and access to North American markets. Contrary to Hoover's interpretation, the Depression began in America and spread elsewhere. The value of international trade fell by almost $500 million from 1929 to 1930, and a year later it had declined by nearly $1.2 billion. At the same time, world production plummeted by about 25 percent, throwing workers into unemployment lines from Liverpool to Vienna.

Cut off from American credit and markets, the German government sought to remedy its mounting economic problems in 1931 by negotiating a common market or customs union with Austria. But this plan, rekindling fears of German hegemony in Europe, drew a heated response from the French, who claimed that it violated the Versailles Treaty. When the Germans backed down, economic anxieties rose throughout Central Europe and triggered a run on numerous banks, including Austria's very large Creditanstalt, which collapsed in early June. Now tottering on the edge of bankruptcy, the Weimar government announced a suspension of its reparations payments and the possibility of defaulting on all its loans, too. Bankers everywhere trembled at the news.

The German crisis forced Hoover to take decisive action on what Stimson always referred to as "the damned debts." The president feared a chain reaction—France might resort to military action as in the past; a German default would further undermine America's banks; the Allies might stop debt service and trigger retaliation in Congress. On June 21, therefore, the president declared that the United States would defer the collection of all intergovernmental debts for eighteen months if other nations agreed to do the same. Hoover's "moratorium" was probably the most decisive and popular action of his final years in office. But since it only recognized the inevitable, the moratorium did virtually nothing to arrest the collapse of the world economy.

The debt moratorium did not prevent the downward plunge in England. Unemployment there soon reached 25 percent and brought both the end of MacDonald's Labour government and the abandonment of the gold standard. This last act, by making British goods cheaper on the international market, also threatened a bitter trade war. In Germany, the economic chaos pumped new life into Hitler's National Socialist Party, whose numbers in the Reichstag grew from twelve in 1928 to 107 by 1930. The former World War I corporal blamed his nation's misery on the Versailles Treaty, communists, international bankers, chain stores, and, above all, the Jews. From Munich to Hamburg, many Germans cheered his message of revenge and hate. By the summer of 1932, the Nazis, although still short of a majority, constituted the largest bloc in the German parliament with 230 seats.

Rising Sun

The official demise of the post-Versailles world came first in Asia, however, not in Europe. Two days after the Labour government resigned in London, Japanese soldiers blew up their own railway tracks near the Manchurian town of Mukden. Since trains continued to move over the South Manchurian Railway, confirming the fabrication, the damage was not serious, but Japanese military leaders on the scene blamed the Chinese for the incident. Japan proceeded to send over ten thousand troops against Mukden and other towns in a band stretching almost one-hundred miles south and west of the railroad. On October 8, 1931, having crushed Chinese resistance on the ground, Japanese planes bombed Chinchow, 130 miles from the South Manchurian Railway. Clearly, the Japanese military, present in Manchuria since the turn of the century, meant to conquer the entire region for the Empire of the Rising Sun.

For over thirty years, Japan had enjoyed extensive economic and legal privileges in the three eastern provinces of Manchuria, including ownership of the South Manchurian Railway and the Antung-Mukden Railway, which connected Manchuria to Japan's major colony in Korea. Japan regarded Korea as her Cuba and Manchuria as her Central America. Other powers, busy exploiting their own leaseholds and privileges in China, seldom questioned Japanese behavior in either place. No nation dared to challenge Japan's formidable Kwantung Army.

That army, moreover, not the civilian government in Tokyo, called the tune in Manchuria. It did so, however, to a score made popular by many Japanese politicians, businessmen, and intellectuals, who argued that Japan ought to shake off the inferior military and economic status imposed by the Western powers and drive the white imperialists out of Asia. Japanese nationalists pointed to the disarmament treaties and America's anti-Asian immigration laws as examples of Western arrogance and racism; these affronts could be checked only when Japan took its rightful place as the most important power in East Asia.

The deepening world depression, which closed foreign markets and restricted trade, also made an expanded Manchurian empire attractive to Japan's leaders in 1931. New agricultural lands would ease population problems at home and secure important food supplies; Manchuria's rich deposits of iron ore and coal would fuel the nation's industrial development. Finally, the Kwantung Army leaders feared the further growth of Chinese nationalism and military strength under an ambitious new leader, General Chiang Kai-shek.

