Chapter Two

EXIT PROSPERITY

§ 1

AFTER September 3, 1929, the stock market dropped sharply, surged up again, dropped again—and did not surge back. Instead, as September came to an end, it sagged lower and lower.

Even so, there was not at first much uneasiness. Again and again, during the Big Bull Market of the two preceding years, there had been sharp breaks lasting several days, thousands of injudicious and unfortunate speculators had been shaken out, and yet prices had recovered and climbed on to new heights. Why worry now? Why not take advantage of these bargain prices? And so margin traders, large and small, who had previously sold out at big profits came floating in again, staking their previous winnings on the chance that Steel would climb back from 230 to 260, or General Electric from 370 to 395, and beyond; and accordingly the volume of brokers' loans rose to a new—and final—peak of over eight and a half billion dollars. Meanwhile the chorus of financial prognosticators assuring all and sundry that nothing was amiss, and that prices were suffering only a temporary setback, rose louder than ever.

Yet still the market sagged. Foreign funds were being withdrawn from it, partly as a result of the collapse of Hatry's speculative bubble in England, partly, perhaps, because speculation in New York had seemed from the first a hazardous business to European investors and many of them were now having qualms. Some American investors, too, were prudently withdrawing as they noticed that the volume of industrial production was declining a little. All the time, as prices ebbed, insecurely margined traders were being forced to sell. As October continued and there was no smart recovery, a note of uncertainty, of urgency, of stridency even, came into the clamor that all was well. Perhaps, after all, it was not. . . . The decline became more rapid. Surely this must be the bottom, the last chance to buy cheap. Or was it the beginning of the end?

The short session of Saturday, October 19, was a bad one, such volatile stocks as Auburn and Case losing 25 points and 40 points respectively in two hours of trading, and even General Electric losing 9¼. Monday, October 21, was worse, for by this time more and more traders were reaching the end of their resources and being sold out; the volume of trading reached six million shares. Tuesday was better: did not the great Charles E. Mitchell of the National City Bank, returning from Europe, radiate assurance? But on Wednesday the storm broke anew and the losses were unprecedented: Adams Express lost 96 points during the day, Auburn lost 77, Westinghouse lost 25, and the stock-market page of the late afternoon papers showed a startling procession of minus figures down the column of "net change": –6½, –3, –14⅜, –7, –2½, –16¼, –12, and so on. By this time the volume of selling was so great that the supposedly almost instantaneous ticker service was left far behind; at three o'clock, when the Exchange was closing for the day, the figures running across the trans-lux screens in brokers' offices all over the country were reporting transactions which had taken place at sixteen minutes past one—an hour and forty-four minutes before!

And on Thursday, October 24. . . .

That Thursday morning the selling came in a roaring and presently incredible deluge. How much of it was short selling will never be known, for no statistical record of the total was kept, but apparently the amount was not very great. Some of it, of course, was frightened selling, even at the outset: already men and women had discovered, to their great alarm, that the slow gains of weeks and months could be swept away in a few precipitous hours. But even in the first hour on Thursday the greater part of the selling was surely forced selling. In a market so honeycombed with credit, the beautifully contrived system whereby the stock gambler whose margin was exhausted by a fall in market prices was automatically sold out, became a beautifully contrived system for wrecking the price structure. In poured the selling orders by hundreds and thousands; it seemed as if nobody wanted to buy; and as prices melted away, presently the brokers in the howling melee of the Stock Exchange were fighting to sell before it was too late. The great Panic was on.

By noon that day, dismayed crowds of men and women in brokers' branch offices everywhere saw the ticker recording unbelievable prices, and realized furthermore that it was so hopelessly behind the market as to be well-nigh useless as a clue to what was actually taking place in the maelstrom of Wall Street, where Montgomery Ward was falling headlong from 83 to 50, Radio from 68¾ to 44½, even United States Steel from 205½ to 193½.

