Herbert Hoover and the Myth of Laissez-faire

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The conventional wisdom, of historian and layman alike, pictures Herbert Hoover as the last stubborn guardian of laissez-faire in America. The laissez-faire economy, so this wisdom runs, produced the Great Depression in 1929, and Hoover's traditional, do-nothing policies could not stem the tide. Hence, Hoover and his hidebound policies were swept away, and Franklin Roosevelt entered to bring to America a New Deal, a new progressive economy of state regulation and intervention fit for the modern age.

The major theme of this paper is that this conventional historical view is pure mythology and that the facts are virtually the reverse: that Herbert Hoover, far from being an advocate of laissez-faire, was in every way the precursor of Roosevelt and the New Deal, that, in short, he was one of the major leaders of the twentieth-century shift from relatively laissez-faire capitalism to the modern corporate state. In the terminology of William A. Williams and the New Left, Hoover was a preeminent "corporate liberal."

When Herbert Hoover returned to the United States in late 1919, fresh from his post as Relief Administrator in Europe, he came armed with a suggested "Reconstruction Program" for America. The program sketched the outlines of a corporate state; there was to be national planning through "voluntary" cooperation among businesses and groups under "central direction."(1) The Federal Reserve System was to allocate capital to essential industries and thereby eliminate the industrial "waste" of free markets. Hoover's plan also included the creation of public dams, the improvement of waterways, a federal home-loan banking system, the promotion of unions and collective bargaining, and governmental regulation of the stock market to eliminate "vicious speculation."(2) It is no wonder that Progressive Republicans as well as such Progressive Democrats as Louis Brandeis, Herbert Croly, and others on the New Republic, Edward A. Filene, Colonel Edward M. House, and Franklin D. Roosevelt, boomed Hoover for the presidency during the 1920 campaign.

Hoover was appointed Secretary of Commerce by President Harding under pressure by the Progressive wing of the party, and accepted under the condition that he would be consulted on all the economic activities of the federal government. He thereupon set out deliberately to "reconstruct America."(3)

Hoover was only thwarted from breaking the firm American tradition of laissez-faire during a depression by the fact that the severe but short-lived depression of 1920-21 was over soon after he took office. He also faced some reluctance on the part of Harding and the Cabinet. As it was, however, Hoover organized a federal committee on unemployment, which supplied unemployment relief through branches and subbranches to every state, and in numerous cities and local communities. Furthermore, Hoover organized the various federal, state, and municipal governments to increase public works, and persuaded the biggest business firms, such as Standard Oil of New Jersey and United States Steel, to increase their expenditure on repairs and construction. He also persuaded employers to spread unemployment by cutting hours for all workers instead of discharging the marginal workers – an action he was to repeat in the 1929 Depression.(4)

Hoover called for these interventionist measures with an analogy from the institutions of wartime planning and collaboration, urging that Americans develop "the same spirit of spontaneous cooperation in every community for reconstruction that we had in war."(5)

An important harbinger for Hoover's later Depression policies was the President's Conference on Unemployment, a gathering of eminent leaders of industry, banking, and labor called by President Harding in the fall of 1921 at the instigation of Hoover. In contrast to Harding's address affirming laissez-faire as the proper method of dealing with depressions, Hoover's opening address to the Conference called for active intervention.(6) Furthermore, the Conference's major recommendation – for coordinated federal state expansion of public works to remedy depressions – was prepared by Hoover and his staff in advance of the conference.(7) Of particular importance was the provision that public works and public relief were to be supplied only at the usual wage rate – a method of trying to maintain the high wage rates of the preceding boom during a depression.

Although these interventions did not have time to take hold in the 1921 depression, a precedent for federal intervention in an economic depression had now been set, as one of Hoover's admiring biographers writes, "rather to the horror of conservatives."(8)

The President's Conference established three permanent research committees, headed overall by Hoover, which continued during the 1920s to publish studies advocating public-works stabilization during depressions. One such book, Seasonal Operations in the Construction Industry (Washington, D.C.: Conference on Unemployment, 1921), the foreword to which was written by Hoover, urged seasonal stabilization of construction. This study was in part the result of a period of propaganda emitted by the American Construction Council, a trade association for the construction industry, which of course was enthusiastic about large-scale programs of government contracts for the construction industry. This Council was founded jointly by Herbert Hoover and Franklin D. Roosevelt in the summer of 1922, with the aim of stabilizing and cartelizing the industry, and of planning the entire construction industry through the imposition of various codes of "ethics" and of "fair practice." The codes were the particular idea of Herbert Hoover. Following the path of all would-be cartelists who are hostile to no one more than the individualistic competitor, Franklin D. Roosevelt, President of the American Construction Council, took repeated opportunity to denounce rugged individualism and profit-seeking by individuals.(9)

Throughout the 1920s Hoover supported numerous bills in Congress for public-works programs during depressions. He was backed in these endeavors by the American Federation of Labor [AF of L], the United States Chamber of Commerce, and the American Engineering Council, of which Hoover was for a time president. It was clear that the engineering profession would also benefit greatly from government subsidization of the construction industry. By the middle twenties, President Coolidge, Secretary Mellon, and the National Democratic Party had been converted to the scheme, but Congress was not yet convinced.

After he was elected President, but before taking office, Hoover allowed his public-works plan (the "Hoover Plan") to be presented to the Conference of Governors in late 1928 by Governor Ralph Owen Brewster of Maine. Brewster called the plan the "Road to Plenty," a name that Hoover had taken from Foster and Catchings,(10) the popular co-authors of a plan for massive inflation and public works as the way to end depressions. Although seven or eight governors were enthusiastic about the plan, the Governors' Conference tabled the scheme. A large part of the press hailed the plan extravagantly as a "pact to outlaw depression." Leading the applause was William Green, head of the AF of L, who hailed the plan as the most important announcement on wages and employment in a decade, and John P. Frey of the AF of L who announced that Hoover had accepted the AF of L theory that depressions are caused by low wages. The press reported that "labor is jubilant" because the new President's remedy for unemployment is "identical with that of labor."

The close connection between Hoover and the labor leadership was no isolated phenomenon. Hoover had long agitated for industry to encourage and incorporate labor unionism within the framework of the emerging industrial order. Moreover, he played a crucial role in converting the labor leaders themselves to the idea of a corporate state with unions as junior partners in the system, a state that would organize and harmonize labor and capital.

Hoover's pro-union views first achieved prominence when, as chairman of President Wilson's Second Industrial Conference (1919/20), he guided this conference of corporate-liberal industrialists and labor leaders to criticize "company unionism" and to urge the expansion of collective bargaining, government arbitration boards for labor disputes, and a program of national health and old-age insurance. Soon afterward Hoover arranged a meeting of leading industrialists with "advanced views," in an unsuccessful attempt to persuade them to "establish liaison" with the AF of L. In January, 1921, the AF of L journal published a significant address by Hoover, which called for the "definite organization of great national associations" of economic groups and their mutual cooperation. This cooperation would serve to promote efficiency, and mitigate labor-management conflict. Above all, workers would be protected from "the unfair competition of the sweatshop." Still more did this mean "protection" of the lower-cost large employers from the competition of their smaller "sweatshop" rivals – a typical instance of monopolizers using humanitarian rhetoric to gain public support for the restriction and suppression of competition. Hoover went so far in this address as to support the closed shop, provided that the closure was to be for the sake of unity of purpose in aiding the employer to increase production and to mold a cooperative labor force. In conclusion, Hoover called for a new economic system, what was in effect a corporate state, that would provide an alternative to old-fashioned laissez-faire capitalism on the one hand and Marxian socialism on the other.(11)