Chiang, married to the daughter of China's great revolutionary leader, Sun Yat-sen, had already begun to consolidate his power over various warlords and the communists. He vowed to restore China's sovereignty by ending foreign exploitation. In 1929 Chiang's regime had mounted a reckless military campaign against the Soviet Union in northern Manchuria, where it sought to wrest control from the Russians of the Chinese Eastern Railway. The general's regime in Nanking had also launched a nationwide boycott of all Japanese cotton goods. Chiang posed no military threat to Japanese interests in 1931, but the Kwantung Army leaders came to believe that only a preemptive strike could secure their future.

The Hoover administration held few cards in Asia. On the one hand, it had displayed little sympathy for the resurgence of Chinese nationalism; on the other, it had been curtly rebuffed by the Russians when it urged a cease fire in the Eastern Railway conflict. Still, the boldness of Japan's Manchurian offensive demanded some response from a nation that professed to believe in the Open Door, the Washington Conference's Nine-Power Treaty, the Kellogg-Briand Pact, and protecting its own stake in East Asia. What to do? Clearly, the United States lacked a credible military presence in the area. America's troop strength in the Philippines was minuscule. Great Britain, racked by an internal economic and political crisis, was unlikely to act with much conviction. Close cooperation with the League of Nations would call down the wrath of isolationists in Congress. The president and his secretary of state commanded, therefore, largely an arsenal of words.

The Manchurian crisis brought to the surface of policy formation a sharp personality clash between Hoover and Stimson; a conflict long suppressed by the absence of serious issues and the usual veneer of political etiquette. A seasoned lawyer who prized rigorous analysis and crisp answers, Stimson loathed Hoover's philosophical musings and his penchant for gathering piles of information. Attending cabinet meetings with the president, he once noted sourly, was "like sitting in a bath of ink."

Even before Japanese troops marched across Manchuria, the former artillery commander and secretary of war confided to his diary a conversation with Elihu Root: "I told him [Root] frankly that I thought the President being a Quaker and an engineer did not understand the psychology of combat the way Mr. Root and I did." As the confrontation with Tokyo heated up, Stimson complained that Hoover "has not got the slightest element of even the fairest kind of bluff." According to William Castle, a Hoover partisan in the State Department, the president thought his secretary "more of a warrior than a diplomat," and that Stimson "would have had us in a war with Japan before this if he had his way."

Hoover's caution sprang from sources other than Quaker pacifism. Like Castle and others, he admired Japan's economic progress. Japan's action, he hinted to the cabinet, might have been justified by the failure of the Chinese to maintain law and order and by the military's genuine fear of communist infiltration from the Soviet Union. Sanctions by the League of Nations, he believed, would not be supported by other great powers, especially England and France. Alone, the United States could do little; public denunciations or threats against Japan might make matters even worse.

In the end, compared to the dovish Hoover, Stimson emerged as a hawk against Tokyo, but his initial strategy had been one of caution, too. Until almost the end of December 1931, Stimson believed that the civilian politicians in Japan would curb the appetite of generals in Manchuria. Nursing this vain hope and not wishing "to play into the hands of . . . nationalist agitators," he therefore opposed creation of a League of Nations fact-finding commission that ultimately demolished Japan's claims to have acted in self-defense. When the Scripps-Howard newspapers beat the drums for vigorous action against Japan, Stimson gave Roy Howard a sharp lecture on "the folly of taking an aggressive step" without a long-range plan to back it up.

By January 1932, Stimson had lost his illusion about the balance of power in Japan and embraced Hoover's suggestion to send notes to Japan and China that reaffirmed the old principles set forth by Bryan in 1915: the United States would not recognize any territorial changes created in violation of her existing treaty rights. This so-called Stimson-Hoover Doctrine made pointed reference to both the Nine-Power Treaty of 1922 and, of course, the Kellogg-Briand Pact. For the president, the affirmation of moral and legal rights against Japan was sufficient.