To the rescue came the big bankers. A few minutes after noon, five of them—Messrs. Lamont of J. P. Morgan & Co., Mitchell of the National City Bank, Potter of the Guaranty Trust, Wiggin of the Chase National, and Prosser of the Bankers Trust—met at the House of Morgan and formed a pool to support prices. So high was the confidence of the financial world in their sagacity and power that even before they had decided upon anything, when simply the news went about that they were meeting, prices steadied, rallied; and by the time Richard Whitney, as the representative of the bankers' pool, went on the floor of the Stock Exchange at half past one to bid for stocks, he hardly had to do more than go through the motions: when he offered to buy 10,000 shares of Steel at 205, he found only 200 shares for sale at that price. The gods of Wall Street still could make the storm to cease.

Not till eight minutes past seven that evening, when night had darkened the windows of the brokers' offices, did the tickers stop chattering out prices from the Exchange floor. Nearly thirteen million shares had changed hands. Wild rumors had been going about all day—that exchanges had been closed, that troops had been called out in New York, that eleven speculators had committed suicide. Panic this was, and no doubt about it. But the bankers, it was hoped, had saved the day.

For two more days the market, struggling, nearly held its own, while the lights burned all night in Wall Street as the brokers' clerks struggled to get their records straight, and the telegrams calling for more margin went out by hundreds and thousands. Then the avalanche began again; and this time the bankers could not conceivably have stopped it if they had tried. All they tried to do was to provide bids for stock where there were no bids at all: to give to the rout a semblance of order.

On Tuesday, October 29, came the climax. The official statistics of the day gave the volume of trading as 16,410,030 shares, but no one knows how many sales went unrecorded in the yelling scramble to sell: there are those who believe that the true volume may have been twenty or even twenty-five million. Big and small, insiders and outsiders, the high-riders of the Big Bull Market were being cleaned out: the erstwhile millionaire and his chauffeur, the all-powerful pool operator and his suckers, the chairman of the board with his two-thousand-share holding and the assistant book-keeper with his ten-share holding, the bank president and his stenographer. Here are a few of the losses for that single day in individual stocks—and remember that they came on top of a long succession of previous losses: American Telephone and General Electric, 28 points apiece; Westinghouse, 19 points; Allied Chemical, 35 points; North American, 27½ points; Auburn, 60 points; Columbian Carbon, 38¾ points—and these despite a sharp rally at the close!

Said the sober *Commercial & Financial Chronicle* in its issue of November 2, "The present week has witnessed the greatest stock-market catastrophe of all the ages."

Now at last there came a turn in the tide, as old John D. Rockefeller announced that his son and he were buying common stocks, and two big corporations declared extra dividends as a gesture of stubborn confidence. The Exchange declared a holiday and shortened the hours of trading to give the haggard brokers and sleepless clerks a chance to begin to dig themselves out from under the mass of accumulated work. Then prices went down once more, and again down. Day after day the retreat continued. Not until November 13 did prices reach their bottom for 1929.

The disaster which had taken place may be summed up in a single statistic. In a few short weeks it had blown into thin air *thirty billion dollars*—a sum almost as great as the entire cost to the United States of its participation in the World War, and nearly twice as great as the entire national debt.

§ 2

President Hoover went into action. He persuaded Secretary Mellon to announce that he would propose to the coming Congress a reduction in individual and corporate income taxes. He called to Washington groups of big bankers and industrialists, railroad and public-utility executives, labor leaders, and farm leaders, and obtained assurances that capital expenditures would go on, that wage-rates would not be cut, that no claims for increased wages other than those in negotiation would be pressed. He urged the governors and mayors of the country to expand public works in every practicable direction, and showed the way by arranging to increase the Federal public-buildings expenditure by nearly half a billion dollars (which at that time seemed like pretty heavy government spending). Hoover and his associates began at every opportunity to declare that conditions were "fundamentally sound," to predict a revival of business in the spring, to insist that there was nothing to be disturbed about.

Thereupon the bankers and brokers and investors and business men, and citizens generally, caught their breath and looked about them to take stock of the new situation. Outwardly they became aggressively confident, however they might be gnawed inwardly by worry. Why, *of course* everything was all right. The newspapers and magazines carried advertisements radiating cheer: "Wall Street may sell stocks, but Main Street is still buying goods." "All right, Mister—now that the headache is over, LET'S GO TO WORK." It was in those days soon after the Panic that a new song rose to quick popularity—a song copyrighted on November 7, 1929, when the stock market was still reeling: "Happy Days Are Here Again!"