In an authoritative study, William English Walling, an intimate of Samuel Gompers, wrote of the crucial influence of Hoover's theories upon Gompers and the AF of L, especially from 1920 on. This influence was particularly strong in persuading the labor leaders to endorse the idea of organizing all the large occupation groups and then effecting their mutual harmony and cooperation under the aegis and control of the federal government. Capital and labor in each industry, organized in collaboration, were to have the role of government of that particular industry.(12) It was indeed appropriate for the French politician Edouard Herriot to praise Hoover in 1920 for his idea of fusing the "economic trinity" of labor, capital, and government into one system, thus putting an end to the class struggle.(13)

Another reason for Hoover's pro-union attitude was that he had adopted the increasingly popular thesis that high wage rates were a major cause of prosperity. It then followed that wage rates must not be lowered during depressions. In contrast to all prior depressions, including 1920-21, when wage rates were cut sharply, wage-cutting was considered by Hoover to be impermissible and as leading to a failure in purchasing power and the perpetuation of depression. These views were to prove a fateful harbinger of the policies used during the Great Depression.

One of Hoover's most important labor interventions during the 1920s came in the steel industry. He persuaded Harding to hold a conference of steel manufacturers in May, 1922, after which he and Harding called upon the steel magnates to bow to the workers' demand to shift from a twelve-hour to an eight-hour day. In doing so, Hoover was siding with the liberal wing of the steel industry, led by Charles R. Hook and Alexander Legge, whose plants had already instituted the shorter workday, and who of course were anxious to impose higher costs on their lagging competitors. When Judge Gary of United States Steel and other leading steelmen refused to go along, Hoover acted to mobilize public opinion against them. Thus, he induced the national engineering societies to endorse the eight-hour day, and himself wrote the introduction to the endorsement. Finally, Hoover wrote a stern letter of rebuke for President Harding, which Harding sent to Gary on June 18, 1923, forcing Gary to capitulate.

Herbert Hoover also played a leading role in collectivizing labor relations in the railroad industry, thereby cartelizing that industry still further than before and incorporating railway unions within the cartel framework. After repeated and largely unsuccessful interventions to try to gain pro-union concessions during the railroad strike of 1922, Hoover became a major author – along with union lawyers Donald Richberg and David E. Lilienthal – of the Railway Labor Act of 1926, by which the railway unions got themselves established in the industry. The ancestor of the New Deal's Wagner Act, the Railway Labor Act, imposed collective bargaining upon the industry; in return, the unions agreed to give up the strike weapon. The great majority of the railroads warmly supported this new departure in American labor relations.(14)

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In a major address before the United States Chamber of Commerce, on May 7, 1924, Hoover spelled out his corporatist views in some detail. He called for the self-regulation of industry by way of trade associations, farm groups, and unions. In a vein strongly reminiscent of English Guild Socialism, Hoover harked back to the Middle Ages for his model: the guilds, he asserted, obtained "more stability through collective action." The job of the associations was to strengthen "ethical standards" in industry by eliminating "waste" and "destructive competition." In short, Hoover was calling for the national cartelization of industry under the aegis of government.(15) Samuel Gompers hailed the address and considered this "new economic policy" to be the same as the newly forged position of the AF of L.(16)

Herbert Hoover's entire program of activities as Secretary of Commerce was designed to advance the subsidization of industry and the interpenetration of government and business. As Hoover's admirer and former head of the United States Chamber of Commerce put it, Hoover had advanced the "teamplay of government with the leaders of character in the various industries."(17) Thus, Hoover expanded the Bureau of Foreign and Domestic Commerce fivefold, opening numerous offices at home and abroad. His trade commissioners and attachés aided American exports in numerous ways. He also reorganized the Bureau along commodity lines, with each commodity division headed by someone chosen by the particular trade or industry, from the trade "he knows and represents."(18) Furthermore, Hoover promoted the cartelization of each industry by inducing each trade to create a committee to cooperate with the Department of Commerce, and to select the industry's choice for head of the commodity division. Officials in the Department were systematically recruited from business, to stay in the Department for a few years, and then to return to private business at higher-paying jobs.

One favorite method of Hoover's for subsidizing as well as cartelizing exports was to foster the creation of export-trade associations. Thus, in 1926, Hoover repeatedly urged the coffee trade to band together and create a National Coffee Council, so that all American coffee buyers could join together to lower buying prices. Hoover and his aides craftily suggested to the coffee trade that one union leader and one woman consumer be named to the proposed Coffee Council as a public-relations device to relieve public fears of a cartel.(19)

The difficulties of forming a coffee cartel proved insurmountable; but Hoover had more luck with the rubber industry, organizing it to fight British cartel restrictions on Asian rubber production that had been imposed in 1922. Hoover led the rubber industry in a drive to induce Americans to buy less rubber and hence to lower the price, as well as to promote American-owned sources of supply, by such means as government subsidies to new United States-owned rubber plantations in the Philippines.(20) An American rubber-buying pool was established in 1926, and lasted until the end of British restrictions two years later.(21)

As soon as he assumed office, Hoover induced President Harding to pressure investment bankers to require that the proceeds of their loans abroad be used to purchase American exports. When little came of this pressure, Hoover began to threaten congressional action if the banks did not agree. For Hoover, the aim of subsidizing exports was so important that even unsound foreign loans that could serve this purpose were considered worthwhile.(22)

Hoover's opposition to foreign "monopoly" did not of course prevent him from supporting a protective tariff in the United States, thus providing privilege to American domestic as well as export firms. During the 1920s, Hoover was also active in promoting the cartelization of the domestic oil industry. As an active member of President Coolidge's Federal Oil Conservation Board since its inception in 1924, Hoover worked in collaboration with a growing majority of the oil industry in behalf of restrictions on oil production in the name of "conservation." This was a "conservation," by the way, that was urged regardless of whether American oil resources seemed to be scarce or superabundant. Hoover was particularly interested in removing antitrust limitations on industrial cooperation in such restrictive measures.(23)

In the field of coal, Hoover sponsored repeated attempts at cartelization. The first attempt was a bill in 1921 to establish a federal coal commission to gather and publish statistics of the coal industry, so as to publicize price data and thereby facilitate industry-wide price-fixing. Failing a commission, the Department of Commerce was eager to take on the task. However, this and a later scheme by Hoover to encourage marketing cooperatives in coal by exemption from antitrust laws, were defeated by the opposition of competitive low-cost Southern coal operators. Undaunted, Hoover, in 1922, prepared a full-fledged cartelizing plan. The idea was to establish unemployment insurance in the coal industry, so designed as to penalize in the cost of the plan the part-time and seasonal coal mines, and thereby to drive these higher-cost mines out of business. The coal industry would then form cooperatives, which would fix and allocate quotas on production, putting more mines out of operation, the owners to be compensated out of the increased cartel profits made by the rest of the industry. The district coal cooperatives were to market all the coal and then divide the revenues proportionately. But once again Hoover could not command the needed support from the coal industry and the public.(24)

Hoover played a similar role in cartelizing the cotton textile industry. Favoring the "open-price" plan for stimulating price agreements, Hoover used his Department of Commerce to provide the price publicity that might be illegal for a trade association. Hoover also played a role in forcing the cotton textile industry to establish a nationwide rather than a regional trade association, to the delight of the bulk of the industry. Hoover repeatedly urged the many reluctant firms to join this Cotton Textile Institute, which gave promise of stabilizing the industry and eliminating "waste" in production. Hoover went so far as to endorse, in 1927, the CTFs plan to urge each of the member firms to cut production by a certain definite amount.(25)

One of the clearest indications of how far removed Hoover was from laissez-faire was his leading role in nationalizing the airwaves of the fledgling radio industry. Hoover put through the nationalizing Radio Act in 1927 as a substitute for the courts' increasing application of the common law, granting private ownership of the airwaves to the first radio stations that put them into use.(26)

One of the most pervasive and least studied methods by which Hoover helped to monopolize industry during the 1920s was to impose standardization and "simplification" of materials and products. In this way, Hoover managed to eliminate the "least necessary" varieties of a myriad of products, greatly reducing the number of competitive sizes, for example, of automobile wheels and tires, and threads for nuts and bolts. All in all, about three thousand articles were thus "simplified."

