



>> During his campaign, Franklin D. Roosevelt met repeatedly with struggling Americans. **Infer** Why did Roosevelt make personal visits to impoverished areas in the run-up to the 1932 election?

### Interactive Flipped Video

#### >> Objectives

**Evaluate** Hoover's approaches to resolving the Great Depression and how Americans reacted to them.

**Contrast** Hoover's approach to the economic crisis with Franklin D. Roosevelt's approach.

**Describe** the programs that were part of the first New Deal and their immediate effect on Americans' lives.

**Identify** the New Deal's opponents and their major criticisms.

#### >> Key Terms

localism	Tennessee Valley
Reconstruction	Authority (TVA)
Finance	Civilian Conservation
Corporation (RFC)	Corps (CCC)
trickle-down	National Recovery
economics	Administration
Hoover Dam	(NRA)
Bonus Army	Public Works
Douglas MacArthur	Administration
Franklin D.	(PWA)
Roosevelt	Charles Coughlin
Eleanor Roosevelt	Huey Long
New Deal	
fireside chats	
Federal Deposit	
Insurance	
Corporation (FDIC)	

unemployed and the homeless crowded into shantytowns. Giant dust storms swallowed the Great Plains. As the crisis deepened, Herbert Hoover struggled to respond to the nation's problems. In 1932, as a result of Hoover's cautious and failed response, Americans would turn to a new leader who called for increased government intervention to try to stop the depression.

## Two Presidents Respond

### Hoover's Response Fails

Hoover did not cause the Great Depression. But Americans looked to him as their President to solve the crisis. He tried. Hoover was an intelligent man, familiar with business methods and economic theory. He labored long hours, consulted a wide range of experts, and tried to marshal the resources of the country to solve the problems of the depression. As the effects of the Great Depression on the U.S. economy worsened, he tried several different approaches. In the end, although he failed to discover the right formula, it was not because of a lack of effort.

At the start of the economic downturn, Hoover followed a hands-off policy. Like most economists of the day, Hoover viewed the upswings and downswings of business cycles as natural occurrences. He believed that government should not interfere with such events. Periodic depressions were like storms. They could not be avoided, but strong businesses could weather them without the support of the government.

**Relying on Volunteerism** A policy of doing nothing, however, was no policy at all. Hoover soon recognized this fact and turned to a policy he had used in the past. As Secretary of Commerce during the



1930s, he asked business and industrial leaders to keep employment, wages, and prices at current levels. He simultaneously called for the government to reduce taxes, lower interest rates, and create public-works programs. The plan was to put more money into the hands of businesses and individuals to encourage more production and consumption. This, Hoover said, would reverse the cycle that led to the depression.

Lastly, Hoover requested that wealthier individuals give more money to charity. Millions of Americans did give money, clothing, and food to private and religious charities, which then distributed the goods to those in need. The idea was for all Americans to voluntarily join forces to combat the depression.

**Voluntary Cooperation Fails** Although the plan was well-intentioned, Hoover's program relied too much on voluntary cooperation. The President believed he could persuade Americans to act in the best interests of the country as a whole, rather than in their own best interests. He took care to encourage, not legislate, America's recovery. But volunteerism did not work. Businesses cut wages and laid off workers because business owners thought they had to do so to keep their businesses afloat. Farmers boosted production because they thought that producing more crops would help them keep their family farms. Most Americans followed individual, not cooperative, courses.

Hoover had also asked state and local governments to provide more jobs and relief measures. He had faith in **localism**, the policy whereby problems could best be solved at local and state levels. However, in this severe situation, towns and states simply did not have the financial or human resources to successfully combat the crisis. Making matters worse, the President strongly resisted using federal resources to provide direct relief to individuals. Believing it to be unconstitutional, Hoover opposed public assistance and instead favored "rugged individualism" which allowed people to better themselves through their own efforts. Yet as the months wore on, unemployment increased, charities ran low on money, and local and state governments could no longer plug the leaks in the economy. Some critics began to argue that the crisis demanded decisive federal action.

**Hoover Reverses Course** With Hoovervilles and homelessness on the rise, it became evident that the President's policies were not working. Poor Americans called trucks pulled by horse or mule "Hoover wagons," campfires "Hoover heaters," and cardboard boxes "Hoover houses." The association of the President's



>> Two young residents of a shantytown in Washington, D.C. **Determine Point of View** What do the signs in the photo tell you about how the poor perceived the government's role in the economic crisis?