But it was useless to declare, as many men did, that nothing more had happened than that a lot of gamblers had lost money and a preposterous price-structure had been salutarily deflated. For in the first place the individual losses, whether sustained by millionaires or clerks, had immediate repercussions. People began to economize; indeed, during the worst days of the Panic some businesses had come almost to a standstill as buyers waited for the hurricane to blow itself out. And if the rich, not the poor, had been the chief immediate victims of the crash (it was not iron-workers and sharecroppers who were throwing themselves out of windows that autumn, but brokers and promoters), nevertheless trouble spread fast as servants were discharged, as jewelry shops and high-priced dress shops and other luxury businesses found their trade ebbing and threw off now idle employees, as worried executives decided to postpone building the extension to the factory, or to abandon this or that unprofitable department, or to cut down on production till the sales prospects were clearer. Quickly the ripples of uncertainty and retrenchment widened and unemployment spread.

Moreover, the collapse in investment values had undermined the credit system of the country at innumerable points, endangering loans and mortgages and corporate structures which only a few weeks previously had seemed as safe as bedrock. The Federal Reserve officials reported to Hoover, "It will take perhaps months before readjustment is accomplished." Still more serious was the fact—not so apparent then as later—that the smash-up of the Big Bull Market had put out of business the powerful bellows of inflation which had kept industry roaring when all manner of things were awry with the national economy. The speculative boom, by continually pouring new funds into the economic bloodstream, had enabled Coolidge-Hoover prosperity to continue long after its natural time.

Finally, the Panic had come as a shock—a first shock—to the illusion that American capitalism led a charmed life. Like a man of rugged health suffering his first acute illness, the American business man suddenly realized that he too was a possible prey for forces of destruction. Nor was the shock confined to the United States. All over the world, America's apparently unbeatable prosperity had served as an advertisement of the advantages of political democracy and economic finance capitalism. Throughout Europe, where the nations were loaded down with war debts and struggling with adverse budgets and snarling at one another over their respective shares of a trade that would not expand, men looked at the news from the United States and thought, "And now, perhaps, the jig is up even there." . . .

But if business was so shaken by the Panic that during the winter of 1929-30 it responded only languidly to the faith-healing treatment being prescribed for it by the Administration, the stock market found its feet more readily. Presently the old game was going on again. Those pool operators whose resources were at least half intact were pushing stocks up again. Speculators, big and little, convinced that what had caught them was no more than a downturn in the business cycle, that the bottom had been passed, and that the prosperity band wagon was getting under way again, leaped in to recoup their losses. Prices leaped, the volume of trading became as heavy as in 1929, and a Little Bull Market was under way. That zeal for mergers and combinations and holding-company empires which had inflamed the rugged individualists of the nineteen-twenties reasserted itself: the Van Sweringers completed their purchase of the Missouri Pacific; the process of amalgamation in the aviation industry and in numerous others was resumed; the Chase National Bank in New York absorbed two of its competitors and became the biggest bank in all the world; and the investment salesmen reaped a new harvest selling to the suckers five hundred million dollars' worth of the very latest thing in investments—shares in fixed investment trusts, which would buy the very best stocks (as of 1930) and hold on to them till hell froze.

Who noticed that there was more zeal for consolidating businesses than for expanding them or initiating them? In the favorite phrase of the day, Prosperity was just around the corner.

But a new day was not dawning. This light in the economic skies was only the afterglow of the old one. What if the stock ticker—recording Steel at 198¾, Telephone at 274¼, General Motors at 103⅝, General Electric at 95⅜, Standard Oil of New Jersey at 84⅞—promised fair weather? Even at the height of the Little Bull Market there were breadlines in the streets. In March Miss Frances Perkins, Industrial Commissioner for New York State, was declaring that unemployment was worse than it had been since that state had begun collecting figures in 1914. In several cities, jobless men by the hundreds or thousands were forming pathetic processions to dramatize their plight—only to be savagely smashed by the police. In April the business index turned down again, and the stock market likewise. In May and June the market broke severely. While Hoover, grimly fastening a smile on his face, was announcing, "We have now passed the worst and with continued unity of effort we shall rapidly recover," and predicting that business would be normal by fall—in this very season the long, grinding, heart-breaking decline of American business was beginning once more.