The recommendations for simplification were worked out by the Department of Commerce with the aid of the eager committees representing each trade.(27)

Hoover's approach to the farm question was consistent: a repeated emphasis on the cartelization of agriculture.(28) At first, the favored means was the subsidizing by government of farm cooperatives. Hoover helped write the act of August, 1921, which expanded the funds allotted to the War Finance Corporation and permitted it to lend directly to the farm co-ops. He also supported the farm-bloc bill for an extensive system of Federal Intermediate Credit Banks and a Federal Farm Loan Board, which were to lend federal funds to farm co-ops. In the Department of Commerce, he was able to help farm co-ops with marketing programs, and with aid in finding export markets.

Hoover soon enlarged his ideas of farm intervention; he was one of the earliest proponents of a Federal Farm Board, designed to raise and support farm prices by creating federal stabilization corporations that were to purchase farm products and to lend money to farm co-ops for such purchases. And to this end, in 1924, Hoover helped write the unsuccessful Capper-Williams Bill. As a presidential candidate in 1928 he promised the farm bloc that he would promptly institute a farm price-support program.(29) It was a promise that he hastened to keep, for as soon as he became President, Hoover drove through the Agricultural Marketing Act of 1929. This Act created a Federal Farm Board with a revolving fund of $500 million to raise and support farm prices and to aid farm co-ops; the Board was to conduct its price-raising operations through stabilization corporations for the various commodities, with the corporations also serving as marketing agencies for the coops. Furthermore, Hoover appointed to the Board representatives of the various agricultural and farm co-op interests: a cartelization operated by the cartelists themselves.(30)

Mobilizer and economic planner of World War I; persistent advocate of cartelization and government-business partnership in stabilizing industry; pioneer in promoting a pro-union outlook in industry as a method of insuring the cooperation of labor; booster of high wages as a sustainer of purchasing power and business prosperity; ardent proponent of massive public-works schemes during depressions; advocate of government programs to boost farm prices and farm co-ops; no one could have been as ideally suited as Herbert Clark Hoover to be President at the onset of a Great Depression and to react with a radical program of statism to be trumpeted as a "New Deal." And that is precisely what Herbert Hoover did. It is one of the great ironies of historiography that the founder of every single one of the features of Franklin Roosevelt's New Deal was to become enshrined among historians and the general public as the last stalwart defender of laissez-faire.

Let us consider the New Deal – a rapid intensification of government intervention that began in response to a severe depression, and featured: cartelization of industry through government-and-business planning; bolstering of prices and wage rates; expansion of credit; massive unemployment relief and public-works programs; support of farm prices; propping up of weak and unsound business positions. Every one of these features was founded, and consciously so, by President Hoover. Hoover consciously and deliberately broke sharply and rapidly with the whole American tradition of a laissez-faire response to depression. As Hoover himself proclaimed during his presidential campaign of 1932:

. . . we might have done nothing. That would have been utter ruin. Instead we met the situation with proposals to private business and to Congress of the most gigantic program of economic defense and counterattack ever evolved in the history of the Republic. We put it into action. . . . No government in Washington has hitherto considered that it held so broad a responsibility for leadership in such times. . . . For the first time in the history of depressions, dividends, profits and the cost of living, have been reduced before wages have suffered. . . . They were maintained until the cost of living had decreased and the profits had practically vanished. They are now the highest real wages in the world.(31)

Hoover began his “gigantic” program as soon as the stock market crashed on October 24, 1929. His most fateful act was to call a series of White House Conferences with the nation’s leading financiers and industrialists, and induce them to pledge that wage rates would not be lowered and that they would expand their investments. Hoover explained the general aim of these conferences to be the coordination of business and government agencies in concerted action. Industrial group after group pledged that wage rates would be maintained. Hoover insisted that, contrary to previous depressions when wage rates fell promptly and rapidly (and, we might add, the depression was then soon over), wage rates must now be the last to fall, in order to prop up mass purchasing power. The entire burden of the recession, then, must fall upon business profits. The most important of these conferences occurred on November 21, when such great industrial leaders as Henry Ford, Julius Rosenwald, Walter Teagle, Owen D. Young, Alfred P. Sloan, Jr., and Pierre du Pont pledged their cooperation to the Hoover program. These agreements were made public, and Hoover hailed them at a White House conference on December 5, as an “advance in the whole conception of the relationship of business to public welfare . . . a far cry from the arbitrary and dog-eat-dog attitude of . . . the business world of some thirty or forty years ago.” The A F of L lauded this new development; never before, it proclaimed, have the industrial leaders “been called upon to act together . . .”(32) By the following March the AF of L was reporting that the big corporations were indeed keeping their agreement to maintain wage rates.(33)

In September, 1930, Hoover took another step to relieve unemployment and, by the way, to prop up wage rates. By administrative decree, Hoover in effect barred almost all further immigration into the country. In keeping with this policy of curing unemployment by forcing people out of the labor force, he deliberately accelerated the deportation of “undesirable” aliens, the deportation level reaching 20,000 per year.

The wage agreement held firm in the midst of a cataclysmic Depression and unprecedented and prolonged mass unemployment.(34) In fact, since prices were falling rapidly, this meant that the real wage rates of those lucky enough to remain employed were increasing sharply. The economist Leo Wolman noted at the time that it “is indeed impossible to recall any past depression of similar intensity and duration in which the wages of prosperity were maintained as long as they have been in the depression of 1930-31.”(35) It was a record hailed by liberals from the AF of L to John Maynard Keynes. It was only by 1932, after several years of severe depression and catastrophic unemployment, that businesses could keep up wage rates no longer. When, in the fall of 1931, the United States Steel Corporation finally summoned up the courage to cut wage rates, it did so over the opposition of its own president and to the accusation of William Green that its 1929 pledge to the White House was being violated.(36) The large firms were particularly slow to break the agreement, and even then many of the cuts were made in executive salaries where the unemployment problem was at a minimum. Even with the cuts in wages, wage rates fell by only twenty-three percent from 1929 to 1933 – less than the decline of prices. Thus, real wage rates actually rose over the period, by over eight percent in the leading manufacturing industries. The drop in wage rates had been far more prompt and extensive in the far milder 1921 depression. In the face of this record of wage maintenance, the unemployment rate rose to twenty-five percent of the labor force by 1933, and to a phenomenal forty-six percent in the leading manufacturing industries. There were, unfortunately, only a few observers and economists who understood the causal connection between these events: that maintenance of wage rates was precisely the major factor in deepening and prolonging mass unemployment and the Depression.(37)