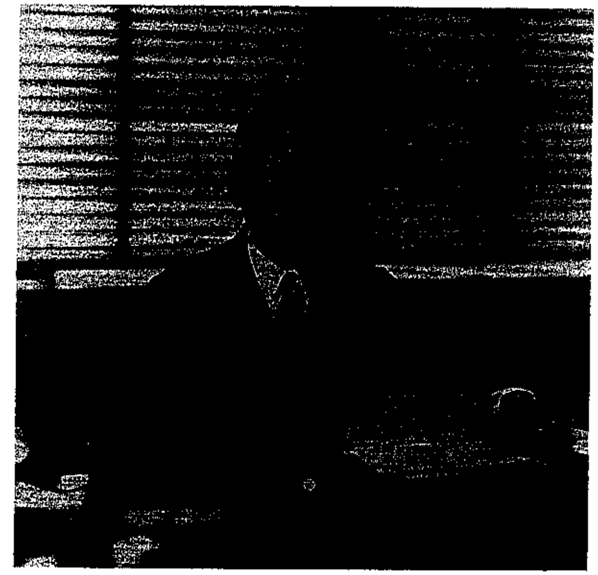
For Stimson, however, the note represented only the beginning. He wished to keep the Japanese government guessing about America's next move by utilizing bluff, public opinion, and even the prospect of economic sanctions in cooperation with the League. Stimson's resolve hardened two weeks after the dispatch of his notes when Japanese planes and seventy-thousand soldiers attacked Shanghai, seven-hundred miles south of Mukden. The Japanese intended only to bloody Chiang's nose and to discourage any Chinese counterattack. From America's perspective, however, the Shanghai offensive appeared part of a conspiracy to subdue all of China.

In late February, Stimson raised the ante when he released the text of a letter to Senator Borah suggesting that continued Japanese violations of the Nine-Power Treaty and the Open Door would leave the United States with little choice but to reconsider the naval treaties and fortify its Pacific bases, especially Guam and the Philippines. These stakes were too high for Hoover, however. He kept his distance from the Borah letter, denounced the idea of a privately organized economic boycott of Japan, and forced Stimson to delete passages from a speech to be delivered in New York in which the secretary suggested that the United States would back any League sanctions against Japan with an embargo of its own.

Even before the president shortened Stimson's leash, the Kwantung Army had installed its own governors in the Manchurian provinces, renamed them the republic of Manchukuo, and proclaimed its independence from Chinese authority. And one year after Stimson's letter to Borah, on February 24, 1933, Japanese delegates permanently walked out of the League of Nations in Geneva, and compared that body's criticism of its Manchurian campaign with the crucifixion of Christ.

Eight years later, as Japanese bombs rained death and destruction at Pearl Harbor, Stimson emerged for some as a farsighted statesman, a man whose tough-minded strategy in 1931–32 could have prevented a larger, bloodier war in Asia; Hoover was lumped with the appeasers, someone whose timidity had encouraged more aggression in the thirties. Forty years later, as American troops left a hopeless war in Vietnam, Hoover became the prophet of peace who wisely shunned a land war in Asia, Stimson the bellicose militarist too willing to sacrifice American youth to the dreams of empire. Thus time often rearranges historical interpretations and reputations. In this case, however, both perspectives are distorted.

Stimson never contemplated direct American military action against Japan in 1931–32, for one very good reason: the United States would have to fight alone, and it was ill prepared to do so. Given this fundamental premise, Hoover correctly questioned the usefulness of the secretary's strategy, which rested on pure illusion and bluff. On the other hand, Japan in 1931–32 represented a far greater threat to American interests in Asia and to the general peace of the region than Vietnamese communists in the 1960s. Blinded by his admiration for Japan's economic prowess and by his loathing for communism, Hoover could



Secretary of State Henry L. Stimson.

not confront that reality or the obvious death of the Kellogg-Briand world.

Finally, neither Stimson nor Hoover had an answer to a pungent Japanese observation. Yosuke Matsuoka, Japan's spokesman at the League of Nations, noted bitterly that his country had learned the game of conquest and empire by watching the Europeans and Americans carve up weaker nations in Asia and Latin America. In the summer of 1932, however, the eyes of most Depression-battered Americans focused not on Geneva, where the League was slowly dying, or on Nanking, Shanghai, or Berlin. They had turned to Chicago, where Republicans and Democrats assembled to choose the next president.