§ 3

Not yet, however, had the Depression sunk very deeply into the general public consciousness. Of the well-to-do, in particular, few were gravely disturbed in 1930. Many of them had been grievously hurt in the Panic, but they had tried to laugh off their losses, to grin at the jokes about brokers and speculators which were going the rounds. ("Did you hear about the fellow who engaged a hotel room and the clerk asked him whether he wanted it for sleeping or jumping?" "No—but I heard there were two men who jumped hand-in-hand because they'd held a joint account!") As 1930 wore on, they were aware of the Depression chiefly as something that made business slow and uncertain and did terrible things to the prices of securities. To business men in "Middletown," a representative small mid-Western city, until 1932 "the Depression was mainly something they read about in the newspapers"—despite the fact that by 1930 every fourth factory worker in the city had lost his job. In the country at large, nearly all executive jobs still held intact; dividends were virtually as large as in 1929; few people guessed that the economic storm would be of long duration. Many men and women in the upper income brackets had never seen a visible sign of this unemployment that they kept reading about until, in the fall of 1930, the International Apple Shippers' Association, faced with an oversupply of apples, had the bright idea of selling them on credit to unemployed men, at wholesale prices, for resale at 5 cents apiece—and suddenly there were apple-salesmen shivering on every corner.

When the substantial and well-informed citizens who belonged to the National Economic League (an organization whose executive council included such notables as John Hays Hammond, James Rowland Angell, Frank O. Lowden, David Starr Jordan, Edward A. Filene, George W. Wickersham, and Nicholas Murray Butler) were polled in January, 1930, as to what they considered the "paramount problems of the United States for 1930," their vote put the following problems at the head of the list: 1. Administration of Justice; 2. Prohibition; 3. Lawlessness, Disrespect for Law; 4. Crime; 5. Law Enforcement; 6. World Peace—and they put Unemployment down in *eighteenth* place! Even a year later, in January, 1931, "Unemployment, Economic Stabilization" had moved up only to fourth place, following Prohibition, Administration of Justice, and Lawlessness.

These polls suggest not only how well insulated were the "best citizens" of the United States against the economic troubles of 1930, and how prone—as Thurman Arnold later remarked—to respond to public affairs with "a set of moral reactions," but also how deep and widespread had become the public concern over the egregious failure of Prohibition to prohibit, and over the manifest connection between the illicit liquor traffic and the gangsters and racketeers.

Certainly the Prohibition laws were being flouted more generally and more openly than ever before, even in what had formerly been comparatively sober and puritanical communities. As a "Middletown" business man told the Lynds, "Drinking increased markedly here in '27 and '28, and in '30 was heavy and open. With the Depression, there seemed to be a collapse of public morals. I don't know whether it was the Depression, but in the winter of '29-'30 and in '30-'31 things were roaring here. There was much drunkenness—people holding bathtub gin parties. There was a great increase in women's drinking and drunkenness." In Washington, in the fall of 1930, a bootlegger was discovered to have been plying his wares even in the austere precincts of the Senate Office Building. In New York, by 1931, enforcement had become such a mockery that the choice of those who wanted a drink was no longer simply between going to a speakeasy and calling up a bootlegger; there were "cordial and beverage shoppes" doing an open retail business, their only concession to appearances being that bottles were not ordinarily on display, and the show windows revealed nothing more embarrassing to the policeman on the beat than rows of little plaster figurines. By the winter of 1930-31, steamship lines operating out of New York were introducing a new attraction for the wholeheartedly bibulous—week-end cruises outside the twelve-mile limit, some of them with no destination at all except "the freedom of the seas."

With every item of gangster news—the killing of "Jake" Lengle of the Chicago *Tribune*; the repeated shootings of Legs Diamond in a New York gang war; the bloody rivalry between Dutch Schultz and Vincent Coll in the New York liquor racket; the capture of "Two-gun" Crowley (a youth who had been emulating gangster ways) after an exciting siege, by the police, of the house in which he was hiding out in New York's upper West Side; the ability of Al Capone, paroled from prison in Pennsylvania, to remain at large despite the universal knowledge that he had long been the dictator of organized crime in Chicago—with every such item of news the public was freshly reminded that the gangsters were on the rise and that it was beer-running and "alky-cooking" which provided them with their most reliable revenue. Preachers and commencement orators and after-dinner speakers inveighed against the "crime wave." District Attorney Crain of New York said the racketeers "have their hands in everything from the cradle to the grave—from babies' milk to funeral coaches"; and President Hoover said that what was needed to combat racketeering was not new laws, but enforcement of the existing ones.