Hoover did his best, furthermore, to engineer a massive inflation of money and credit. In the crucial figure of government securities owned by the Federal Reserve Banks, Federal Reserve holdings rose from $300 million in September, 1929, to $1,840 million in March, 1933 – a sixfold increase. Ordinarily this would have led to a sixfold expansion of bank reserves and an enormous inflation of the money supply. But the Hoover drive for inflation was thwarted by the forces of the economy. Federal Reserve rediscounts fell by half a billion due to sluggish business demand, despite a sharp drop in the Federal Reserve's discount rate; cash in circulation increased by one and a half billion due to the public's growing distrust of the shaky and inflated banking system; and the banks began to pile up excess reserves because of their fear of making investments amidst the sea of business failures. The Hoover Administration grew livid with the banks, and Hoover denounced the "lack of cooperation of the commercial banks . . . in the credit expansion drive." Atlee Pomerene, head of the Reconstruction Finance Corporation, went so far as to declare that any bank that is liquid and doesn't extend its loans is a "parasite on the country."(38) Hoover told Secretary of the Treasury Ogden Mills to form a committee of leading industrialists and bankers to pressure the banks into extending their credit.(39) By the end of his term and the abject failure of his inflationist program, Hoover was proposing what are surely typical New Deal measures: bank holidays, and at least temporary federal "insurance" of bank deposits.

In fact, Hoover seriously considered invoking a forgotten wartime law making the "hoarding" of gold (that is, redemption of dollars into gold) a criminal offense.(40) Although he did not go that far, he did try his best to hamper the workings of the gold standard by condemning and blackening the names of people who lawfully redeemed their dollars in gold or their bank deposits into cash. In February, 1932, Hoover established the Citizens' Reconstruction Organization under Colonel Frank Knox of Chicago, dedicated to condemning "hoarders" and unpatriotic "traitors." Leading industrialists and labor leaders joined the CRO. Hoover also secretly tried to stop the American press from printing the full truth about the banking crisis and about the rising public criticism of his Administration.(41)

Neither was Hoover lax in increasing the expenditures of the federal government. Federal expenditures rose from $3.3 billion in fiscal 1929 to $4.6 billion in fiscal 1932 and 1933, a rise of forty percent. Meanwhile, federal budget receipts fell in half, from $4 billion to less than $2 billion, demonstrating that Hoover was so much of a proto-Keynesian that he was willing to incur a deficit of nearly sixty percent of the budget. This was, to that moment, the largest peacetime federal deficit in American history.

Part of this massive rise of federal expenditures went, as one might expect, into public works. So promptly did Hoover act to expand public works (proposing a $600 million increase by December, 1929) that by the end of 1929 the economist J. M. Clark was already hailing Hoover's "great experiment in constructive industrial statesmanship."(42) In February, 1931, Hoover's Emergency Committee for Employment was instrumental in pushing through Congress Senator Wagner's (D., N.Y.) Employment Stabilization Act, which established an Employment Stabilization Board to expand public works in a depression, and a fund of $150 million to put the plan into effect. In happily signing the measure, Hoover gave a large amount of credit to the veteran public-works agitator, Otto Tod Mallery.(43) In his memoirs, Hoover recalled with pride that his Administration had constructed more public works than had the federal government over the previous thirty years, and that he personally had induced state and local governments to expand their public-works programs by $1.5 billion. He also launched the Boulder, Grand Coulee, and California Central Valley dams, and, after agitating for the project since 1921, Hoover signed a treaty with Canada to build a St. Lawrence Seaway, a treaty rejected by the Senate.(44) Furthermore, the Boulder project was the first example of large-scale, federal, multipurpose river basin planning.(45)

It must be noted, however, that in the last year of his term, Hoover, the veteran pioneer of public-works stabilization, began to find the accelerating movement toward ever greater public works going beyond him. As writers, economists, politicians, businessmen, and the construction industry called loudly for many billions in public works, Hoover began to draw back. He began to see public works as costly, and as bringing relief to a selected group only. He came to favor a relatively greater emphasis on federal grants-in-aid and on public works that would be self-liquidating. As a result, federal public-works spending increased only slightly during 1932. As we shall see, Hoover's growing doubts on public works were symptomatic of a more general process of being left behind by the accelerating onrush toward collectivist thinking that developed during his final year as President.(46)

Another massive dose of government intervention was President Hoover's Home Loan Bank System, established in the Federal Home Loan Act of July, 1932. Supported enthusiastically by the building and loan associations, the act paralleled the Federal Reserve Act in relation to these associations. Twelve district banks were established under a Federal Home Loan Bank Board, with a $25 million capital supplied by the Treasury, as a compulsory, central mortgage-discount bank for the building and loan industry. Hoover had originally proposed a grandiose national mortgage-discount system that would also include savings banks and insurance companies, but the latter refused to agree to the scheme. As it was, Hoover complained that Congress had placed excessively rigorous limits on the amount of discounting that could be made by the Board; but he did his best to spur use of the new system.

One of Mr. Hoover's clearest harbingers of the New Deal was his creation in January, 1932, of the Reconstruction Finance Corporation. The RFC was clearly inspired by and modelled after the old wartime War Finance Corporation, which had extended emergency loans to business. One of the leading originators of the RFC was Eugene Meyer, Jr., Governor of the Federal Reserve Board, and former Managing Director of the WFC; most of the old WFC staff were employed by the new organization.(47)

The RFC began in the fall of 1931 as the National Credit Corporation, through which leading banks were persuaded, at a secret conference with Hoover and his aides, to extend credit to shaky banks, with Federal Reserve assistance. When the banks balked at this scheme, Hoover threatened legislation to compel their cooperation; in return for their agreement to the NCC, the Administration agreed that it would be strictly temporary, to be replaced soon by an RFC.

The RFC bill was passed hurriedly by Congress in January, 1932. The Treasury furnished it with half a billion dollars, and it was empowered to issue debentures up to $1.5 billion. Meyer was chosen to be chairman of the new organization. In the first half of 1932, the RFC extended, in the deepest secrecy, $1 billion of loans, largely to banks and railroads.(48) The railroads received nearly $50 million simply to repay debts to the large banks, notably J. P. Morgan & Co. and Kuhn, Loeb and Co. One of the important enthusiasts for this policy was Eugene Meyer, Jr., on the grounds of "promoting recovery" and frankly, of "putting more money into the banks." Meyer's enthusiasm might well have been bolstered by the fact that his brother-in-law, George Blumenthal, was an officer of J. P. Morgan & Co., and that he himself had served as an officer of the Morgan bank.

But Hoover wasn't satisfied with the massiveness of the RFC program. He insisted that RFC be able to lend more widely to industry and to agriculture, and that it be able to make capital loans. This amendment – the Emergency Relief and Construction Act – passed Congress in July, 1932; the Act nearly doubled total RFC capital from $2 billion to $3.8 billion, and greatly widened the scope of RFC lending.(49) During 1932, the RFC extended loans totalling $2.3 billion.

