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# Economic Revolution From Within: Herbert Hoover, Franklin Delano Roosevelt And The Emergence Of The National Industrial Recovery Act Of 1933

Angella Lanette Smith  
*Wayne State University,*

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**ECONOMIC REVOLUTION FROM WITHIN: HERBET HOOVER, FRANKLIN DELANO ROOSEVELT AND THE  
EMERGENCE OF THE NATIONAL INDUSTRIAL RECOVERY ACT OF 1933**

by

**ANGELLA LANETTE SMITH**

Submitted to the Graduate School

of Wayne State University,

Detroit, Michigan

in partial fulfillment of the requirements

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Approved By:

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Advisor

Date

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## CHAPTER 1: INTRODUCTION

The Great Crash of 1929 and the subsequent economic crisis were watershed events in modern American history.<sup>1</sup> The economic crisis forced American citizens to re-think the concepts of economic independence and interdependence that had long characterized their political culture.<sup>2</sup> It set in motion a series of political and economic debates in the United States. As citizens faced unemployment and failing wages, they came increasingly to believe that federal, state and local authorities should intervene in the national economy. Further, for many, the events confirmed, the idea that social inequality would be difficult to address and eradicate. If the problems that stemmed from social inequality and economic crisis were to be solved, then efforts had to be made to redistribute wealth more equitably, and regulate the market so that some measure of fair competition and uniform standard pervaded. During the presidencies of Herbert Hoover and Franklin Delano Roosevelt, these ideas were tested and expanded. Even though their administrations created new government agencies to deal with specific aspects of the continuing economic depression, debates over the adequacy and appropriateness of government intervention in the private economy dominated public life and discourse.

The subject of this dissertation is to explore the National Industrial Recovery Act of 1933, its origins, and its significance as it paved the way for dynamic economic and

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<sup>1</sup> Christina D. Romer, "The Great Crash and the Onset of the Great Depression," *The Quarterly Journal of Economics* 105, no. 3 (August 1990): 597-598, 614, 616, 618; William L. Anderson, "Risk and the National Industrial Recovery Act: An Empirical Evaluation," *Public Choice* 103, no. ½ (April 2000): 139; Hugh Jebson, "The Great Crash of 1929," *Hindsight*, January 2005, 22.

<sup>2</sup> Lionel D. Edie, "The Banks and the Stock Market Crisis of 1929," *Journal of Business of the University of Chicago* 3, no. 1 (January 1930): 21; Elliot A. Rosen, *Hoover, Roosevelt and the Brains Trust: From Depression to the New Deal* (New York: Columbia University Press, 1977), 5; Amity Shlaes, "How Presidential Administrations Cheat at Monopoly," *USA Today Magazine*, January 2011, 12. <http://www.usatodaymagazine.net>. (accessed March 14, 2015); Joseph Nolan, "Boom and Bust in the 1920s," *Vital Speeches of the Day*, December 1, 1995.

industrial change in the United States. The National Industrial Recovery Act was designed to target high unemployment rates in the private sector and improve wages through the use of industry codes.<sup>3</sup> It, also, reduced child labor, which enabled American corporations to hire more able-bodied and older Americans. Tentatively, it established collective bargaining rights that allowed some workers to negotiate for better labor conditions and benefits. These policies aided citizens participating in the labor market, where they could make more money and earn a higher standard of living. In its design, the NRA differed from the beggar-thy-neighbor policies of the early years of the depression that reduced the prices of consumer goods and commodities, due to excessive competition in industrial sectors and stagnant wages.<sup>4</sup> Even as the national economy became more consumer-oriented, the Roosevelt administration did not want to leave working and middle class citizens on the wrong side of the financial road.

President Roosevelt believed in an expanded role for the federal government, while his predecessor, Herbert Hoover relied chiefly on the private sector to take control of recovery efforts, with the limited federal government assistance.<sup>5</sup> The Roosevelt administration acted on the belief that a laissez-faire national economy had not and could

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<sup>3</sup> Meg Jacobs, *Pocketbook Politics: Economic Citizenship in Twentieth Century America* (Princeton: Princeton University Press, 2005), 107-109.

<sup>4</sup> Frederic F. Clairmont, "The Grand Malediction: Bretton Woods in Retrospect," *Economic and Political Weekly* 29, no. 42 (October 15, 1994): 2728, 2730; Ellis Hawley et al., *Herbert Hoover and the Crisis of American Capitalism* (Cambridge, Mass.: Schenkman Publishing Company, 1973), viii. Welfare capitalism that characterized American life before WWI consisted of the belief that business executives were enlightened corporate leaders who provided public services. Business leaders worked on American prosperity and benefited their workers through a host of programs designed to improve their day-to-day lives.

<sup>5</sup> Thomas E. Cronin and William R. Hochman, "Franklin D. Roosevelt and the American Presidency," *Presidential Studies Quarterly* (Spring 1985): 278; Telegrams to Governors Urging Stimulation of Public Works to Aid the Economy, The Public Papers of the Presidents of the United States, Volume 1: Herbert Hoover, November 23, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa; William F. Jasper, "The Rise of the Administrative State," *The New American*, January 21, 2013. <http://www.thenewamerican.com>. (accessed March 12, 2015).

not address the growing financial needs of ordinary Americans nor could it resolve the public's concerns. Given the scale of the economic crisis, the federal government had to step in. This dissertation seeks to clarify the role of the Roosevelt administration in pursuing that line in comparison to its predecessor, Herbert Hoover.<sup>6</sup> The National Recovery Administration was a central political agency in this process and enabled Roosevelt to approve dynamic changes to the national economy and manufacturing sector. Without the NRA, industrial codes, and other economic and industrial reforms would have been non-existent. Thus, both policymakers played important roles as president in trying to spur economic recovery. Some scholars argue that Hoover only wanted to support private sector efforts. He declined to support an expansion of public works and federal relief as solutions to economic deprivation among American families.<sup>7</sup> The majority of historians argue, however, that the belief in limited government had to change if the United States was to move forward and revitalize the national economy.<sup>8</sup>

### Scholarly and Historical Context

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<sup>6</sup> Ellis Hawley, *Herbert Hoover and the Crisis of American Capitalism*, ix. Most Republican policymakers following the Harding administration argued for public works, but only during times of economic depression. In 1928, Hoover campaigned on the premise that, during times of plenty, revenues should be set aside for periods of economic stress, which led to the promotion of public works projects that stimulated high employment levels.

<sup>7</sup> Statement Announcing a Series of Conferences with Representatives of Business, Industry, Agriculture and Labor, *The Public Papers of the Presidents of the United States, Volume 1: Herbert Hoover, November 15, 1929*, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>8</sup> Please see the following sources that are used throughout the dissertation: John Kenneth Galbraith and Liagat Ahamed are two scholars who focus on the roles of the stock market, central bankers and other economic actors to discover the causes of the Stock Market Crash of 1929. Herbert Hoover in his memoirs and pamphlets discussed how American Individualism shaped American thought about conservative fiscal and financial values that dominated American core values. William E. Leuchtenburg and Arthur M. Schlesinger, Jr., chronicled the events leading to the emergence of the Great Depression; and how the Roosevelt administration responded and resolved this economic crisis. Charles Dearing, Clair Wilcox and Frederick Roos documented the organizational structure of the NRA and the many other executive branch agencies used to address the economic emergency of the 1930s.

After World War I, the United States became a creditor nation.<sup>9</sup> American businesses and banks lent Western European countries capital to rebuild and revitalize their national economies.<sup>10</sup> Advocates of expanded foreign loans believed that they benefited the global economic system. Most state and national banks were members of the Federal Reserve System, and they did not believe that they had over-extended themselves in terms of the extent of the domestic loans or those to Great Britain and other European countries.<sup>11</sup> Overextension of credit, and the expansion of government guarantees for loans meant that the federal government was at risk of defaulting on its own debt, especially if gold reserves were minimal or limited. Problems with the gold standard, foreign debt, and the issue of monetary contraction domestically, thus, were among the central reasons for the Crash of 1929 and the Great Depression.<sup>12</sup>

Scholars such as H. Parker Willis and Liagat Ahamed have argued that the Federal Reserve was mistaken that intergovernmental loans in the 1920s would permanently enhance and promote economic growth in the United States. In the short term, economic prosperity did occur and Americans did experience dynamic change. In the long term, the loans were detrimental to the economic health of the United States especially as European nations defaulted on their public credit accounts. The Great Crash of 1929, this school of thought argued, was caused by the snowball effect of defaults on domestic and

<sup>9</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 64; Herbert Hoover, *American Individualism* (New York: Doubleday, Page & Company, 1922), 32-35.

<sup>10</sup> H. Parker Willis, "Who Caused the Panic of 1929," *The North American Review* 229, no. 2 (February 1930): 177.

<sup>11</sup> Liagat Ahamed, *Lords of Finance: The Bankers that Broke the World* (New York: Penguin Press, 2009), 292-293, 289, 309.

<sup>12</sup> Michael Bordo et al., *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century* (Chicago: The University of Chicago Press, 1998), 8-9; William E. Leuchtenburg, *FDR and the New Deal* (New York: Harper & Row, 1963), 31; David McGill, "The Great Depression and the New Deal," *Hindsight*, April 2008, 26.

international loans that crippled the American economy.<sup>13</sup> The steep decline in U.S. exports that followed foreign defaults also weakened the national economy. In contrast, Arthur Schlesinger, Jr., in *The Age of Roosevelt*, asserted that the Federal Reserve contributed to the crisis by increasingly restricting such loans. George Harrison, president of the New York Branch of the Federal Reserve System after 1928, pressured the Federal Reserve Board of Washington, D.C., to tighten the money supply. He warned American banks to discontinue the practice of establishing cheap money policy and easy credit that had underwritten widespread speculation in the Stock Market by the late 1920s.<sup>14</sup>

As economic distress increased in the late 1920s, the Hoover administration argued for intergovernmental reforms for the purposes of promoting free trade and other agreements, such as establishing the economic moratorium that provided some financial relief to post-war Germany. Hoover believed in global growth and argued that the developing economic crisis was an international issue as well as domestic. He also believed that trade policy might be used to stimulate growth.<sup>15</sup> Moreover, Hoover contended that the economic crisis had not originated in the United States; but he looked abroad for the financial roots of the crisis.<sup>16</sup> Neither the Great Crash of 1929 nor the Banking crisis of the 1930s, which sparked the emergence of the Great Depression, changed Hoover's mind.