>> **Analyze Political Cartoons** What does this cartoon say about the difference between President Hoover's perception of the depression and the reality many Americans faced?



negative feelings about their leader and his failed policies.

Faced with growing and increasingly harsh criticism, Hoover finally decided to reverse course and use federal resources to battle the depression. Believing the economy suffered from a lack of credit, he urged Congress to create the **Reconstruction Finance Corporation (RFC)**. Created by Congress in early 1932, the RFC gave more than a billion dollars of government loans to railroads and large businesses. The agency also lent money to banks so that they could extend more loans to struggling businesses. Hoover believed that if the government lent money to bankers, they would lend it in turn to businesses. Companies would then hire workers, production and consumption would increase, and the depression would end. This theory, known as **trickle-down economics**, held that money poured into the top of the economic pyramid will trickle down to the base.

Although the RFC put the federal government at the center of economic life, it did not work well under Hoover's guidance. The RFC lent out billions, but all too often bankers did not increase their loans to businesses. Additionally, businesses often did not use the loans they received to hire more workers. In the end, the money did not trickle down to the people who needed it the most.

1920s, Secretary of Commerce Hoover had called for the construction of a dam on the Colorado River. By the time Hoover became President in 1929, Congress had approved the project as part of a massive public-works program. Workers broke ground on Boulder Dam (later renamed **Hoover Dam**) in 1930. Construction brought much-needed employment to the Southwest during the early 1930s.

**? CHECK UNDERSTANDING** Why was Hoover's faith in localism as a response to the depression misplaced?

## Challenging Economic Times Lead to Protest

From the Oval Office, Hoover worked hard to end the depression. But to many out-of-work Americans, the President became a symbol of failure. Some people blamed capitalism, while others questioned the responsiveness of democracy. Many believed the American system was due for an overhaul.

**Calls for Radical Change** Some Americans thought the answer to the country's problems was

### Supply-Side or Trickle-Down Economics

Businesses and top earners (the wealthy) receive tax breaks.

Tax breaks allow businesses and top earners to increase investment.

New investment stimulates economic growth, providing new jobs.

Increase in employment raises consumer spending, further stimulating economic growth.

SOURCE: Harvard Kennedy School

**>> Analyze Charts** Supply-side or "trickle-down" economics is a theory that plays out differently based on economic circumstances. In theory, how would "trickle-down economics" generate economic growth?



the rejection of socialism or communism. They argued that capitalism created great inequities of wealth and an unhealthy atmosphere of competition in society. In fact, they saw the depression as a sign that capitalism was about to collapse. Looking at the Soviet Union, they maintained that a state-run economy was the only avenue out of the depression. However, even during the worst of the crisis, most Americans were unmoved by communist calls for revolution. Communism's appeal proved no match for Americans' guarantees of individual freedom and dreams of progress and opportunity.

Fascist appeals from the political right also failed to hold any attraction. Economic troubles in Europe contributed to the rise to power of fascist leaders like Benito Mussolini in Italy and Adolf Hitler in Germany. Despite this political shift abroad, fascists failed to gain power in the United States. Although some questioned the ability of America's capitalistic and democratic institutions to overcome the crisis, most Americans never lost faith in their country.