Herbert Hoover’s enthusiasm for government aid to industry and banking was not matched in the area of Depression relief to the poor; here his instincts were much more voluntarist. Hoover steadfastly maintained his voluntary relief position until mid-1932. As early as 1930/31, he had been pressured on behalf of federal relief by Colonel Arthur Woods, the Chairman of Hoover’s Emergency Committee for Employment, who had previously been a member of Rockefeller’s General Education Board. But in mid-1932 a group of leading Chicago industrialists was instrumental in persuading Hoover to change his mind and establish a federal relief program. In addition to widening the powers of the RFC loans to industry, Hoover’s Emergency Relief and Construction Act was the nation’s first federal relief legislation. The RFC was authorized to lend $300 million to the states for poor relief.(50)

Throughout the Depression, Herbert Hoover gave vent to his long-standing dislike of speculation and the stock market. In the fall of 1930, Hoover threatened federal regulation of the New York Stock Exchange, hitherto thought to be constitutionally subject only to state regulation. Hoover forced the Exchange to agree “voluntarily” to withhold loans for purposes of short selling. Hoover returned to the attack during 1932, threatening federal action against short selling. He also induced the Senate to investigate “sinister . . . bear raids” on the Exchange. Hoover seemed to find it sinful and vaguely traitorous for the stock market to judge stock values on the basis of current (low) earnings. Hoover went on to propose what later came to pass as the New Deal’s SEC, a regulation that Hoover openly applauded.

Hoover’s Federal Farm Board was ready to move when the Depression arrived and the FFB proceeded on its proto-New Deal farm policy of attempting to raise and support farm prices.

The FFB’s first big operation was in wheat. The Board advised the receptive wheat farmers to act like cartelists, in short to hold wheat off the market and wait for higher prices. Soon it began to lend $100 million to wheat co-ops to withhold wheat stocks, and thereby raise prices; and it established a central grain corporation to centralize and coordinate the wheat cooperatives. When the loans to coops failed to stem the tide of falling wheat prices, the grain corporation began to buy wheat on its own. The FFB loans and purchases managed to sustain wheat prices for a time; but by the spring of 1930 this had only aggravated the wheat surplus by inducing farmers to expand their production, and the only result was further declines in price.

It became clear to the Hoover Administration that the cartelizing and price-raising policy could not work unless wheat production was reduced. A typical Hooverian round of attempted voluntary persuasion ensued, led by the Secretary of Agriculture and the FFB; a group of economists was sent from Washington to urge the marginal Northwestern wheat farmers – the original agitators for wheat price supports – to shift from wheat into some other crop. Secretary of Agriculture Arthur M. Hyde and the FFB’s Alexander Legge toured the Middle West, urging farmers to lower their wheat acreage. But, as could have been foreseen, none of this moral exhortation was effective, and wheat surpluses continued to pile up and prices to fall. By November, the government’s Grain Stabilization Corporation had purchased over 65 million bushels of wheat to hold off the market, but to no avail. Then, in November, 1930, Hoover authorized the GSC to purchase as much wheat as might be necessary to stop any further fall in wheat prices. But economic forces could not be defeated so easily, and wheat prices continued to fall. Finally, the FFB conceded defeat and dumped its accumulated wheat stocks, further intensifying the fall in wheat prices.

“Herbert Hoover’s enthusiasm for government aid to industry and banking was not matched in the area of Depression relief to the poor; here his instincts were much more voluntarist.”

Similar price-support programs were tried in cotton, but with similar disastrous results. Chairman James C. Stone of the Federal Farm Board even tried to mobilize the state governors to plow under every third row of cotton, but still to no avail. Similar calamitous attempts at cartelization occurred in wool, butter, grapes, and tobacco.

It was becoming clear that the cartelizing program could not work unless there were compulsory restrictions on production; there were simply too many farmers for voluntary exhortations to have any effect. President Hoover began to move down that road, recommending at least that productive land be withdrawn from cultivation, that crops be plowed under, and that immature farm animals be slaughtered – all to reduce the very surpluses that Hoover's price supports had accumulated.(51)

Meanwhile, President Hoover pursued cartelization in other fields with more success. In May, 1931, he ordered the cessation of new leases in the federal forests for purposes of lumbering. He also withdrew over two million acres of forest land from production and into "national forests," and increased the area of national parks by forty percent.(52)

Hoover put through the McNary-Watres Act of April, 1930, which deliberately used postal air-mail subsidies and regulation to bring commercial airlines under federal organization and control. Hoover's admiring biographers wrote that, as a result of this law: "The routes were consolidated into a carefully planned national system of commercial airways . . . The Nation was saved from a hodgepodge of airways similar to the tangle that had grown up in rail transportation. "(53)

Hoover also urged upon Congress what would have been the first federal regulation of electric power companies. Hoover's original proposal was to give the Federal Power Commission the power to set interstate power rates in collaboration with state power commissions. But Congress refused to go that far, and the FPC, although expanded, continued to exercise power only over water power in rivers.

In the coal industry, Hoover sympathized with the Appalachian Coal combine, which marketed three-quarters of Appalachian bituminous coal, in an attempt to raise coal prices and allocate production quotas to the various coal mines. Hoover also called for the reduction of "destructive competition" reigning in the coal industry.(54)

Hoover was more specific in helping to cartelize the oil industry. Hoover and his Secretary of the Interior Ray Lyman Wilbur stimulated such states as Texas and Oklahoma to pass oil proration laws in the name of "conservation," to curtail crude oil production and thereby raise prices, and to establish an interstate compact to collaborate in the proration program. Hoover also aided these laws by suspending all further oil leases on public lands and by pressuring oil operators near the public domain to agree to restrict oil production.

In sponsoring and encouraging proration laws particularly, Hoover was taking his stand with the large oil companies. Hoover's and Wilbur's suggestion of general Sunday shutdowns of oil production was approved by the large companies, but defeated by the opposition of the smaller producers. The smaller firms particularly urged a protective tariff on imported crude and petroleum products, which Hoover finally agreed to in 1932. The tariff served to make the domestic cartel and proration laws more generally effective. In its restriction of imports, the tariff demonstrated that the drive for proration laws had little to do with simply conserving domestic oil reserves, but was rather aimed at cutting the supply of oil available to the domestic market.

Despite these services by Hoover, the oil industry was still restive; the industry wanted more, it wanted federal legislation in outright support of restricting production and raising prices. Here, too, President Hoover was beginning to lose the leadership of the accelerating cartelization movement in American industry.(55)

In the cotton textile industry, the trade association, the Cotton Textile Institute, which had long been close to Hoover, cunningly decided to press for monopolistic curtailment of production under the guise of "humanitarianism." The device was to call for the abolition of night work for women and children; such a drive was neatly calculated to appeal both to Hoover's (and to the industry's) monopoloid convictions, as well as to his humanitarian rhetoric. CTI's campaign of 1930/31 to pressure the various mills to abolish night work for women and children was substantially aided by Hoover and his Department of Commerce, who actively "helped to whip the non-cooperators into line." Hoover publicized his firm support, and Secretary of Commerce Lamont sent personal letters to cotton textile operators, urging their adherence to the plan.(56) Intense Administration pressure continued throughout 1931 and 1932. Lamont called a special conference to which he brought several leading bankers and the endorsement of Hoover to pressure the holdouts into line.

But this cartel scheme also failed, for cotton textile prices continued to fall. As a result, compliance with the curtailment of production began to crack. The cartel failed for reasons similar to the failure of the FFB: despite the intense Administration pressure, the production cuts remained only voluntary. So long as there was no outright governmental compulsion on the textile firms to obey the production quotas, prices could not be raised. By 1932, the cotton textile industry, too, was becoming impatient with its old friend Hoover; the industry was rapidly beginning to agitate for governmental coercion to make cartelization work.(57)

This attitude of the cotton textile, petroleum, and agricultural industries spread rapidly throughout American industry during 1931 and 1932: an impatience with the pace of America's movement toward the corporate state. Under the impact of the Great Depression, American industry, along with the nation's intellectuals and labor leaders, began to clamor for the outright collectivism of a corporate state; for federal organization of trade associations into compulsory cartels for restricting production and raising prices. In short, a general clamor arose for an economy of fascism.