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<sup>13</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941* (New York: Macmillan Company, 1952), 8; Maury Klein, "The Stock Market Crash of 1929: A Review Article," *The Business History Review* 75, no. 2 (Summer 2001): 326-327; "The Age of Monty and Ben," *The Economist*, December 22, 1990; "Blind Spots: Central Bankers in History," *The Economist*, January 10, 2009.

<sup>14</sup> Arthur M. Schlesinger Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal*, 156-157; Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States: 1867-1960* (Princeton: Princeton University Press, 1963), 255-256, 267-268; Janine Richardson, "Letting in the Light," 13, *Cobblestone*, March 2008.

<sup>15</sup> The President's News Conference, *The Public Papers of the Presidents of the United States, Volume 1: Herbert Hoover*, November 5, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>16</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941* (New York: Macmillan Company, 1952), 1-2.



In response to the deepening economic crisis, Hoover turned to private charitable organizations to aid destitute American workers, and pushed for a balanced federal budget. He sought to sustain the gold standard to stabilize prices for consumer goods and exchange rates.<sup>17</sup> His policies were, in some respects, contradictory. He opposed expanding the federal government as an economic foundation of individual welfare. He, also, believed in decreased spending, an enlarged tax base, and self-help for all Americans. He emphasized globalization, despite the domestic crisis, and asserted that the United States could not remain isolated from the rest of the world.<sup>18</sup> In doing so, he distinguished federal intervention in the global economy and corporate support from individual welfare. But one question that remains unresolved was whether Hoover or Roosevelt attempted to use Woodrow Wilson's perspective on the rising phenomenon of globalization to target reforms to the national economy following the Great Crash of 1929?

The issues of globalization and expanding the money supply were among the main arguments behind the Reconstruction Finance Corporation credited under Hoover during the banking crisis of the early 1930s.<sup>19</sup> With the RFC, Hoover argued that American businesses could obtain loans to improve upon the production of manufactured goods,

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<sup>17</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941* (New York: Macmillan Company, 1952), vi, 1-2, 7-8; Winifred Wandersee, *Women's Work and Family Values, 1920-1940* (Cambridge: Harvard University Press, 1981), 32. Wandersee argues that after the Great Crash of 1929, the cost of living in the United States decreased and consumer goods became less expensive.

<sup>18</sup> Dexter Perkins, "Woodrow Wilson: An Interpretation," *Transactions of the Royal Historical Society, Fourth Series* 29 (1947): 128-129.

<sup>19</sup> J. Franklin Ebersole, "One Year of the Reconstruction Finance Corporation," *Quarterly Journal of Economics* 47, no. 3 (May 1933): 474; Joseph Lash, *Dealers and Dreamers: A Look at the New Deal* (New York: Doubleday, 1988), 72-98; Jordan Schwarz, *The Interregnum of Despair: Hoover, Congress and the Depression* (Urbana: University of Illinois Press, 1970), 51, 91-93; James L. Butkiewicz, "The Reconstruction Finance Corporation, the Gold Standard and the Banking Panic of 1933," *Southern Economic Journal* 66, no. 2 (October 1999): 275; Gerald D. Nash, "Herbert Hoover and the Origins of the Reconstruction Finance Corporation," *The Mississippi Valley Historical Review* 46, no. 3 (December 1959): 462; Beryl Wayne Sprinkel, "Economic Consequences of the Operations of the Reconstruction Finance Corporation," *Journal of the University of Chicago* 25, no. 4 (October 1952): 211, 213.

invest wisely in the domestic economy, and compete internationally with their foreign counterparts. By 1932, many political figures believed that Hoover's public policies, especially the RFC, were efforts to increase government spending while avoiding expenditures to provide public relief. As historian Gerald D. Nash has argued, during the negotiation process for the Reconstruction Finance Corporation, Hoover continued to assert that voluntary efforts in the private sector were sufficient to spur economic growth and deal with unemployment. He hoped the RFC would, indirectly, add new jobs in the American labor market. While Hoover supported limited government intervention to stimulate investment, he was not a proponent of public sector growth and relief, with the exception of limited expenditures for public works.<sup>20</sup>

For the economic observer, the problem in trying to expand available credit in the early 1930s was compounded by the fact that the Hoover administration supported a renewed metallic standard in the United States and globally.<sup>21</sup> This economic stance was problematic, because gold and silver coinage promoted deflation and further depressed prices. Further, the Hoover administration's monetary policy in the late 1920s led directly to a contraction of credit in the private sector, as corporate banks and corporations reduced the money supply.<sup>22</sup> Despite arguments to the contrary, Hoover stubbornly

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<sup>20</sup> Gerald D Nash, "Herbert Hoover and the Origins of the Reconstruction Finance Corporation," *The Mississippi Valley Historical Review* 46, no. 3 (December 1959): 455.

<sup>21</sup> William Leuchtenburg, *FDR and the New Deal* (New York: Harper & Row, 1963), 31; Elliot A. Rosen, *Roosevelt, The Great Depression and the Economies of Recovery* (Charlottesville: University of Virginia Press, 2005); 15.

<sup>22</sup> Michael D. Bordo et al., *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century* (Chicago: The University of Chicago Press, 1991), 8-9.

reaffirmed his belief in the value of gold to global exchange rates and the importance of stable prices for consumer goods.<sup>23</sup>

The economic crisis had, however, altered the context for monetary policy. Hoover's efforts to balance the federal budget and the emphasis placed upon financial and material assistance from private charities failed to address the needs of ordinary American citizens who suffered from a crippled national economy.<sup>24</sup> During his presidency, Hoover wondered about the gold standard as a mechanism for depressed exchange rates. He did not want to leave a metallic standard but he retracted the money stock, because he was concerned with gold flight.<sup>25</sup> Hoover's policies may have contributed to the emergence of the Great Depression as a global event, because many nations were affected by his restrictive American monetary policy. Moreover, all nations, especially Western countries, maintained interconnected monetary policies that tied nations together for the sake of economic survival and prosperity.

By the end of Hoover's presidency, many economists, political leaders, and ordinary citizens believed that the economic crisis required the intervention of the federal government and a new monetary standard.<sup>26</sup> Policymakers and ordinary American citizens both sought the means to address unemployment and to ameliorate the poverty and displacement that resulted. Consequently, the Roosevelt administration made moves to use public sector goods to bolster the private economy. The Roosevelt administration became involved in regulating the manufacturing sector through policies that would,

<sup>23</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 233; "Herbert Hoover's Tragic Presidency," <http://www.austincc.edu/lpatrick/his2341/tragic/html>. (accessed February 17, 2013).

<sup>24</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal*, 233-235.

<sup>25</sup> Robert A. Garson and Stuart A. Kidd, ed., *The Roosevelt Years: New Perspectives on American History, 1933-1945* (Edinburgh: Edinburgh University Press, 1999), 141.

<sup>26</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal*, 82-83.

through planning, reduce cut-throat competition, increase purchasing power, and improve upon the working conditions of Americans.<sup>27</sup>

With Roosevelt's election success, in 1932, the political climate shifted again. Vowing broad experimentation in policy, the Roosevelt administration pushed through a full slate of sweeping legislation, including the National Industrial Recovery Act.<sup>28</sup> Through a newly created National Recovery Administration, the government sought to increase economic growth through improved wages in the private and public sectors. In theory, the agency should have increased the purchasing power of American citizens and bolstered employment levels in the United States. With more money in the hands of ordinary citizens, they could participate in the market place and acquire goods that sustained or improved upon their standard of living. Furthermore, the cutthroat competition that had driven overproduction and simultaneously lowered prices would be addressed through cooperation in industry. Government, industry, and--to a limited extent--labor negotiated codes and thus participated in recovery.<sup>29</sup>

The economic well-being of American workers became one of the focal points of government policy under the newly-elected president Franklin D. Roosevelt. In his book, *The Great Depression*, Robert McElvaine argues that economic individualism had influenced

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<sup>27</sup> Franklin Roosevelt's Statement on the National Industrial Recovery Act (June 16, 1933), Franklin Delano Roosevelt Library & Museum website, <http://www.docs.fdrlibrary.marist.edu/odnirast.html>, author: Staff of the Roosevelt Library, version date 2015, (accessed January 23, 2015); The Social Welfare History Project, "The National Industrial Recovery Act of 1933 Signed into Law on June 16, 1933," <http://www.socialwelfarehistory.com/eras/national-industrial-recovery-act-of-1933/> (accessed January 23, 2015).

<sup>28</sup> Sidney M. Milkis and Jerome M. Mileu, *The New Deal and the Triumph of Liberalism* (Amherst: University of Massachusetts Press, 2002), 41.

<sup>29</sup> "Teaching with Documents: FDR's Fireside Chat on the Purposes and Foundations of the Recovery Program," National Archives and Records Administration website at College Park, Maryland, <http://archives.gov/education/lessons/fdr-fireside/> (accessed January 23, 2015); Lowell B. Mason, "Darrow vs. Johnson," *The North American Review* 238, no. 6 (December 1934): 524, 526-527; Donald Richberg, "Progress under the National Industrial Recovery Act," *Proceedings of the Academy of Political Science* 15, no. 4 (January 1934): 395.

Depression-era politics, but Roosevelt represented a break from that tradition.<sup>30</sup> Franklin Delano Roosevelt was not an overt deficit-spending advocate. Indeed, he did not embrace Keynesian economic theory, but he believed that financial and material relief programs were important factors in preventing the destitution of the American workers.<sup>31</sup> As historians have long claimed, Roosevelt received pragmatic approval in addressing these problems.