Meanwhile sentiment against Prohibition was apparently rising: when the *Literary Digest*, early in 1930, took a straw vote of almost five million people, only 30½ per cent favored continuance and strict enforcement of the Eighteenth Amendment and Volstead Act; 29 per cent were for modification, and 40½ per cent for repeal. Nor was the cause of righteous enforcement aided when Bishop James Cannon, Jr., of the Methodist Episcopal Church, South, who had been one of the most active of dry leaders, was discovered—to the glee of the wets—to have been speculating in the stock market under the auspices of a New York bucket shop.

Perhaps the Wickersham Commission, when it came out of its long huddle over the law-enforcement problem, would throw a clear beam of light into this confusion? On the 19th of January, 1931, it reported upon Prohibition—and the confusion was thereby worse confounded. For, in the first place, the body of the Wickersham report contained explicit and convincing evidence that Prohibition was not working; in the second place, the eleven members of the Commission came to eleven separate conclusions, two of which were in general for repeal, four for modification, and five—less than a majority, it will be noted—for further trial of the Prohibition experiment. And in the third place, the commission *as a whole* came out, paradoxically, for further trial.

Confronted by this welter of disagreement and contradiction, the puzzled citizen could be sure of only one thing: that the supposedly enlightened device of collecting innumerable facts and trying to reason from them to an inevitable conclusion had been turned into a farce. The headache of the Prohibition problem remained to vex him.

§ 4

There were other diversions aplenty to take people's minds off the Depression. There was, for instance, the $125,000,000 boom in miniature golf. People had been saying that what the country needed was a new industry; well, here it was—in travesty. Garnet Carter's campaign to establish miniature golf in Florida during the winter of 1929-30 had been so sensationally successful that by the summer hundreds of thousands of Americans were parking their sedans by half-acre roadside courses and earnestly knocking golf balls along cottonseed greenswards, through little mouse holes in wooden barricades, over little bridges, and through drainpipes, while the proprietors of these new playgrounds listened happily to the tinkle of the cash register and decided to go in for even bigger business in 1931—to lease the field across the way and establish a driving range, with buckets of balls and a squad of local boys as retrievers (armed with beach umbrellas against the white hail of slices and hooks).

There was the incredible popularity of Amos 'n' Andy on the radio, which made the voices of Freeman F. Gosden and Charles J. Correll the most familiar accents in America, set millions of people to following, evening by evening, the fortunes of the Fresh Air Taxicab Company and the progress of Madam Queen's breach-of-promise suit against Andy —and gave the rambunctious Huey Long, running for the Senate in Louisiana, the notion of styling himself the "Kingfish" as he careened about the State with two sound-trucks to advertise him to the unterrified Democracy. (Long won the election, incidentally, though he had to kidnap and hold incommunicado on Grand Isle, till primary day was past, two men who had been threatening him with embarrassing lawsuits.)

There was Bobby Jones's quadruple triumph in golf—the British and American amateur and open championships—which inspired more words of cabled news than any other individual's exploits during 1930, and quite outshone Max Schmeling's defeat of Jack Sharkey, the World's Series victory of the Philadelphia Athletics, the success of Enterprise in defending the America's Cup at Newport against the last of Sir Thomas Lipton's Shamrocks, and the winnings of Gallant Fox, Whichone, and Equipoise on the turf. Always the fliers could command excitement: Lindbergh, the prince charming of American aviators, inaugurated the air-mail route to the Canal Zone (and soon afterward became the father of a son destined for a tragic end); in September, 1930, Costes and Bellonte made the first successful westward point-to-point flight across the Atlantic, taking off at Paris in the "Question Mark" and landing at Long Island.