The most important call for the compulsory cartelization of a corporate state was sounded by Gerard Swope, the veteran corporate liberal who headed General Electric. Swope delivered his famous "Swope Plan" before the National Electrical Manufacturers Association in the fall of 1931, and it was endorsed by the United States Chamber of Commerce in December.(58) Particularly enthusiastic was Henry I. Harriman, president of the Chamber, who declared that any dissenting businessmen would be "treated like any maverick . . . They'll be roped and branded, and made to run with the herd."(59) Charles F. Abbott of the American Institute of Steel Construction hailed the Swope Plan as "a measure of public safety" to crack down on "the blustering individual who claims the right to do as he pleases."(60) The AF of L endorsed a similar program, with a slightly greater share to go to the unions in overall control; particularly enthusiastic were John L. Lewis and Sidney Hillman, later to form the New Deal-oriented CIO.(61)

Dr. Virgil Jordan, economist for the National Industrial Conference Board, summed up the state of business opinion when he concluded, approvingly, that businessmen were ready for an "economic Mussolini."(62)

In the light of Herbert Hoover's lengthy corporatist career, the business leaders naturally expected him to agree wholeheartedly with the new drive toward business collectivism.(63) Hence they were greatly surprised and chagrined to find Hoover sharply drawing back from the abyss, from pursuing the very logic toward which his entire career had been leading.

It is not unusual for revolutions to devour their fathers and pioneers. As a revolutionary process accelerates, the early leaders begin to draw back from the implicit logic of their own life work and to leap off the accelerating bandwagon that they themselves had helped to launch. So it was with Herbert Hoover. All his life he had been a dedicated corporatist; but all his life he had also liked to cloak his corporate-state coercion in cloudy voluntarist generalities. All his life he had sought and employed the mailed fist of coercion inside the velvet glove of traditional voluntarist rhetoric. But now his old friends and associates – men like his longtime aide and Chamber of Commerce leader Julius Barnes, railroad magnate Daniel Willard, and industrialist Gerard Swope – were in effect urging him to throw off the voluntarist cloak and to adopt the naked economy of fascism. This Herbert Hoover could not do; and as he saw the new trend he began to fight it, without at all abandoning any of his previous positions. Herbert Hoover was being polarized completely out of the accelerating drive toward statism; by merely advancing at a far slower pace, the former "progressive" corporatist was now becoming a timid moderate in relation to the swift rush of the ideological current. The former leader and molder of opinion was becoming passé.(64)

Hoover began to fight back, and to insist that a certain proportion of individualism, a certain degree of the old "American system," must be preserved. The Swope and similar plans, he charged, would result in a complete monopolization of industry, would establish a vast governmental bureaucracy, and would regiment society. In short, as Hoover told Henry Harriman in exasperation, the Swope-Chamber of Commerce Plan was, simply, "fascism."(65) Herbert Hoover had finally seen the abyss of fascism and was having none of it.

Franklin Roosevelt was to have no such scruples. Hoover's decision had vital political consequences: for Harriman told him bluntly at the start of the 1932 campaign that Franklin Roosevelt had accepted the Swope Plan – as he was to prove amply with the NRA and AAA. If Hoover persisted in being stubborn, Harriman warned, the business world, and especially big business, would back Roosevelt. Hoover's brusque dismissal led to big business carrying out its threat. It was Herbert Hoover's finest hour.(66) America's legion of corporate liberals, who found their Holy Grail with the advent of Franklin Roosevelt's New Deal, never forgave or forgot Herbert Hoover's hanging back from America's entry into the Promised Land. To the angry liberals, Hoover's caution looked very much like old-fashioned laissez-faire. Hence Herbert Hoover's pervasive entry into the public mind as a doughty champion of laissez-faire individualism.(67) It was an ironic ending to the career of one of the great pioneers of American state corporatism.

References

1. Hoover's earlier career confirms this appraisal of his views; there is no space here, however, to analyze his earlier ideas and activities.

2. See Joseph Dorfman, The Economic Mind in American Civilization (New York: Viking Press, 1959), Vol. IV, pp. 26-28; Herbert Hoover, Memoirs (New York: Macmillan, 1952), Vol. II, pp. 27 ff; and Murray N. Rothbard, America's Great Depression (Princeton: D. Van Nostrand, 1963), p. 170 and Part III.

3. Hoover to Professor Wesley C. Mitchell, July 29, 1921. Lucy Sprague Mitchell, Two Lives (New York: Simon and Schuster, 1953), P-364.

4. Hoover, Memoirs, Vol. II, p. 46; and Joseph H. McMullen, "The President's Unemployment Conference of 1921 and Its Results" (Master's thesis, Columbia University, 1922), p. 33.
5. On the lasting significance of government economic planning and "war collectivism" during World War I, see William E. Leuchtenburg, "The New Deal and the Analogue of War," in J.

Braeman, R. H. Bremner, and E. Walters, eds., Change and Continuity in Twentieth-Century America (New York: Harper and Row, 1967), pp. 81-143.

6. See E. Jay Howenstine, Jr., “Public Works Policy in the Twenties,” Social Research (December, 1946), pp. 479-500.

7. Playing a crucial role on this staff was Otto Tod Mallery, the nation’s leading advocate of public works as a remedy for depressions. Mallery had inspired the nation’s first such stabilization program, in Pennsylvania in 1917, and had been a leading official on public works in the Wilson Administration. He was also a leader in the American Association for Labor Legislation, an influential group of eminent citizens, businessmen, and economists devoted to government intervention in the fields of labor, employment, and welfare. The AALL, endorsing the Conference, boasted that the Conference’s proposals followed the pattern of its own recommendations, which had been formulated as far back as 1915. Apart from Mallery, the Conference employed the services of nine economists who were also officials of the AALL. The AALL singled out for particular praise Joseph H. Defrees, of the U.S. Chamber of Commerce, who appealed to business organizations to cooperate with the Conference’s program, and to accept “business responsibility” for the unemployment problem. See Dorfman, op. cit., pp. 7-8; McMullen, op. cit., p. 16; and John B. Andrews, “The President’s Unemployment Conference – Success or Failure?” American Labor Legislation Review (December, 1921), pp. 307-310.

8. Eugene Lyons, Our Unknown Ex-President (New York: Doubleday and Co., 1948), p. 230.
9 See Daniel Fusfeld, The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal (New York: Columbia University Press, 1956), pp. 102 ff.

10. Waddill Catchings was a prominent investment banker who founded the Pollak Foundation for Economic Research, with Dr. William T. Foster as director, Foster was Brewster’s technical advisor at the Governor’s Conference. Foster and Catchings had called for a $3 billion public-works program to iron out the business cycle and stabilize the price level. William T. Foster and Waddill Catchings, The Road to Plenty (Boston: Houghton Mifflin & Co., 1928), p. 187. Brewster’s presentation can be found in Ralph Owen Brewster, “Footprints on the Road to Plenty – A Three Billion Dollar Fund to Stabilize Business,” Commercial and Financial Chronicle (November 28, 1928), p. 2,527. Foster and Catchings reciprocated by praising the “Hoover Plan” a few months later. The Plan, they exulted, would iron out prices and the business cycle; “it is business guided by measurement instead of hunches. It is economics for an age of science – economics worthy of the new President.” William T. Foster and Waddill Catchings, “Mr. Hoover’s Plan: What It Is and What It Is Not – the New Attack on Poverty,” Review of Reviews (April, 1929), pp. 77-78.
11. Herbert Hoover, “A Plea for Cooperation,” The American Federationist (January, 1921). Also see the important work by Ronald Radosh, “The Development of the Corporate Ideology of American Labor Leaders, 1914-1933″‘ (Doctoral dissertation in history, University of Wisconsin, 1967), pp. 82 ff.