After the presidential election in November of 1932, Roosevelt sought to address the crisis in different ways from the prior administration and thus changed the American political landscape. During his first one hundred days, FDR used his political mandate to pass a series of economic reforms and stimulus programs, such as the National Industrial Recovery Act, the Agricultural Adjustment Act, and the Emergency Banking Act. The National Industrial Recovery Act was the culmination of Roosevelt's efforts to stem the economic crisis and put Americans back to work. Further, Roosevelt, as a product of the progressive drive to reform the national economy and promote better social conditions for all Americans, saw his national economic policies as a means of addressing not just the economic crisis, but also lasting inequality. Viewed by some conservatives as "traitor to his

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<sup>30</sup> Robert S. McElvaine, *The Great Depression: America, 1929-1941* (New York: Three Rivers Press, 1993), 58-59; "The United States Turns Inward: the 1920s and 1930s," Scholastic, <http://www.scholastic.com/browse/subarticle.jsp?id=1674>. (accessed April 5, 2013); Ellis Hawley et al., *Herbert Hoover and the Crisis of American Capitalism*, 5. In the United States, there were two economic visions that pervaded until the Great Depression. A laissez-faire system with independent businessmen was on one hand, while Christian Capitalism and its emphasis on morality and ethical tenets existed with compassionate men leading the charge against social and economic decay. Hoover believed in both Americas, and sought to use both premises to design social and economic reforms.

<sup>31</sup> Special Report, "Text of Roosevelt's Message to Congress, *Chicago Daily Tribune*, January 5, 1935. In this State of the Union speech, Roosevelt confirmed that American workers should have some rudimentary socioeconomic rights such as housing, and a higher standard of living, and that Congress should enact laws that enabled these economic and social dreams occur. Moreover, the federal government, during times of need, should provide Americans with relief even if this was not initially budgeted by the various branches of government.

class,” Roosevelt believed in the “common man” and sought to provide ordinary Americans with relief and emergency financial support.<sup>32</sup>

The National Industrial Recovery Act of June 16, 1933, was an important effort that paved the way for dynamic change and attempted to resolve the national emergency in the United States. It sought first to address those competitive practices that contributed to the emergence of economic deprivation and collapse.<sup>33</sup> The law restructured the national economy and its industrial sectors to create a new environment characterized by high employment in the labor market that ideally benefited American workers and consumers. The New Deal also changed the ways in which the public sector viewed those who worked, and it provided working and middle class Americans with opportunities to petition their employers for better working conditions and benefits. Roosevelt had a sense of action to address the people’s concerns and Americans had more confidence in his administration to mitigate the crippling effects of the Depression.<sup>34</sup>

Under the leadership of the Roosevelt administration, Congress passed the National Industrial Recovery Act and modeled the new NRA on the War Industries Board (WIB) that had been established after the United States entered the First World War in 1917. The WIB had been the first attempt of elected officials to link a centralized planning approach to economic policy in the United States’ government.<sup>35</sup> The WIB was responsible for the

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<sup>32</sup> Frances Perkins, *The Roosevelt I Knew* (New York: The Viking Press, 1946), 71, 154, 166; Philip A. Grant Jr., “The Presidential Election of 1932 in Michigan,” *Michigan Historical Review* 12, no. 1 (Spring 1986), 89; Sidney M. Milkis and Jerome M. Mileu, *The New Deal and the Triumph of Liberalism* (Amherst: University of Massachusetts Press, 2002), 27.

<sup>33</sup> Special, “Text of Richberg’s Business Report to Roosevelt,” *Wall Street Journal*, August 28, 1934; “National Industrial Recovery Act of 1933,” The Social Welfare Project, <http://www.socialwelfare.com/eras/national-industrial-recovery-act-of-1933/>. (accessed April 1, 2013).

<sup>34</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II*, 1-3.

<sup>35</sup> Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II*, 37, 65; Irving Bernstein, *The Turbulent Years: A History of the American Worker, 1933-1941* (Chicago: Haymarket Books, 2010), 19.

logistics of consumer goods and commodities to American soldiers fighting in Europe. American policymakers strove to ensure that American soldiers were well cared for and had the necessary tools and equipment to fight the Central powers in Europe.<sup>36</sup> Lastly, the WIB was concerned with the pricing of commodities and other materials used by military forces so that stock levels were maintained and managed efficiently. The NRA used many of these innovations in seeking to address the imbalances within the market and the economy.

More importantly, the NIRA was the first federal law enacted that promoted centralized planning of the national economy during peacetime. Historian William Leuchtenburg has argued that the NIRA was an important law that enabled American policymakers in the Roosevelt administration to win the war against the Great Depression.<sup>37</sup> This critical period in American history was described using war mobilizations metaphor. The Great Depression was what Roosevelt described as the analogue of war, and it had to be eradicated through the creation of federal agencies including the National Recovery Administration. This metaphor enabled Americans to rally behind New Deal programs, establish a common sense approach to ending the crisis, promote the national interest, and end all opposition to new policies. It enabled a new crop

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<sup>36</sup> Leo Wolman, "The Statistical Work of the War Industries Board," *Publications of the American Statistical Association* 16, no. 125 (March 1919): 249, 252-253. The WIB also maintained statistics on commodities and supplies to determine domestic consumption levels; Robert D. Cuff, "A Dollar-a-Year Man in Government: George N. Peek and the War Industries Board," *Business History Review* 41, no. 4 (Winter 1967): 407. This article illustrates that George Peek was concerned with the proper allocation of materials to American soldiers during the First World War. Logistics is an important part of any military exercise, and this issue was one of his top concerns and served as the major goal of the WIB.

<sup>37</sup> William Leuchtenburg, *The FDR Years: On Roosevelt and His Legacy* (New York: Columbia University Press, 2001), 36-38, 66. One must also mention that American corporate executives and policymakers wanted to re-establish the WIB to serve as an apparatus to combat the Great Depression. The WIB and the 1917-1918 wartime mobilization were viewed as examples of cooperation and successful coordination to defeat the Central powers, and now these same types of institutions were to defeat poverty and destitution during the interwar period in the United States.

of American scholars in public sector agencies to mobilize and fight against unemployment and poverty during the Depression years.<sup>38</sup>

The National Industrial Recovery Act's principal strategy in confronting the crisis was to centralize industrial planning to address the negative effects of competition on the economy and to help stabilize the boom-and-bust cycle that had led to the crisis. The NRA's fair codes of competition further enabled policymakers and corporate executives to work together to regulate the various industries in the United States to stave off overproduction, the corrosive effect of competitive price wars, and the long-term effects of corporate monopoly on prices, wages, and working conditions.<sup>39</sup> In addition, while highly contested, NIRA's section 7(a) established the right to collective bargaining, and thus trade unionism in the United States.<sup>40</sup> The role of the federal government, with the passage of the NIRA expanded dramatically; and working Americans benefited from some of the industrial rights under the National Labor Board and the NRA. Section 7(a) was essential to the NIRA, because it was the first attempt by policymakers to manage and regulate workplace conditions and expand employee rights and benefits in effect, to create "industrial democracy."

<sup>38</sup> William Leuchtenburg, *The FDR Years*, 35, 39.

<sup>39</sup> Jim Powell, "How FDR Prolonged the Great Depression," CATO Policy Report, <http://www.cato.org/pubs/policy-report/v25n4/powell.pdf>. (accessed April 1, 2013).

<sup>40</sup> Charles L. Dearing et al., *The ABC of the NRA* (Washington D.C.: The Brookings Institution, 1934). 121-122; Lewis L. Lorwin and Arthur Wubnig, *Labor Relations Boards: The Regulation of Collective Bargaining under the National Industrial Recovery Act* (Washington D.C.: The Brookings Institution, 1935), 45-46; Arthur B. Adams, *Our Economic Revolution: Solving Our Depression Problems Through Public Control of Industry* (Norman: University of Oklahoma Press, 1934), 121-123; William H. Spencer, *Collective Bargaining under Section 7(a) of the National Industrial Recovery Act* (Chicago: The University of Chicago Press, 1935), 1-6; John Kenneth Galbraith, ed., *Recollections of the New Deal: When the People Mattered* (Boston: Northeastern University Press, 1992), xiii.



In 1932, Congress had passed an act limiting labor injunction, entitled the Norris-LaGuardia Act, that opened the door for broader labor union action.<sup>41</sup> Senator George William Norris of Nebraska and New York Representative Fiorello H. LaGuardia introduced this important bill, which had an enormous impact on worker relations in the private sector. This law enabled workers to strike without interruption for better working conditions, wages and benefits. It prohibited corporate executives from relying on labor injunctions to get their employees back to work in cases of labor disapproval.<sup>42</sup> The law had a significant influence on future legislation, such as the National Industrial Recovery Act of 1933 and the National Labor (Wagner) Relations Act of 1935. Moreover, the new NIRA law differed from earlier federal policy, and especially from the Hoover administration's reform strategies, which had stressed corporate subsidies and private relief.<sup>43</sup> Section 7(a) had a regenerative effect on the labor movement, because it enabled American workers to collectively bargain to rectify worker grievances, factory conditions, and dissatisfaction with the labor market.

### Literature Review

This dissertation differs from the works of prominent global historians that may have focused entirely on foreign policy, such as Martin Kitchen, and Charles Poor Kindleberger; labor and the history of American consumers, such as Lizabeth Cohen; the

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<sup>41</sup> Industrial Workers of the World, "The Basic Labor Laws (United States of America)," <http://www.iww.org/organize/laborlaw/lynd/lynd3.shtml>. (accessed June 21, 2013); Stanley Vittoz, *New Deal Labor Policy and the American Industrial Economy* (Chapel Hill: The University of North Carolina Press, 1987), 75-77.

<sup>42</sup> Society for Human Resources Management, Norris-LaGuardia Act of 193," <http://www.shrm.org>. (accessed June 21, 2013); National Archives and Records Administration, *The First Sixty Years: The Story of the National Labor Relations Board* (Washington D.C.: American Bar Association, 1995), Chapter One, <http://www.lib.wayne.edu>, (accessed August 31, 2014).