There was the utterly fantastic epidemic of tree-sitting, which impelled thousands of publicity-crazy boys to roost in trees by day and night in the hope of capturing a "record," with occasional misadventures: a boy in Fort Worth fell asleep, hit the ground, and broke two ribs; the owner of a tree at Niagara Falls sued to have a boy removed from its branches, whereupon the boy's friends cut a branch from another tree, carried him to a new perch, and enabled him to continue his vigil; a boy in Manchester, New Hampshire, stayed aloft till a bolt of lightning knocked him down. To this impressive conclusion had come the mania for flagpole-sitting and Marathon-dancing which had characterized the latter nineteen-twenties.

As the winter of 1930-31 drew on, there were other things to talk about than the mounting unemployment relief problem and the collapse of the speculatively managed Bank of United States in New York. Some of the new automobiles were equipped for "free wheeling." (If you pulled out a button on the dashboard, the car would coast the moment you took your foot off the throttle. When you stepped on it again there was a small whirring sound and the engine took up its labor once more without a jolt.) The device was good for endless discussions: was it a help? did it save gas? was it safe? A lively backgammon craze was bringing comfort to department-store managers: however badly things might be going otherwise in the Christmas season, at least backgammon boards were moving. While the head of the house sat at his desk miserably contemplating the state of his finances, his eighteen-year-old son was humming "Body and Soul" and trying to screw up his courage to fill his hip flask with the old man's gin for the evening's dance, where he dreamed of meeting a girl with platinum-blonde hair like Jean Harlow's in "Hell's Angels."

Not everybody was worrying about the Depression—yet.

§ 5

But Herbert Hoover worried, and worked doggedly at the Presidency, and saw his prestige steadily declining as the downward turn in the business index mocked his cheerful predictions, and thereupon worried and worked the harder. Things were not going well for the great economic engineer.

The London Arms Conference, despite the most careful preparation—during which Ramsay MacDonald had come to Washington to confer—had produced a none-too-impressive agreement: it set "limitations" which the United States could not have attained without spending a billion dollars on new construction.

Congress, applying itself to tariff revision, had got out of hand and had produced, not the limited changes which Hoover had half-heartedly advocated, but a new sky-high tariff bill which (in the words of Denna Frank Fleming) was virtually "a declaration of economic war against the whole of the civilized world," giving "notice to other nations that retaliatory tariffs, quotas, and embargoes against American goods were in order . . . notice to our war debtors that the dollar exchange with which they might make their payments to us would not be available." It had been obvious to anybody beyond the infant class in economics that the United States could neither have a flourishing export trade nor collect the huge sums owing it from abroad unless it either lent foreign countries the money with which to pay (which it had been doing in the nineteen-twenties—and had now stopped doing) or else permitted imports in quantity. Over a thousand American economists, finding themselves in agreement for once (and for the last time during the nineteen-thirties) had protested against any general tariff increase. Hoover was no economic illiterate. But he was by nature and training an administrator rather than a politician, and he had been so outmaneuvered politically during the long tariff wrangle that when the Hawley-Smoot Tariff Bill was finally laid on his desk in June, 1930, he signed it—presumably with an inward groan.

His Farm Board had been trying to sustain the prices of wheat and cotton by buying them on the market, and had succeeded by the end of the 1930 season in accumulating sixty million bushels of wheat and a million and a third bales of cotton, without doing any more than slow up the price decline. As if the farm situation were not bad enough already, a terrific drought had developed during the summer in the belt of land running from Virginia and Maryland on the Eastern seaboard out to Missouri and Arkansas (a precursor of other and more dreadful droughts to come); and when wells failed and crops withered in the fields, new lamentations arose to plague the man in the White House. Nor had these lamentations ceased when it became apparent that the continuing contraction of business threatened an ugly winter for the unemployed, whose numbers, by the end of 1930, had increased from the three or four millions of the spring to some five or six millions.

Since Hoover's first fever of activity after the Panic, he had been leery of any direct governmental offensive against the Depression. He had preferred to let economic nature take its course. "Economic depression," he insisted, "cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body—the producers and consumers themselves." So he stood aside and waited for the healing process to assert itself, as according to the hallowed principles of laissez-faire economics it should.