12 William English Walling, American Labor and American Democracy (New York: Harper & Bros., 1926), Vol. II: Labor and Government, cited in Radosh, op. cit., pp. 85 ff. Addressing the International Association of Technical Engineers, Architects and Draftsmen in May, 1921, Gompers spoke enthusiastically of the close “entente” that had developed between engineering groups and the AF of L. It was Gompers, furthermore, who persuaded Hoover to accept the presidency of the American Engineering Council.

13 Radosh, op. cit., p. 88n.

14 For a pro-union account of the affair by a leading participant, see Donald R. Richberg, Labor Union Monopoly (Chicago: Henry Regnery, 1957), pp. 3-28.

15. In his book American Individualism, Hoover had hailed the growing “cooperation” and “associational activities” of American industry and the consequent reduction of “great wastes of over-reckless competition.” Hoover, American Individualism (New York: Doubleday, 1922).

16. Samuel Gompers, “The Road to Industrial Democracy,” American Federationist (June, 1921). Also see Ronald Radosh, “The Corporate Ideology of American Labor Leaders from Gompers to Hillman,” Studies on the Left (November – December, 1966), p. 70. After Gompers’ death in 1924, his successor, William Green, continued the close AF of L collaboration with Hoover. See Radosh, The Development of Corporate Ideology, pp. 201 ff.

17. Julius H. Barnes, “Herbert Hoover’s Priceless Work in Washington,” Industrial Management (April, 1926), pp. 196-197. Also see Joseph Brandes, Herbert Hoover and Economic Diplomacy (Pittsburgh: University of Pittsburgh Press, 1962), p. 3.

18. Brandes, op. cit., p. 5.

19. Ibid., pp. 17-18, 132-139.

20. On Hoover’s repeated urging of American oil companies to join in the development of petroleum in Mesopotamia, see Gerald D. Nash, United States Oil Policy, 1890-1964 (Pittsburgh: Pittsburgh University Press, 1968), pp. 56-57.

21. Harvey Firestone was the most enthusiastic rubber user backing the Hoover program, and also in organizing Americanowned rubber plantations in Liberia. The mighty U.S. Rubber Co., on the other hand, already owned large rubber plantations in the Dutch East Indies, which were not subject to British restrictions. U.S. Rubber was therefore the rubber user least enthusiastic about the buying pool. Brandes, op. cit., pp. 84-128. On Firestone’s acquisition of Liberian land, see Frank Chalk, “The Anatomy of an Investment: Firestone’s 1927 Loan to Liberia,” Canadian Journal of African Studies (March, 1967), pp. 12-32.

22. See Jacob Viner, “Political Aspects of International Finance, Part II,” Journal of Business (July, 1928), p. 339; Hoover, Memoirs, Vol. II, p. 90. Also see Brandes, op. cit., pp. 170-191. Hoover also clashed with banks that made foreign loans to Germany, since he was worried about the loans building up competitors to American firms, especially chemical manufacturers. Ibid., pp. 192-195.

23. Nash, op. cit., pp. 81-97.

24. See Ellis W. Hawley, “Secretary Hoover and the Bituminous Coal Problem, 1921-1928,” Business History Review (Autumn, 1968), pp. 247-270. Also see Hoover, Memoirs, Vol. II, p. 70. During the coal strike in the spring of 1922, Hoover organized an emergency system of rationing and price controls. Harking back to his wartime experience, he established a network of district committees to hold down coal prices. After the typically Hooverian “voluntary” controls failed to work, Hoover called for governmental price-fixing, and by late September, Congress had passed a law appointing a Federal Fuel Distributor to enforce “fair prices.”

25. Louis Galambos, Competition and Cooperation (Baltimore: Johns Hopkins Press, 1966), pp. 78-

83, 102-103, 108, 114-115, 123, 128-129. The cotton textile industry urged Secretary Hoover to become the first president of their new Institute; as it was, the president was a man recommended by Hoover.

26. See in particular Ronald H. Coase, "The Federal Communications Commission," Journal of Law and Economics (October, 1959), pp. 30ff. Also see Hoover, Memoirs, Vol. II, pp. 139-142.

27. Hoover, Memoirs, Vol. II, pp. 66-68.

28. In the case of salmon fishing, Hoover called for federal regulations from 1922 on. In that year he induced Harding to create salmon reservations in Alaska, thus cutting salmon production and raising prices. See Donald C. Swain, Federal Conservation Policy, 1921-1933 (Berkeley: University of California Press, 1963), PP. 25 ff.

29. It was not only the farm bloc that wanted a nationally cartelized agriculture. Two of the fathers of the agitation for farm price support were George N. Peek and General Hugh S. Johnson, heads of the Moline Plow Company, one of the largest farm-equipment manufacturers. As such they were directly interested in the subsidizing of farmers. Big business in general was also enthusiastic, the farm price-support plan being warmly supported by the Business Men's Commission on Agriculture, established jointly by the U.S. Chamber of Commerce and the National Industrial Conference Board. See Dorfman, op. cit., Vol. IV, pp. 79-80.

30. Chairman of the eight-man FFB was Alexander Legge, president of International Harvester Co., one of the major farmmachinery manufacturers, and like Peek and Johnson, a protege of financier Bernard M. Baruch since the days of the economic planning of World War I. Others represented on the Board were the tobacco co-ops, the livestock co-ops, the Midwest grain interests, and the fruit growers. See Theodore Saloutos and John D. Hicks, Agricultural Discontent in the Middle West (Madison, Wis.: University of Wisconsin Press, 1951), pp. 407-412.

31. Rothbard, America's Great Depression, pp. 169-186. One of the first observers who saw that the radical break with the past came with Hoover and not with F. D.R. was Walter Lippmann, who wrote in 1935 that the "policy initiated by President Hoover in the autumn of 1929 was something utterly unprecedented in American history. The national government undertook to make the whole economic order operate prosperously. . . . The state attempted to direct by the public wisdom a recovery in the business cycle which had hitherto been left with as little interference as possible to individual exertion." Walter Lippmann, "The Permanent New Deal," reprinted in R.M. Abrams and L.W. Levine, eds., The Shaping of Twentieth-Century America (Boston: Little, Brown & Co., 1965), p. 430. Similarly, the perceptive term "Hoover New Deal" was coined by the contemporary observer and economist Benjamin M. Anderson. See "The Road Back to Full Employment," in P. Homan and F. Machlup, eds., Financing American Prosperity (New York: Twentieth Century Fund, 1945), pp. 9-70; and Anderson, Economics and the Public Welfare: Financial and Economic History of the U.S., 1914-46 (Princeton: D. Van Nostrand, 1949).

32. The American Federationist (January, 1930). On the White House Conferences, see Robert P. Lamont, "The White House Conferences," The Journal of Business (July, 1930), p. 269.

33. The American Federationist (March, 1930), p. 344.

34. Particularly active in keeping industry in line was the President's Emergency Committee for Employment; see E. P. Hayes, Activities of the President's Emergency Committee for Employment, October 17, 1930 – August 19, 1931 (Printed by the author, 1936).