<sup>43</sup> Albert U. Romasco, *The Poverty of Abundance: Hoover, the Nation, the Depression* (New York: Oxford University Press, 1965), 14, 17.

Great Crash of 1929, such as John Kenneth Galbraith; the Great Depression and the interwar period, such as George McJimsey, and David M. Kennedy; the political and economic agendas of the New Deal, such as Alan Brinkley, Eric Rauchway, Ellis Hawley, William E. Leuchtenburg, and Franklin Delano Roosevelt's presidency, such as Arthur M. Schlesinger, Jr and Bernard Asbell. It seeks to examine the business history of American corporations in the automobile and petroleum sectors, and how these businesses were affected by the presidency of Herbert Hoover and Franklin Delano Roosevelt as both policymakers sought to rectify the private sector decline. This historical account enumerates how geopolitics affected the United States as American corporations, for the first time, were regulated by an expanded federal government. It illustrates how the federal government became proactive in its economic responses to mitigate the effects of the Great Depression. It attempts to perform a comparative analysis between the Hoover and Roosevelt presidencies following the Great Crash of 1929 until 1935, and the effects that the federal government's policies had on American workers as the NIRA and AAA took hold in the United States.

Historical scholarship on the New Deal literature has focused mainly on the Second New Deal period that occurred from 1936 to 1945. It was during Roosevelt's second administration that many laws such as the Wagner Act, or National Labor Relations Act of 1935 that validated trade unionism and the Social Security Act that created social insurance were passed. The First New Deal agenda, in which laws, such as the Agricultural Adjustment Act and the National Industrial Recovery Act were passed, was in many ways

equally important.<sup>44</sup> As some historians have argued, it set the template and limitations for federal policy. In this narrative, I will discuss the major components of the National Recovery Administration and how the various branches of this agency functioned by analyzing primary and secondary source materials.<sup>45</sup> The National Archives contain significant amounts of literature on the Consumer Advisory and Industrial Advisory boards that served as important administrative organs within the NRA. These documents enabled me to scrutinize in more detail the duties and responsibilities of both sub-agencies. Moreover, the National Archives contains the Donald Richberg Papers. The Donald Richberg Papers were an essential part of this dissertation, because they enumerate and provide a first-hand account of his actions as general counsel for the NRA. As readers may recall, Richberg was an influential and successful labor attorney, who played a prominent role in the NRA as general counsel.<sup>46</sup> He worked closely with General Hugh Samuel Johnson, who served as the chief administrator for the NRA.

In order to paint a more vivid picture of the NRA and how its policies affected the average American worker, this dissertation uses primary source materials from the Reuther Research Archives at Wayne State University in Detroit, Michigan.<sup>47</sup> The Reuther Archives contain New Deal labor newspaper articles, letters, and written essays that activists published in labor magazines and scholarly journals. It also contains the private

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<sup>44</sup> Teaching Eleanor Roosevelt Glossary, "Franklin Delano Roosevelt (1882-1945)," <http://www.gwu.edu> (accessed November 2, 2012).

<sup>45</sup> Donald Richberg Papers, November 1934 to June 1935; Papers of the Consumer Advisory Board, 1934-1935, and the Industrial Advisory Board, Records of the National Industry Recovery Board, October 1934; Department of Justice files, October 1934; National Archives, College Park, Maryland.

<sup>46</sup> "Donald Randall Richberg," University of Minnesota Law Library, The Clarence Darrow Digital Collection, <http://www.darrow.law.umn.edu/photo.php?pid=1330>, (accessed January 23, 2015); "House Extends Skeleton of NRA," *Chicago Daily Tribune*, January 8, 1935.

<sup>47</sup> The Mary Van Kleeck, the Mary Heaton Vorse, Harry O'Connor and Robert Dunn Papers, the Reuther Research Archives, Wayne State University, Detroit, Michigan.

papers of New Deal scholars and trade unionists Mary Van Kleeck, Mary Heaton Vorse, Harry O'Connor and Robert Dun, including their manuscripts and documents with descriptive citations and notes on them. These New Deal scholars' papers compose a critical portion of the dissertation. The New Dealers provide enormous detail into the relationship that they had with the federal government, corporations in the private sector and their colleagues throughout organized labor. Their works allowed me to paint a vivid picture of the Great Depression and how the New Deal paved the way for dynamic changes in the private sector through the enactment of federal regulations that promoted private sector growth. Contemporaries during the New Deal, such as Charles Roos, Alfred Bernheim and Dorothy Van Doren, Charles L. Dearing and others, and Lois MacDonald, Gladys L. Palmer and Theresa Wolfson; provided readers with detailed information about the agencies of the NRA, how they were organized and the responsibilities of the different internal boards.<sup>48</sup> This dissertation relies upon these works as well. Subsequent analyses have expanded on these early works on the NRA and enumerate some of its deficiencies.

In newspaper coverage from the *New York Times* and the *Chicago Daily Tribune* in 1933 and 1934, General Hugh Samuel Johnson and other officials discuss the roles and responsibilities of the NRA. Some of Johnson's speeches in which he addresses his critics, were reported in newspapers as well. The NRA was viewed by many, especially American corporate leaders, as a controversial agency. These primary sources illustrate in detail how

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<sup>48</sup> Charles Roos, *NRA Economic Planning* (Bloomington: The Principia Press, Inc., 1937), 60-61; Alfred Bernheim and Dorothy Van Doren, *Labor and Government: An Investigation of the Role of Government in Labor Relations* (New York: McGraw-Hill book Company, 1935), 1; Charles Dearing, *The ABC of the NRA* (Washington, D.C.: The Brookings Institution, 1934), 41, 44-45, 52, 80-81, 89-90, 116-118, 122 and Lois MacDonald, Gladys L. Palmer and Theresa Wolfson, *Labor and the NRA* (New York: Affiliated Schools for Workers, Inc., 1934), 1.

the NRA officials attempted to weather the political storms that came their way during the process of the carrying out many of their duties.

Beyond the NRA, this dissertation examines the roles of Herbert Hoover and Franklin Delano Roosevelt in bringing about economic and industrial changes during the Great Depression. Hoover wrote three sets of memoirs that address the Great Crash of 1929, how the Great Depression started, and who should be held responsible. In them, he described his opposition to the New Deal and the Roosevelt administration's efforts to resolve the economic crisis. Hoover's public papers contain letters, media statements and speeches from his presidency in which he discussed in great detail his economic and political policies.<sup>49</sup> Hoover wrote two books, in which he discussed his beliefs in American principles and how they differentiated the United States from the rest of the world.<sup>50</sup> For Hoover, these Republican ideals fell by the wayside during the New Deal, because his successor, Roosevelt, espoused central planning of the national economy and social programs, not the self-help that Hoover envisioned and emphasized. Although this dissertation touches upon Hoover's role as a food administrator during the First World War, much effort is placed upon defining his responsibilities as Commerce Secretary and President. His memoirs and public statements enabled me to document his political mindset as a public official and the negative effects that the Great Crash had on his administration.

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<sup>49</sup> Herbert Hoover Papers, The Public Papers of the Presidents of the United States, Herbert Hoover Presidential Library website, West Branch, Iowa; Herbert Hoover, *The Memoirs of Herbert Hoover: The Cabinet and the Presidency, 1920-1933* (New York: Macmillan Company, 1952), v-vii. In the preface, Hoover describes the Great Depression as destructive and disastrous years for his administration. In this introduction, he enumerates the goals of volume two of his memoirs and discusses some of his policy initiatives. He describes in detail the presidential election of 1932 between himself and Roosevelt; Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, (New York: Macmillan Company, 1952), 22, 42, 152-153, 242.

<sup>50</sup> Herbert Hoover, *American Individualism* (New York: Doubleday, Page & Company, 1922), 19, 24, 32, 48 and *New Day: Campaign Speeches of Herbert Hoover* (California: Stanford University Press, 1928), 31-32, 41.

The New Deal era generated a voluminous public record. Roosevelt's public papers are much more extensive than Hoover's, because FDR served four terms as president of the United States. The archives contain his letters to American and foreign policymakers and corporate leaders, his speeches to the American people, such as his 1932 campaign addresses and some of his Fireside chats, his press releases and public media statements in which he addressed his presidential press corps as well as correspondence with constituent voters.<sup>51</sup> Roosevelt's children along with historian Bernard Asbell published his memoirs and these serve as an indirect method of explaining Roosevelt's political mindset as he created the New Deal and the NIRA.<sup>52</sup> This dissertation will not describe Roosevelt's private life, such as what Bernard Asbell accomplished in his Roosevelt biography, but will discuss his roles as governor of New York State and president of the United States during a period of profound economic collapse. It differs from other works because it examines the Roosevelt administration's expanded role in the private sector as the Executive Branch enacted the NIRA and the AAA. In addition, it elucidates the duties of Roosevelt and his efforts along with Frances Perkins, Donald Richberg, Harold Ickes and General Hugh Samuel Johnson to redefine the federal government's private sector responsibilities. Each policymaker was obligated to work with corporations in the automobile and petroleum sectors to promote industrial growth during a period of economic collapse.

Frances Perkins' *The Roosevelt I Knew* examines the roles that she, as labor secretary, played during the negotiations for the NIRA and the professional relationships

<sup>51</sup> Collection of the Franklin Delano Roosevelt Library website, Presidential papers, Franklin Delano Roosevelt Library, Personal file 1933-1945; Samuel I. Rosenman, *The Public Papers and Addresses of Franklin Delano Roosevelt, Volumes One to Four* (New York: Random House, 1938), 12, 64, 76, 659.

<sup>52</sup> Bernard Asbell, *The F.D.R. Memoirs* (Garden City, New York: Doubleday, 1973), 63-67.

that she maintained with Franklin Delano Roosevelt, General Hugh Samuel Johnson, Harold Ickes, and Donald Richberg.<sup>53</sup> These memoirs reveal the process by which the New Deal was created, and stand as evidence of Roosevelt's unique approach to policymaking. Frances Perkins was instrumental to the creation of the NIRA, but this dissertation somewhat departs from her analytical work, because it examines the substantial team effort that it took to enact this important bill. Her role is muted slightly in this dissertation in an effort to describe the organizational structure of the NRA and its role as a federal regulator for the national economy.