But he was not idle meanwhile. For already there was a fierce outcry for Federal aid, Federal benefits of one sort or another; and in this outcry he saw a grave threat to the Federal budget, the self-reliance of the American people, and the tradition of local self-rule and local responsibility for charitable relief. He resolved to defeat this threat. Although he set up a national committee to look after the unemployment relief situation, this committee was not to hand out Federal funds; it was simply to co-ordinate and encourage the state and local attempts to provide for the jobless out of state appropriations and local charitable drives. (Hoover was quite right, said those well-to-do people who told one another that a "dole" like the one in England would be "soul-destroying.") He hotly opposed the war veterans' claim for a Bonus—only to see the "Adjusted Compensation" bill passed over his veto. He vetoed pension bills. To meet the privation and distress caused by the drought he urged a Red Cross campaign and recommended an appropriation to enable the Department of Agriculture to loan money "for the purpose of seed and feed for animals," but fought against any handouts by the Federal government to feed human beings.

In all this Hoover was desperately sincere. He saw himself as the watchdog not only of the Treasury, but of America's "rugged individualism." "This is not an issue," he said in a statement to the press, "as to whether people shall go hungry or cold in the United States. It is solely a question of the best method by which hunger and cold shall be prevented. It is a question as to whether the American people, on one hand, will maintain the spirit of charity and mutual self-help through voluntary giving and the responsibility of local government as distinguished, on the other hand, from appropriations out of the Federal Treasury for such purposes. . . . I have . . . spent much of my life in fighting hardship and starvation both abroad and in the Southern States. I do not feel that I should be charged with lack of human sympathy for those who suffer, but I recall that in all the organizations with which I have been connected over these many years, the foundation has been to summon the maximum of self-help. . . . I am willing to pledge myself that if the time should ever come that the voluntary agencies of the country, together with the local and State governments, are unable to find resources with which to prevent hunger and suffering in my country, I will ask the aid of every resource of the Federal Government because I would no more see starvation amongst our countrymen than would any Senator or Congressman. I have faith in the American people that such a day will not come."

Such were Hoover's convictions. But to hungry farmers in Arkansas the President who would lend them Federal money to feed their animals, but not to feed their children, seemed callous. Jobless men and women in hard-hit industrial towns were unimpressed by Hoover's tributes to self-reliance.

Even the prosperous conservatives failed him as whole-hearted allies. Business was bad, the President seemed to be doing nothing constructive to help them, and though they did not know themselves what ought to be done or were hopelessly divided in their counsels, they craved a leader and felt they were not being given one. They groused; some of them called Hoover a spineless jellyfish. Meanwhile Charles Michelson, the Democratic party's publicity director, was laying down a diabolically well-aimed barrage of press releases and speeches for Congressional use, taking advantage of every Hoover weakness to strengthen the Democratic opposition; and the President, suffering from his inability to charm and cajole the Washington correspondents, was getting a bad press. The Congressional and State elections of November, 1930, brought Democratic victories, confronting Hoover with the prospect, ere long, of a definitely hostile Congress.

Those elections brought, incidentally, a smashing victory in New York State to Governor Franklin D. Roosevelt, who was re-elected by the unexpectedly large plurality of 725,000. The afternoon following the election, Roosevelt's State chairman, an ex-boxing commissioner named James A. Farley, produced with the aid of Roosevelt's political mentor, Louis McHenry Howe, a statement which he was afraid the Governor might not like. It said: "I do not see how Mr. Roosevelt can escape being the next presidential nominee of his party, even if no one should raise a finger to bring it about." Having issued the statement at the Hotel Biltmore in New York, Farley telephoned the Governor in Albany to confess what he had done. Roosevelt laughed and said, "Whatever you said, Jim, is all right with me." Here too, had Hoover but known it, was another portent for him.

But things were bad enough even without borrowing trouble from the future. In midwinter there was an encouraging upturn in business, but as the spring of 1931 drew on, the retreat began once more. Hoover's convictions were being outrun by events.

§ 6

During all this time, many men were earnestly citing the hardships suffered in the depressions of 1857 and 1875 and 1893 as proofs that nothing ailed America but a downswing in the business cycle. The argument looked very reasonable —but these men were wrong. Something far more profound than that was taking place, and not in America alone.

The nineteenth century and the first few years of the twentieth century had witnessed a remarkable combination of changes which could not continue indefinitely. Among these were:—

1. The rapid progress of the industrial revolution—which brought with it steam power, and then gasoline and electric power and all manner of scientific and inventive miracles; brought factory production on a bigger and bigger scale; drew the population off the farms into bigger and bigger cities; transformed large numbers of people from independent economic agents into jobholders; and made them increasingly dependent upon the successful working of an increasingly complex economy.