35. Leo Wolman, Wages in Relation to Economic Recovery (Chicago: University of Chicago Press, 1931).

36. See Fred R. Fairchild, “Government Saves Us from Depression,” Yale Review (Summer, 1932), pp. 667 ff; and Dorfman, op. cit., Vol. V, p. 620.

37. See the unfortunately neglected study by Sol Shaviro, “Wages and Payroll in the Depression, 1929-1933″ (Master’s essay, Columbia University, 1947). Also see Rothbard, America’s Great Depression, pp. 236-239, 290-294; C. A. Phillips, T. F. McManus, and R. W. Nelson, Banking and the Business Cycle (New York: Macmillan, 1937), pp. 231-232; National Industrial Conference Board, Salary and Wage Policy in the Depression (New York: Conference Board, 1933), pp. 31-38; and Dale Yoder and George R. Davies, Depression and Recovery (New York: McGraw-Hill, 1934), p. 89.

38. The New York Times, May 20, 1932.

39. Chairman of the committee was Owen D. Young of General Electric. Included in the committee were Walter S. Gifford of AT&T, Charles E. Mitchell of National City Bank, and Walter C. Teagle of Standard Oil of New Jersey. For more on Hoover’s, threats against the banks, see Herbert Stein, “Pre-Revolutionary Fiscal Policy: The Regime of Herbert Hoover,” Journal of Law and Economics (October, 1966), p. 197n.

40. Jesse H. Jones and Edward Angly, Fifty Billion Dollars (New York: Macmillan, 1951), p. 18. Also see H. Parker Willis and John M. Chapman, The Banking Situation (New York: Columbia University Press, 1934), pp. 9 ff. Furthermore, Hoover’s Secretary and Undersecretary of the Treasury had decided, by the end of their terms, that the gold standard should be abolished. New York Herald Tribune, May 5, 1958, p. 18.

41. Kent Cooper, Kent Cooper and the Associated Press (New York: Random House, 1959), p. 157.

42. John Maurice Clark, “Public Works and Unemployment,” American Economic Review, Papers and Proceedings (May, 1930), pp. 15 ff.

43. See Irving Bernstein, The Lean Years (Boston: Houghton Mifflin, i960), p. 272; Dorfman, op. cit., Vol. V, p. jn.

44. It is instructive to note the attitude of private electrical companies toward the government-built Boulder Dam. They looked forward to purchasing cheap, subsidized governmental power, which they would then resell to their customers. The private-power companies also saw Boulder Dam as a risky, submarginal project, the costs of which they were happy to see shouldered by the taxpayers. See Harris Gaylord Warren, Herbert Hoover and the Great Depression (New York: Oxford University Press, 1959), p. 64.

45. See Swain, Federal Conservation Policy, pp. 25 ff, 161 ff.

46. See Vladimir D. Kazakevich, “Inflation and Public Works,” in H. Parker Willis and John M. Chapman, eds., The Economics of Inflation (New York: Columbia University Press, 1935), pp. 344-349.

47 Leuchtenburg, “The New Deal and the Analogue of War,” pp. 98-100. Also see Gerald D. Nash,

“Herbert Hoover and the Origins of the Reconstruction Finance Corporation,” Mississippi Valley Historical Review (December, 1959), pp. 455-468.

48. Many large loans were made by the RFC to banks that were in the ambit of RFC directors themselves, or of others high up in the Hoover Administration. Thus, shortly after General Charles Dawes resigned as President of the RFC, the bank that he headed, the Central Republic Bank and Trust Co., received a large RFC loan. See John T. Flynn, “Inside the RFC,” Harpers’ Magazine (1933), pp. 161-169.

49. See J. Franklin Ebersole, “One Year of the Reconstruction Finance Corporation,” Quarterly Journal of Economics (May, 1933), PP. 464-487.

50. Bernstein, The Lean Years, p. 467.

51. It was left for the conservative Senator Arthur H. Vandenberg (R., Mich.) to propose the final link in the chain that was to form the New Deal’s AAA: compelling farmers to cut production. Gilbert N. Fite, “Farmer Opinion and the Agricultural Adjustment Act, 1933,” Mississippi Valley Historical Review (March, 1962), p. 663.

52. Warren, Herbert Hoover and the Great Depression, p. 65. Hoover also endorsed the privately financed Timber Conservation Board, formed to encourage cooperation in the lumber industry. Ellis W. Hawley, “Herbert Hoover and the Economic Planners, 1931-32″ (Unpublished manuscript, 1968), p. 9. In a prefigurement of the New Deal’s CCC, Hoover’s Forestry Service put through a large-scale program of work relief for the unemployed in public-works construction in the national forests. Swain, Federal Conservation Policy, p. 25.

53. William Starr Myers and Walter H. Newton, The Hoover Administration (New York: Charles Scribners, 1936), p. 430.

54. Myers and Newton, The Hoover Administration, p. 50; Waldo E. Fisher and Charles M. James, Minimum Price Fixing in the Bituminous Coal Industry (Princeton: Princeton University Press, 1955), PP. 21-27.

55. See George W. Stocking, “Stabilization of the Oil Industry: Its Economic and Legal Aspects,” American Economic Review, Papers and Proceedings (May, 1933), pp. 59-70.

56. Galambos, op. cit., pp. 153-157, 165-169.

57. Ibid., pp. 176-184.

58. The text of the Swope address can be found in Monthly Labor Review, Vol. 32 (1931), pp. 834 ff. Also see David Loth, Swope of GE (New York: Simon and Schuster, 1958), pp. 202 ff.

59. Quoted in Arthur M. Schlesinger, Jr., The Crisis of the Old Order, 1919-1933 (Boston: Houghton Mifflin Co., 1957), pp. 182-183.

60. J. George Frederick, Readings in Economic Planning (New York: The Business Course, 1932), pp. 333-334-

61. See Rothbard, America’s Great Depression, pp. 245-249; Rothbard, “The Hoover Myth: Review of Albert U. Romasco, The Poverty of Abundance,” in James Weinstein and David W. Eakins, eds.,

For a New America (New York: Random House, 1970), pp. 162-179; and Hawley, “Herbert Hoover and the Economic Planners,” pp. 4 ff.

62. Schlesinger, op. cit., p. 268.

63. Hawley, op. cit., pp. 4-11.

64. Hoover had done his best to further corporatism in more moderate and gradual ways. In addition to the measures described above, Hoover sponsored the highly protectionist Smoot-Hawley Tariff in 1929/30, and he signed the Norris-LaGuardia Act of 1932, which sponsored labor unionism by outlawing contractual agreements not to join unions and greatly curtailing the use of injunctions in labor disputes.

65. Hoover also resisted corporate-collectivist pressure from within his own Administration, notably from such men as Frederick Feiker, head of the Bureau of Foreign and Domestic Commerce, and his old friend Secretary of the Interior Ray Lyman Wilbur. Hawley, op. cit., p. 2in.

66. Hoover, Memoirs, Vol. Ill, pp. 334-335. Also see Loth, op. cit., pp. 208-210; Eugene Lyons, Herbert Hoover (Garden City, N.Y.: Doubleday & Co., 1964), pp. 293-294; Myers and Newton, op. cit., pp. 245-256, 488-489.

67. For a penetrating exception to this common view, see William Appleman Williams, The Contours of American History (Cleveland: World Publishing Co., 1961), pp. 385, 415, 425-438.