Third, this dissertation discusses how the automobile and petroleum industries in particular were affected by the NIRA. Historian Sidney Fine, along with Clarence J. Huddleston whose papers contain interviews about the Banking Crisis in Detroit in the 1930s, enumerated the roles of Henry Ford during this period.<sup>54</sup> Sidney Fine's papers contain newspaper articles and accounts of the Edgewater strike in New Jersey during the 1930s, in which Ford workers agitated for the legitimation of trade unionism. Both Sidney Fine and Clarence J. Huddleston describe Ford Motor Company during the Great Depression and this dissertation differs from their works in that it enumerates the interdependent roles of both Ford Motor Company and General Motors Corporation during the negotiation process for the automobile code. Sidney Fine focused on Ford Motor Company and its relationship to the NRA but this dissertation seeks to go a little farther to provide more information about the industrial codes that affected the automobile industry from 1933 to 1935. Additionally, it touches upon how the automobile industry was

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<sup>53</sup> Frances Perkins, *The Roosevelt I Knew* (New York: The Viking Press, 1946), 41-53, 201-202.

<sup>54</sup> The Sidney Fine and Clarence J. Huddleston Papers, The Bentley Collection, The University of Michigan, Ann Arbor, Michigan.

interwoven with the petroleum sector as oil commodities along with the manufactured products from the automobile industry became essential consumer goods for the American people and global citizens.

The Benson Ford Research Collection at the Henry Ford Museum contains account books and ledgers used by management at Ford Motor Company. They reveal how management functioned under the NIRA.<sup>55</sup> The Ford Archives have anonymous letters to Thomas Edison, in which an unknown author advocated against the passage of the NIRA; and discussed the supposed damage that it would cause the automobile sector if enacted. The Ford Archives have the petroleum and automobile codes in their entirety. Historians Lonnie Bell, Douglas Brinkley, David L. Lewis, Sidney Fine, and John B. Rae provide readers with snapshots into the origins and history of Ford Motor Company and how this company fared during the New Deal.<sup>56</sup> These books also analyze the effects that the NIRA had on its corporate operations and provide detailed analysis.

David Farber's *Sloan Rules* illustrates the responsibilities of Alfred P. Sloan, Jr., who served as the president of General Motors until 1956, and his efforts to work with the NIRA.<sup>57</sup> However, the history of General Motors is difficult to dissect during the 1930s,

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<sup>55</sup> Collection of NRA Literature, Bills, Codes; Collection of NRA Miscellaneous Documents; Edsel B. Ford Office Papers, and Beth Tompkins Bates, *The Making of Black Detroit in the Age of Henry Ford* (Chapel Hill: University of North Carolina, 2012), 120, The Benson Research Center, The Henry Ford Archives, the Henry Ford Museum, Dearborn, Michigan.

<sup>56</sup> Lonnie Bell, *The Story of Ford* (North Mankato: Smart Apple Media, 2004), 9, 19, 161; Douglas Brinkley, *The Wheels of World* (New York: Viking-Penguin, 2003), 92, 94-95, 110-111, 142-143, 155-156, 161, 352-353, 381, 390; David L. Lewis, *The Public Image of Henry Ford: An American Folk Hero and his Company* (Detroit: Wayne State University Press, 1976), 41, 43; Sidney Fine, *The Automobile under the Blue Eagle: Labor Management and the Automobile Code* (Ann Arbor: The University of Michigan Press, 1963), 76, 78-81; John B. Rae, *Henry Ford* (Englewood Cliff: Prentice-Hall Inc., 1969); John B. Rae, *The American Automobile Industry* (Boston: G.K. Hall & Company, 1984), 59, 60-61, 92-93, 87-99, 124-125, Clarence Huddleston Papers, Bentley Historical Library, University of Michigan, Ann Arbor.

<sup>57</sup> David Farber, *Sloan Rules: Alfred P. Sloan and the Triumph of General Motors* (Chicago: University of Chicago Press, 2002), 11, 171-172, 178.



because the GM Heritage Center Collection has few of the firm's files from the New Deal period to the present. Sloan's private documents have been destroyed, and there are only limited primary sources at the GM archives, such as sales account books and ledgers from the 1930s. Sloan's manuscript from his *My Years with General Motors* is on file at the GM archives.<sup>58</sup> This book provides readers with first-hand information about the interworkings of General Motors Corporation under his helm. Moreover, there are many *New York Times* articles from the summer of 1933 that illustrated the roles of Sloan who served in the NRA's Industrial Advisory Board. Sloan's critical position in the NRA allowed him to shape the board and the agency itself. This dissertation attempts to illustrate vividly General Motors Corporation during the Great Depression and fills in the gaps in this company's historiography throughout this critical period in the United States.

In addition, Ed Cray's *Chrome Colossus* discusses some corporate aspects of GM, but it relies solely on newspaper articles from the period and limited private correspondence.<sup>59</sup> Farber's *Sloan Rules* examines more primary source materials, such as letters between Sloan and Roosevelt and other New Deal policymakers, and has a host of secondary source material. Kettering University, which had been named previously General Motors Institution in Flint, Michigan, has some New Deal primary source materials, such as letters, corporate documents and account books; but their records are limited, because of the paucity of surviving GM documentation.<sup>60</sup> Douglas Reynolds and Ernest Dale chart the

<sup>58</sup> Alfred P. Sloan, Jr., *My Years with General Motors* (Garden City, New York: Doubleday & Company, 1963), 61, 132, 134, 146-147.

<sup>59</sup> Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw Hill Book Company, 1980), 71-75, 217, 252, 267, 281, 186-288.

<sup>60</sup> Alfred P. Sloan, Jr., and Harold Smith Papers, Scharchburg Archives, Kettering University, Flint, Michigan.

history of General Motors under Alfred P. Sloan, Jr., who had a powerful automotive mind and his efforts to work with the Roosevelt administration during the New Deal period.<sup>61</sup>

In terms of the petroleum industry, the literature is rich with detail. This dissertation is somewhat similar to prior works from Donald R. Brand and Norman E. Nordhauser that describe the petroleum industry during the Great Depression and provide expanded views of the negotiation process for the oil code throughout 1933. Many corporate executives and governors especially from the Southwest, were mentioned in Congressional hearings for the NIRA. The oil industry in the 1930s is further discussed thoroughly in many newspapers, such as the *Wall Street Journal*, *New York Times*, the *Chicago Daily Tribune* and the *Los Angeles Times*. The Department of Justice also contains some files about the Teapot Dome crisis from 1921 to 1924 and how the petroleum industry fared, because of this political event in the years before the Depression. In the 1930s, this crisis was overshadowed by the emergence of the Great Depression.

There were some efforts by Harold Ickes to regulate the oil industry and to apply the petroleum code to corporations in this sector. In *Fightin' Oil* and *The Secret Diary of Harold I. Ickes*, Ickes discussed his efforts at reforming the petroleum industry; but he mainly illustrates his role in the logistics and shipping of oil to American soldiers fighting in Europe during the Second World War.<sup>62</sup> Ickes' memoirs describe his political life during the heart of the New Deal from 1933 to 1936. Norman E. Nordhauser, and the *National Petroleum News* cover the development and shifts in the petroleum industry during the

<sup>61</sup> Douglas Reynolds, "Engines of Struggle: Technology, Skill and Unionization at General Motors, 1930-1940," *Michigan Historical Review* 15, no. 1 (Spring 1989): 69-92; Ernest Dale, "Contributions to Administration by Alfred P. Sloan and General Motors," *Administrative Science Quarterly* 1, no. 1 (June 1956): 30-62.

<sup>62</sup> Harold I. Ickes, *The Secret Diary of Harold I. Ickes: The First Thousand Days, 1933-1936* (New York: Simon and Schuster, 1954) and *Fightin' Oil* (Westport: Hyperion Press, Inc, 1943), 53.

New Deal period.<sup>63</sup> Historian Gerald D. Nash examines the negotiations for the petroleum code while Donald R. Brand described the petroleum industry during the New Deal and how the industry faced difficult challenges with the enactment of the NIRA.<sup>64</sup> Collectively, these works help to provide a picture of the NRA through two of its most important target industries. This dissertation relies heavily on these works about the petroleum industry during the Great Depression and describes how price and production controls were debated upon and negotiated during the hearings for the oil code throughout the summer months of 1933.

### Dissertation Chapter Review

Ideally, this dissertation will contribute to the historical and political debate about the New Deal, its successes and its failures, by examining the passage of the National Industrial Recovery Act of June 16, 1933. This dissertation scrutinizes its implementation and effects, and its demise after the landmark Supreme Court decision in *Schechter v. the United States* in 1935. First, this document outlines the problems that faced the Herbert Hoover and Franklin Delano Roosevelt administrations and their efforts to redress the effects of the economic crisis that took place from 1929 onward. All of the chapters attempt to link the political and economic events of the 1920s, such as the Great Crash and the emergence of the Great Depression in the 1930s to Franklin D. Roosevelt's efforts to target reforms to redress the industrial and economic crisis. Much effort is devoted to

<sup>63</sup> Norman E. Nordhauser, *The Quest for Stability: Domestic Oil Regulation, 1917-1935* (New York: Garland Publishing Inc., 1979), 96, 99-102, 117-118; Keith Reid, "NPN's 95<sup>th</sup> Anniversary: How Many Sisters," *National Petroleum News*, November 2004; Keith Reid, "NPN's 95<sup>th</sup> Anniversary: Oil Power," *National Petroleum News*, May 2004 and Keith Reid, "NPN's 95<sup>th</sup> Anniversary: Filler'er Up," *National Petroleum News*, March 2004.