2. A huge increase in population. According to Henry Pratt Fairchild, if the population of the world had continued to grow at the rate at which it was growing during the first decade of the present century, at the end of 10,000 years it would have reached a figure beginning with 221,848 and followed by *no less than 45 zeros.*

3. An expansion of the peoples of the Western world into vacant and less civilized parts of the earth, with the British Empire setting the pattern of imperialism, and the United States setting the pattern of domestic pioneering.

4. The opening up and using up of the natural resources of the world—coal, oil, metals, etc.—at an unprecedented rate, not indefinitely continuable.

5. A rapid improvement in communication—which in effect made the world a much smaller place, the various parts of which were far more dependent on one another than before.

6. The rapid development and refinement of capitalism on a bigger and bigger scale, as new corporate and financial devices were invented and put into practice. These new devices (such as, for example, the holding company), coupled with the devices added to mitigate the cruelties of untrammeled capitalism (such as, for example, labor unionism and labor legislation), profoundly altered the working of the national economies, making them more rigid at numerous points and less likely to behave according to the laws of laissez-faire economics.

Which of these phenomena were causes, and which were effects, of the changes in the economic world during the century which preceded 1914, is a matter of opinion. Let us not concern ourselves with which came first, the hen or the egg. The point is that an immense expansion and complication of the world economy had taken place, that it could not have continued indefinitely at such a pace, and that as it reached the point of diminishing returns, all manner of stresses developed. These stresses included both international rivalries over colonies (now that the best ones had been exploited—and were incidentally no longer paying their mother countries so well) and internal social conflicts over the division of the fruits of industry and commerce. The World War of 1914-18, brought about by the international rivalries, had left Europe weakened and embittered, with hitherto strong nations internally divided and staggering under colossal debts.

Presently there were ominous signs that the great age of inevitable expansion was over. The population increase was slowing up. The vacant places of the world were largely preempted. The natural resources were limited and could hardly be exploited much longer so quickly and cheaply. As the economic horizons narrowed, the struggle for monopoly of what was visibly profitable became more intense. Nations sought for national monopoly of world resources; corporate and financial groups sought for private monopoly of national resources and national industries. Meanwhile each national economy became more complex, less flexible, and more subject to the hazards of bankruptcy by reason of unbearable debts.

One way of expansion still remained open. Invention did not stop; the possibilities of increased comfort and security through increasingly efficient mechanical production (and through improvement in the means of communication) remained almost limitless. But the economic apparatus which was at hand, and men's mental habits and outlook, were adjusted to the age of pioneering expansion rather than to reliance on increasing efficiency alone; and what sort of economic apparatus the new age might require no one knew.

During the nineteen-twenties the United States, comparatively unhurt by the war and adept at invention and mechanization, had continued to rush ahead as if the age of pioneering expansion were not over. Still, however, it was a victim of the vices of its pioneering youth—an optimistic readiness to pile up debts and credit obligations against an expanding future, a zest for speculation in real estate and in stocks, a tendency toward financial and corporate monopoly or quasi-monopoly which tended to stiffen a none-too-flexible economy. These vices combined to undo it. As Roy Helton remarks in this connection, when one is grown up one can no longer indulge with impunity in the follies of youth. While the bellows of speculation and credit inflation blew, the fires of prosperity burned brightly; but once the bellows stopped blowing, the fires dimmed. And when they dimmed in the United States, they dimmed all the more rapidly in Europe, where since the war they had burned only feebly.

As the contraction of one national economy after another set in, men became frantic. The traditional economic laws and customs no longer seemed to work; the men of learning were as baffled as anybody else; nobody seemed to know the answer to the economic riddle. Russia offered an alternative set of laws and customs, but enthusiasm for the Marxian way as exemplified in Russia was limited. What else was there for men to fasten their hopes upon? Nobody knew, for this emergency was unprecedented. So it happened that the world entered upon a period of bewilderment, mutual suspicion, and readiness for desperate measures.

Nor was the United States, falling from such a pinnacle of apparent economic success, to escape the confusion and dismay of readjustment.