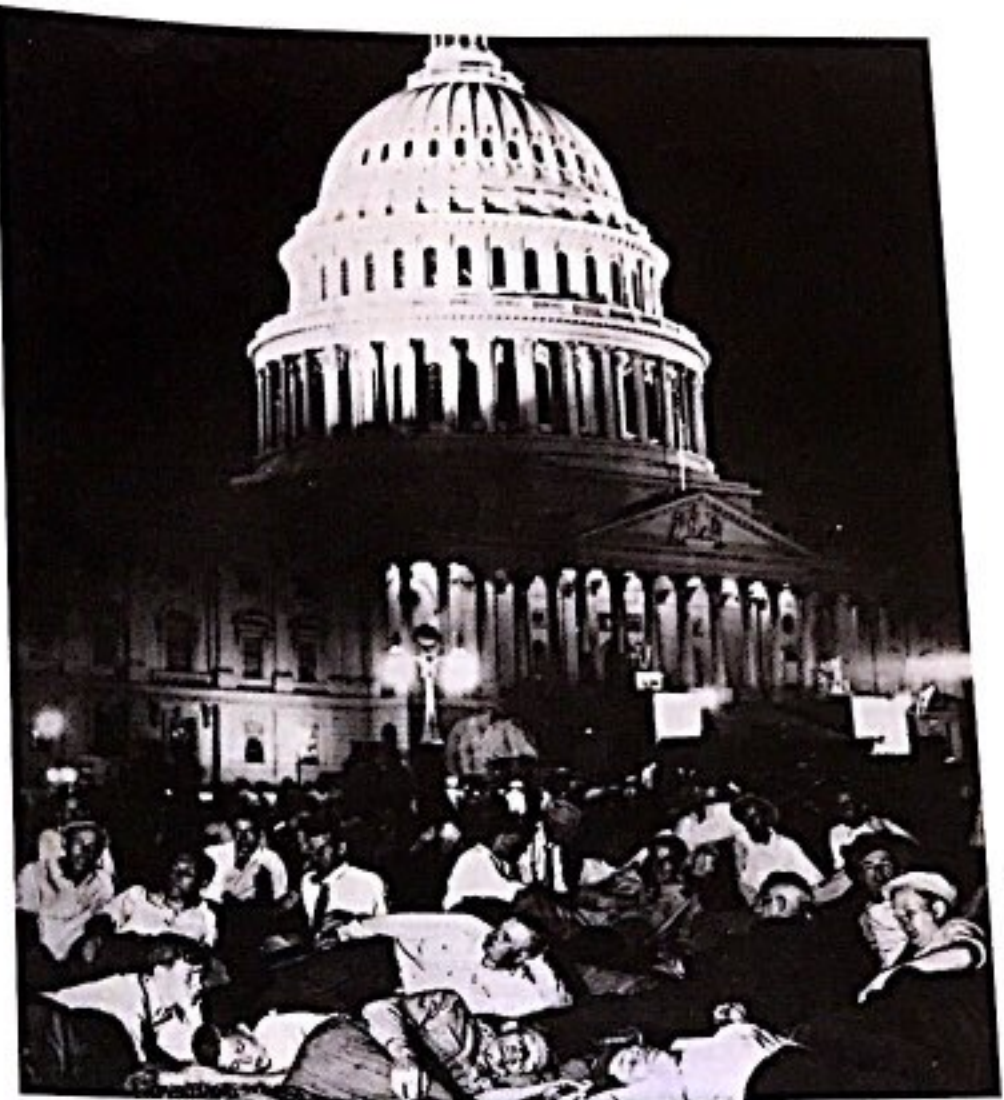
**The Bonus Army Marches on Washington** Although most Americans did not want a revolution, many did desire substantial changes. In 1932, thousands of World War I veterans marched on Washington, D.C., demanding a solution to their particular problem. They became known as the **Bonus Army**.

In 1924, Congress had passed the Adjusted Compensation Act, which provided for a lump-sum payment to veterans of World War I in 1945. But in 1931, many veteran groups began to call for an early payment of the bonus, arguing that out-of-work vets needed the money to support their families. In May and June of 1932, almost twenty thousand veterans arrived in the capital, setting up camps and occupying empty government buildings. The House of Representatives agreed with their aims and passed a bill to provide early payment of the bonuses. However, the bill was defeated in the Senate in mid-June.

Some of the Bonus Army marchers left, discouraged. Others stayed to continue to lobby for the bill. A riot broke out in July when police tried to evict the marchers from government buildings.

**The Protests End Badly** Although President Hoover sympathized with the marchers, he called for General **Douglas MacArthur** and federal troops to "[s]urround the affected area and clear it without delay." MacArthur exceeded his order, deciding to move the marchers out of the city altogether. He ordered his troops to ready tear gas and fix bayonets.

The Army force that pushed the marchers out included not only MacArthur but also the future World



>> Over 2,000 veterans held a vigil on the U.S. Capitol lawn after Congress failed to approve a bill to provide veterans with early bonus pay for their past services.

War II generals Dwight Eisenhower and George Patton. While Eisenhower regretted the use of the Army to solve a political problem, Patton ordered his troops to brandish their sabers in a show of force. Force was exactly what MacArthur used. More than one thousand marchers were tear-gassed, and many were injured, some very badly.

After the removal, MacArthur said that the marchers were a gang of revolutionaries bent on taking over the government:

They had come to the conclusion, beyond a shadow of a doubt, that they were about to take over . . . direct control of the government. . . . It is my opinion that had the President let it go on another week the institutions of our government would have been very severely threatened.

—Douglas MacArthur, 1932

Hoover had not ordered the use of such force against the veterans. Nevertheless, photographs of American troops marching with fixed bayonets against ragged veterans shocked the nation. Evalyn McLean, a