<sup>64</sup> Gerald D. Nash, *United States' Oil Policy: 1890-1964: Business and Government in Twentieth Century America* (Pennsylvania: University of Pittsburg Press, 1968), 135, 138-139; Donald R. Brand, "Corporatism, the National Recovery Administration and the Oil Industry," *Political Science Quarterly* 98, no. 1 (Spring 1983): 99-118; Donald R. Brand, *Corporatism and the Rule of Law* (Ithaca: Cornell University Press, 1988), 85, 101, 103, 175, 177, 181, 183-186.

describing the economic and industrial events before the emergence of the NIRA and AAA and sets the tone for future discussions. By focusing on the events that led to the enactment of the NIRA and AAA, readers can comprehend more thoroughly the need for the federal regulations inherent in both laws. The American economy was in a shambles and this dissertation enumerates the differing roles of the presidency as both Hoover and Roosevelt sought to devise solutions to the industrial and economic crisis.

In Chapter Two, I focus on how the petroleum and automobile industries fared during the 1920s, before and during the Great Crash of 1929. This chapter will examine how both sectors expanded their international market-share as the federal government sought to create the conditions for economic growth. The chapter will discuss Ford Motor Company, General Motors Corporations, and the myriad of petroleum companies. The chapter illustrates how both industries developed global relations as they expanded their business operations. It will discuss the important issues, such as conservation, production, technology, corporate and market innovations, and labor relations, that affected corporations in the petroleum and automobile industries.

Chapter Three discusses the Great Crash of 1929 and the coming of the Great Depression in the 1930s. Scholars believe that there were many reasons for these financial crises. Under-consumption, overproduction in American industries, technological innovation in the manufacturing and agricultural sectors, and the price instability of manufactured goods were the key industrial causes of the economic crises. The national economy's problems with a metallic standard, the lack of programs to address the crisis under President Herbert Hoover, the promotion of private charities and a balanced federal budget, Stock Market speculation, and the monetary policies of the Federal Reserve System

were implicated in the continued economic, social and monetary crises of the 1930s. Thus, the national economy was changing under the Hoover administration, but it could not respond effectively in large part due to Hoover's lack of flexibility, while the Roosevelt administration addressed the crisis with Keynesian policies that Roosevelt termed "experimentation." FDR decided to act for the American people and reform the diverse elements of the national economy.<sup>65</sup>

Chapter Four addresses arguments about a laissez-faire approach to the crisis in the United States as well as the introduction of alternative economic ideas and policies. It further follows the scope and range of political responses to the economic crisis. Both Hoover and Roosevelt maintained divergent political views about the national economy. This dissertation seeks to point out those differences and examine their policy approaches through their speeches, press releases, public statements and correspondence, and other primary and secondary source material. Moreover, it contends that the United States and its approach to the national economy were adapting to the new context of the global economy. Politicians and government administrators sought to address the global crisis with new policies.

Chapter Five examines the interregnum period following the presidential election of 1932. It discusses the lingering conditions present during the early years of the Great Depression. It elaborates on how Ford Motor Company, General Motors Corporation, and the petroleum industries maintained their profitability during the growing crisis. The chapter provides a glimpse into how families survived during troubling times and the role

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<sup>65</sup> Barrie A. Wigmore, "Was the Banking Holiday of 1933 Caused by a Run on the Dollar," *The Journal of Economic History* 47, no. 3 (September 1987): 75; Lawrence W. Levine and Cornelia R. Levine, *The People and the President: America's Conversation with FDR* (Boston: Beacon Press, 2002); ix, 40-41, 53, 57-58.

of Hoover and Roosevelt as policymakers who attempted to resolve the crisis. How families made ends meet during a period of widespread unemployment and how the petroleum and automobile industries maintained difficult relations are addressed as well. Lastly, the chapter looks at the foreign debt crisis between Europe and the United States that was not resolved before the presidential inauguration of March 4, 1933. During this period, Hoover and Roosevelt began to drift apart ideologically, and their differences were not resolved.

Chapter Six examines the Roosevelt Administration's efforts to stem the problems of the Great Depression by adopting a form of centralized planning in the National Industrial Recovery Act of 1933. The War Industries Board, headed by Bernard Baruch and that had been established during World War I, served as a successful template for centralized planning of American industries.<sup>66</sup> The WIB had regulated the production process of American corporations in the United States to mobilize material resources for the war effort.<sup>67</sup> It enabled policymakers realize that centralized planning of the national economy offered some positive effects for corporations and had the capacity to enhance their profits. Run by corporate executives called "one dollar men," the WIB became both an example of overreach for some conservatives but also an exemplar of the potential of economic planning to resolve economic uncertainty.<sup>68</sup> Johnson and others who served in this agency realized the importance of maintaining sound interconnected relationships

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<sup>66</sup> John Kennedy Ohl, "The Navy, the War Industries Board, and the Industrial Mobilization for War, 1917-1918," *Military Affairs* 40, no. 1 (February 1976): 17; Leo Wolman, "The Statistical Work of the War Industries Board," *Publications of the American Statistical Association* 16, no. 125 (March 1919): 249; Bernard Baruch, "Spartacus Educational," <http://www.spartacus.schoolnet.co.uk/usabaruchb.htm>. (accessed April 5, 2013).

<sup>67</sup> Daniel R. Beaver, "Newton D. Baker and the Genesis of the War Industries Board, 1917-1918," *The Journal of American History* 52, no. 1 (June 1963): 43, 45, 52, 57.

<sup>68</sup> Robert D. Cuff, "A Dollar-a-Year Man in the Government: George N. Peck and the War Industries Board," *The Business History Review* 41, no. 4 (Winter 1967): 404, 414, 418.

with the private sector, because this improved supply chains or logistics for American soldiers fighting in Europe during the First World War.

In this section of the dissertation, I discuss the provisions of Title I, which created the NRA, the codes of fair competition, and collective bargaining.<sup>69</sup> Both provisions in the NIRA were aimed at putting the United States on the right track toward economic recovery. The Title I provisions paved the way for worker rights and better labor conditions, because corporate executives had to follow the codes of fair competition that contained collective bargaining stipulations. The industry codes intervened in both the commodities and labor markets, and they were originally designed to provide workers with an improved work environment. The codes were the first step toward economic justice and financial solvency. The NRA became an important agency that worked with industry leaders to devise, approve and enforce the codes of fair competition.<sup>70</sup>

Although the NRA was not long-standing, it created hundreds of codes that reformed the economic environment and provided workers with tangible rights.<sup>71</sup> American workers had new access to better wage determination schema, improved working conditions and benefits for themselves and their families. Moreover, American workers did not have to join company unions or be subjected to yellow-dog contracts. The NIRA expanded upon worker rights and freedoms and led to new judicial interpretations of labor laws.

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<sup>69</sup> The National Industrial Recovery Act of June 16, 1933, <http://www.ourdocuments.gov>; Malcolm P. Sharp, "Title I of the National Recovery Act," *The University of Chicago Law Review* 1, no. 2 (November 1933): 323-324.

<sup>70</sup> Alan Brinkley, "Roosevelt, Franklin Delano," American National Biography Online, <http://www.anb.org/articles/06/06-00567.html>. (accessed April 1, 2013).

<sup>71</sup> Sidney Hillman, "The NRA, Labor and Recovery," *Annals of the American Academy of Political and Social Sciences* 172 (March 1934), 72.

The NIRA, however, was not without its critics. The National Association of Manufacturers and the corporate executives who were its members were opposed vehemently to the NIRA. They did not approve of this law and protested against the passage and implementation of the NIRA. The American Liberty League, which was a non-partisan organization with conservative values, such as the intense protection of private property and limited government regulations of the national economy, also opposed both the NIRA and the NRA.<sup>72</sup> Their opposition led to court challenges and the eventual dismantling of the NRA and AAA in the mid-1930s.

In Chapter Seven, I look at the National Recovery Administration (NRA) and how its operations developed the codes of fair competition to which corporations in each industry were to adhere. The NRA codes set up production quotas, eliminated child labor, improved wages, limited weekly work hours, and provided employees with collective bargaining rights. Contemporary observers, such as Clair Wilcox in *America's Recovery Program*, Charles Frederick Roos in *NRA Economic Planning*, and Charles L. Dearing in *The ABC of the NRA* illustrated the steps that American corporations had to follow in an effort to receive the Blue Eagle seal.<sup>73</sup> The Blue Eagle was a federal license that corporations obtained, if they had approved and adhered to an industry code of fair competition. With the Blue Eagle, the federal government recognized corporations as having the approval to conduct

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<sup>72</sup> Associated Press, "Industrial Bill Hit by Manufacturers," *Washington Post*, May 29, 1933; Special Report, "League is Formed to Scan New Deal, Protect Rights," *New York Times*, August 23, 1934; Special Report, "Finance Welcomes Liberty League," *New York Times*, August 24, 1934; Special Report, "End of NIRA Asked by Irene Du Pont," *New York Times*, August 24, 1934; Special Report, "Congress Warned by Liberty League," *New York Times*, January 24, 1935; Special Report, "Shouse Denounces Roosevelt's Plans," *New York Times*, March 31, 1935; Special Report, "Half-Baked Ideas Laid to Roosevelt," *New York Times*, October 28, 1935.

<sup>73</sup> Charles Dearing et al. *The ABC of the NRA* (Washington D.C.: The Brookings Institution, 1934), 41, 44-45, 52, 80-81, 89-90; Clair Wilcox, ed., *America's Recovery Program* (New York: Oxford University Press, 1934); Charles Frederick Roos, *NRA Economic Planning* (Bloomington: The Principia Press Inc., 1937), 58, 60-61, 67-76.



business operations under this new law.<sup>74</sup> Codes of fair competition were in place, and American corporations could transact business with domestic and foreign counterparties.

By early 1935, President Franklin Delano Roosevelt began to seek a two-year extension to the NIRA, but events during this period prevented him from achieving this goal. In May 1935, the Supreme Court ruled that the NRA was unconstitutional, because the law interfered with the interstate commerce authority of Congress.<sup>75</sup> In particular, *Schechter v. the United States* served as a test case for the many individual suits that were argued in the lower branches of the Federal Judiciary, State Supreme Courts and Courts of Appeals.<sup>76</sup> Many court cases had targeted and attacked the codes of fair competition, public works' provisions of the NIRA, and collective bargaining rights. Another issue that the Supreme Court reviewed was the determination of intrastate commerce versus interstate commerce in the transactions of American businesses.<sup>77</sup> If a company maintained primarily local operations while only minor transactions were national or international, did this imply that it had violated the interstate commerce authority of Congress and, thus, the United States' Constitution?

The court cases that dealt with violations of the petroleum and live poultry codes were central to the discussion, because they addressed the constitutionality of the NIRA and its industry codes. The petroleum code cases dealt with the excess shipment of oil or

<sup>74</sup> Ted Morgan, *FDR: A Biography* (New York: Simon & Shuster, 1985), 401; Special, "Blue Eagle to Protect," *Los Angeles Times*, November 11, 1934.

<sup>75</sup> W.J.W. "Constitutional Law: Agricultural Adjustment Act: The General Welfare Clause and the Ten Amendment," *Michigan Law Review* 34, no. 3 (January 1936): 38; Special Report, "Text of the Majority Ruling Holding Delegation of Code Power Unconstitutional," *New York Times*, May 28, 1933; John B. Andrews, "Delegated Labor Legislation Unharmed by Recent Court Decision," *American Labor Legislation Review* 25, no. 2 (June 1935): 90.

<sup>76</sup> *A.L.A. Schechter Corporation and al. v. United States*, 295 U.S. 495 (Supreme Court, 1935).

<sup>77</sup> Kermit L. Hall, *Major Problems in American Constitutional History: Volume II, From 1870 to the Present* (Lexington: D.C. Heath and Company, 1992), 189-190, 192. *A.L.A. Schechter Poultry Corporation versus United States* 295 U.S. 495 55 Sup. Ct. 837 (1935)

petroleum products throughout the United States and how that affected the prices for those goods (cut-throat prices). The live poultry code law suit dealt with infringements against wages and hours provisions of the code. The petroleum and live poultry code violations were argued in federal court, because the justices had to iron out whether the commerce clause of the United States' Constitution had been violated. These code challenges determined the fate of the NRA.

Overall, the Supreme Court decision's overturning of the NIRA paved the way for new industrial reforms. The Executive branch realized that it could affect indirectly collective bargaining through the discontinuation of federal agencies, such as the NRA and stimulate American industrial production in other ways than regulation. In 1935, National Labor Relations Act was passed, and it affected private sector industrial growth and wages in the national economy. Policymakers sought to push for trade unionism and the emergence of collective bargaining between workers and employers as a necessary step to protect American workers and corporate management entities. This freed the hands of the Roosevelt administration.

Chapter Eight focuses on the death of the NIRA, but it contends that collective bargaining after the curtailment of the NIRA became the norm in the United States through other means. In fact, the NRA's hearings on industrial conflict, done through regional labor boards, provided the model for the National Labor Relations Board's system of adjudicating labor conflict, running certification elections, and hearing worker and union grievances.<sup>78</sup>

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<sup>78</sup> William Green, "Green Reviews Gains of Labor Movement," *New York Times*, September 1, 1935; Special Report, "58 Lawyers Hold Labor Act Invalid," *New York Times*, September 19, 1935. Even though the Wagner Act passed both houses of Congress, the law remained a controversial one, because many lawyers from the American Liberty League viewed it as unconstitutional and argued that it should be nullified; Special Report, "Validity of New Labor Relations Act Questioned," *Chicago Daily Tribune*, November 1, 1935. School of Business Dean from the University

Section 7(a) then was only the first stage of the Roosevelt administration's experiment with labor.<sup>79</sup> The National Labor Relations Act of 1935, which followed the demise of the NIRA, played an important role in continuing the tradition of collective bargaining and trade unionism in the United States. The NIRA and its section 7(a) were only the beginning steps toward establishing worker rights in the labor force and corporate settings, and with its curtailment, a new industrial and economic methodology has been promoted since the New Deal period to promote the longevity of trade unionism in the American industrial landscape.

In many ways, the United States is still affected in a positive manner by the passage of the NIRA during the New Deal period. The law, importantly, was the first step in peacetime to regulate directly the national economy. As students and scholars examine this period, they will witness the unfolding of the modern political state in the United States. Roosevelt opened the presidency and his administration to the American people and this differed immensely from President Hoover, who was not convinced that Americans understood the foreign and domestic policies that he attempted to establish. This dissertation serves as a mechanism for debate about these issues in the United States and global system. These lessons can strengthen American concepts of independence versus interdependence, and the country can move forward.

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of Chicago, W.H. Spencer argued that worker discrimination did not confirm that new labor legislation, such as the Wagner bill was warranted. More research and study was required first before conclusions can be drawn; Chicago Tribune Press Service, "New Labor Act is Held Illegal by 58 Lawyers," *Chicago Daily Tribune*, September 19, 1935; National Archives and Records Administration, *The First Sixty Years: The Story of the National Labor Relations Board* (Washington D.C.: American Bar Association, 1995), Chapter One, <http://www.lib.wayne.edu>, (accessed August 31, 2014).

<sup>79</sup> Associated Press, "New Labor Legislation Urged," *New York Times*, January 14, 1935.

## CHAPTER 2: THE INDUSTRIAL MODIFICATIONS TO THE AMERICAN ECONOMY IN THE 1920s

In the 1920s, American businesses experienced a series of economic highs and lows due to monetary deflation and financial crises.<sup>1</sup> There was a minor recession after the First World War, and, despite widely perceived prosperity, by 1926, real wages were stagnant. During these minor recessions, 4,750,000 persons remained on the unemployment lines and could not locate work.<sup>2</sup> In addition, there was enormous volatility in the financial and stock markets. As the United States moved to a consumer-based national economy, corporate executives such as Henry Ford, William Durant, Alfred P. Sloan, Jr. and Pierre S. du Pont faced enormous economic instability as they sought to promote the viability of their respective companies.<sup>3</sup> In the past, scholars may have discussed the monetary causes of the instability prior to 1929; but the manufacturing sector and its practices contributed to economic volatility even during the 1920s. While many middle-class Americans were participating in the Stock Exchange, industrial practices such as overproduction and price fixing, as Michael Bernstein and other economic historians have shown, were at the forefront of the economic discussions in the United States.<sup>4</sup> Scholars such as Arthur B. Adams have argued that business booms have often been followed by national and/or

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<sup>1</sup> Stephen G. Cecchetti, "Prices during the Great Depression: Was the Deflation of 1930-1932 Really Unanticipated?" *The American Economic Review* 82, no. 1 (March 1992): 142; Robert H. Zieger, "Labor, Progressivism, and Herbert Hoover in the 1920's," *The Wisconsin Magazine of History* 58, no. 3 (Spring 1975): 202; Gene Smiley, "The U.S. Economy in the 1920s," Economic History Services, <http://eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013).

<sup>2</sup> Richard B. Morris, and Jeffrey B. Morris, ed., *Encyclopedia of American History* (New York: HarperCollins Publishers, 1996), 369.

<sup>3</sup> Leonard Silk, "The United States and the World Economy," *Foreign Affairs* 65, no. 3 (1986): 458; John B. Rae, *The American Automobile Industry* (Boston: G.K. Hall & Company, 1984), 59; John Earl Haynes, *Calvin Coolidge and the Coolidge Era: Essays on the History of the 1920s* (London: University Press of New England, 1998), 256, 258.

<sup>4</sup> Frederick Lewis Allen, *Only Yesterday: An Informal History of the Nineteen-Twenties* (New York: Bantam Books, 1931), 380-381.

global depressions.<sup>5</sup> This chapter seeks to address the economic circumstances of the 1920s focusing on the industrial sector and in particular automobile manufacturing and oil production. It examines the automobile and petroleum industries and how they fared during this dynamic period in United States' history. Even as Americans were purchasing vehicles in mass numbers, and new highway construction linked the rural areas to urban sector, there were signs that the prosperity built on the new car economy had its limits.<sup>6</sup>

Additionally, I discuss the business practices of Henry Ford, who considered himself an American Individualist, and Alfred P. Sloan, Jr., a calculated risk-taker at the helm of General Motors, to illustrate how they adapted their companies and production processes during the economically volatile 1920s. The ways in which their businesses were organized determined whether Ford Motor Company and General Motors Corporation would re-emerge as industrial juggernauts during the Great Depression of the 1930s. Both companies, in the early 1920s, experienced an economic slowdown in vehicle sales and profitability, but they weathered the storm well when compared to smaller automobile companies that lost market-share or went bankrupt during the decade. Although the automobile industry became more concentrated as many companies folded, the Big Three, consisting of General Motors Corporation, Ford Motor Company and Chrysler Corporation became dominant in this sector. This chapter also seeks to illustrate the emergence of Fordism in the United States, because Ford Motor Company enabled average Americans

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<sup>5</sup> Arthur B. Adams, *Our Economic Revolution: Solving Our Depression Problems through Public Control of Industry* (Norman: University of Oklahoma Press, 1934), 1-3.

<sup>6</sup> "The United States Turns Inward: the 1920s and 1930s," Scholastic, <http://www.scholastic.com/browse/subarticle.jsp?id=1674>. (accessed April 5, 2013).

own vehicles and improve upon their standards of living.<sup>7</sup> With Fordism, Americans entered the industrial age.<sup>8</sup>

General Motors had not always been a successful enterprise and had ample competitors for market dominance before the Great Crash of 1929. So, how did General Motors Corporation become such a powerful corporation in the United States? How did it surpass Ford Motor Company, which had been the industry leader until the replacement of the Model T with the Model A in 1927?<sup>9</sup> While both Ford and GM had been competitive before the Great Depression, and suffered in the initial stages of the economic crisis, they emerged at the end of the decade stronger, while smaller competitors failed. Both General Motors and Ford Motor Company were able to adapt to a difficult economic environment and reshape their corporate policies, which enabled them to mitigate harsh industrial and financial conditions. In fact, the two companies took different approaches to the National Industrial Recovery Act and the industrial codes that were designed to address the crisis of overproduction and high unemployment.

In its second half, I discuss the emergence of the petroleum industry in the United States as it profited from its manufacturing connections with the automobile sector. The petroleum sector became an important industry by 1924. It produced commodities that were used throughout the United States and the global system, especially the automobile sector. The public and private sectors had begun to use oil and gasoline products to power

<sup>7</sup> John Earl Haynes, ed., *Calvin Coolidge*, 247.

<sup>8</sup> Joshua B. Freeman, *Working-Class New York: Life and Labor Since World War II* (New York: The New Press, 2000), 11.

<sup>9</sup> John B. Rae, *The American Automobile Industry* (Boston: G.K. Hall & Company, 1984), 59; John Steele Gordon, "Eron & Henry Ford: Why the Boss must have a Boss," *American Heritage*, April-May 2002; Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw Hill Book Company, 1980); 252. Cray confirmed that by 1927, the Chevy began to outsell the Ford Model T and Henry Ford finally realized that he had to mass produce new vehicles with many different features that could compete with the resurgence of General Motors Corporation.

their newly developed technological innovations, such as cars, airplanes, sea vessels or tractors. The petroleum industry further benefited from domestic policies that contributed to high levels of profitability. The 1920s proved to be a period of profound economic growth and uncertainty. Both the automobile and petroleum industries worked hand in hand to promote the nation's economic viability. Although corporate executives from both sectors were not always altruistic, they developed industrial technologies that enabled the United States to become an economic and industrial hegemon.

Ordinary citizens from the 1920s onward wondered about the industrial modifications of the national economy in the United States. The national economy already had become global, and many corporations that used advertising campaigns to showcase their products could not keep pace with new global competition. The production of consumer goods was expanding, and American corporations began to use research and development strategies to determine and grow customer demand.<sup>10</sup> The economic conditions of the 1920s were somewhat volatile as monetary contraction gave way to monetary expansion. Some industries failed to muster enough financial support to sustain profitability and remain competitive, even though their advertising campaigns promoted new product designs. American businesses in the 1880s spent about 200 million dollars on advertising for their various products, but by 1920, they paid about 3 billion dollars for print campaigns.<sup>11</sup> By 1929, American advertising companies were spending more than six billion dollars targeting domestic consumers through their print campaigns in national

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<sup>10</sup> Sharon Zukin and Jennifer Smith Maguire, "Consumer and Consumption," *Review of Sociology* 30 (2004): 176.

<sup>11</sup> Daniel Pope, "Making Sense of Advertisements," Making Sense of Evidence Series on the History Matters webpage, <http://www.historymatters.gmu.edu> (accessed July 16, 2013.)

newspapers and magazines.<sup>12</sup> Daniel Pope illustrated the importance of advertising by arguing, that in 1920 alone, there were three companies that spent millions of dollars on ad campaigns--Proctor & Gamble, Goodyear Tire and Quaker Oats.<sup>13</sup> Ad agencies became informational missionaries that discussed and enumerated the major qualities of consumer goods. They were the nation's "town criers" who brought to the general public interesting details about manufactured products sold on the open market. They educated the American people and helped them to improve upon their standards of living.<sup>14</sup> Because of the efforts of advertising agencies, corporations in the automobile and petroleum sectors enhanced their profitability.

By contrast, many companies in the textile and apparel industries did not fare well during this period. Synthetic textiles such as rayon and nylon replaced wool and silk as prominent commodities.<sup>15</sup> Rayon became so popular among consumers that, by 1925, corporations produced annually about fifty-three million pounds of that fabric, taking a significant share of the textile market.<sup>16</sup> Other manufacturers in industries such as metalworking and cabinet-making could not generate enough profitability to remain attractive for investment. They struggled with new market conditions. Small businesses in a number of sectors began to lose market-share. The small business owners did not generate enough revenue to survive in a newly volatile marketplace, because they could not compete with the newly developed multinational corporations. In 1908, there were

<sup>12</sup> John Earl Haynes, ed., *Calvin Coolidge*, 260; "Recent Social Trends: A Review of Findings by President Hoover's Research Committee," *New York Times*, January 2, 1933. Hoover's committee argued that between one and one-half to two billions dollars was spent on advertising in 1929. His numbers somewhat differed from the statistics gathered by other scholars.

<sup>13</sup> Daniel Pope, *The Making of Modern Advertising* (New York: Basic Books Inc., 1983), 6.

<sup>14</sup> Roland Marchand, *Advertising the American Dream: Making Way for Modernity, 1920-1940* (Berkeley: University of California Press, 1985), 1.

<sup>15</sup> John Earl Haynes, ed., *Calvin Coolidge*, 193-194.

<sup>16</sup> Frederick Lewis Allen, *Only Yesterday*, 124.



253 automobile companies that produced cars for the national economy; but this number decreased to 44 in 1929.<sup>17</sup> The automobile sector is a case in point that illustrates industrial consolidation. By 1929, three car companies—General Motors Corporation, Ford Motor Company and Chrysler--controlled the global market.

The number of factory workers in the United States also continued to increase. Leland Olds in the *Federated Press* argued that between 1899 and 1925, factory employees advanced from 5.2 million to about 9,772,000.<sup>18</sup> This consisted of an increase by more than 88%. In other corporate sectors such as manufacturing and mining, there were 221 consolidations as these industries became smaller in size.<sup>19</sup> In 1925, 554 firms closed their doors while in 1928, approximately 1,038 similarly closed down. Consolidation reshaped the market and competition became intense as multinational corporations began to dominate the global marketplace. Automobile corporations continued to expand production and hired more workers. For example, by 1913, Ford Motor Company had about 14,000 employees that produced 248,307 cars per year.<sup>20</sup> This number increased more dramatically in the 1920s. By 1929, Ford Motor Company's Rouge plant employed more than 103,000 white and blue collar workers.<sup>21</sup>

During the decade, the automobile industry flourished; and by 1929 about one in six American families had acquired a vehicle for home use.<sup>22</sup> It was the new mass production

<sup>17</sup> James J. Flink, "Automobiles," <http://www.history.com/topics/automobiles> (accessed July 20, 2013).

<sup>18</sup> Robert Dunn Collection, Box 9, folder entitled Speed-Up and Productivity, Archives of Labor and Urban Affairs, Wayne State University.

<sup>19</sup> William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists and American Economic Policy, 1921-1933* (Cambridge: Cambridge University Press, 1985), 67.

<sup>20</sup> Daniel M.G. Raff and Lawrence Summers, "Did Henry Ford Pay Efficiency Wages," *Journal of Labor Economics* 5, no. 4 (October 1987), s61-s62.

<sup>21</sup> David L. Lewis, *The Public Image of Henry Ford: An American Folk Hero and His Company* (Detroit: Wayne State University, 1976), 161.

<sup>22</sup> John B. Rae, *The American Automobile Industry*, 59.

methods that enabled Americans to make more consumer goods available and to purchase them in the marketplace.<sup>23</sup> With increased use of electricity and new production technologies, consumer goods could be produced more efficiently and effectively. Along with consumer goods, electricity enabled many American households to use new technological innovations such as refrigerators, phonographs, irons, fans, lighting, toasters, and vacuum cleaners.<sup>24</sup> Moreover, from 1920-1930, American inventors filed and were granted more than 400,000 patents in the United States alone.<sup>25</sup> If the 1920s was a period of economic growth, some Americans still faced acute deprivation and destitution.<sup>26</sup> Social stratification continued to be the norm as Americans had differing income levels and different racial and ethnic communities. While many households witnessed economic and social change, others failed to benefit from these new technologies.

As historian Frank Stricker has argued, the United States was an affluent nation by the 1920s; but prosperity had its limits. For many workers, wages began to decline by the end of the decade.<sup>27</sup> The stagnation of wages had several causes, including upgraded and more efficient machine production, scientific management, and what some began to call

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<sup>23</sup> John H. Lorant, "Technological Change in American Manufacturing During the 1920s," *The Journal of Economic History* 27, no. 2 (June 1967): 283-244.

<sup>24</sup> Gene Smiley, *Rethinking The Great Depression*, 5.

<sup>25</sup> W.F. Ogburn in "The Influence of Invention and Discovery;" Report of the President's Research Committee on Social Trends, *Recent Social Trends in the United States Volume 1*, New York: McGraw-Hill Book Company Inc., 1933; Winifred D. Wandersee, *Women's Work and Family Values, 1920-1940* (Cambridge: Harvard University Press, 1981), 17-18. Wandersee cited a study conducted by Mount Holyoke College that found that, by 1929, a majority of Americans had modern day appliances and consumer goods whereas a decade ago, they did not had a high standard of living and access to material resources.

<sup>26</sup> Winifred Wandersee, *Women's Work and Family Values, 1920-1940* (Cambridge: Harvard University Press, 1981), 10-17.

<sup>27</sup> Frank Stricker, "Affluence for Whom: Another Look at Prosperity and the Working Classes in the 1920s," *Labor History* 24, no. 1 (Winter 1983): 6, 13, 20.

“technological unemployment.”<sup>28</sup> It also had several consequences. While many working-class and middle-class people were spending more, and acquiring durable goods such as cars and household appliances, everyone did not have access to the new consumer culture. Indeed, many sought and obtained a higher standard of living in ways that created dynamic social change in a wide range of arenas—transportation, urban growth and city culture, as well as work. Unfortunately, there were large parts of American society that lacked access even to the electrical power to fuel these goods or consumer credit to finance them.<sup>29</sup>

In terms of consumer credit, Martha Olney, to cite one example, argues that most Americans, before the mid-1910s, purchased their automobiles with cash. In the 1920s, credit became an important financial tool used as a mechanism to improve living standards especially during an absence of liquidity in the private sector.<sup>30</sup> Private credit companies were virtually non-existent before the First World War. But when private credit companies emerged in the 1920s, they asserted themselves in the automobile and other manufacturing sectors. As a side note, Olney argues that since Black Americans had lower incomes than their White counterparts, they were more than likely to use installment plans to acquire new merchandise, especially in the durable goods market.<sup>31</sup> Lastly, as it pertains

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<sup>28</sup> Gregory Ray Woirol, *The Technological Unemployment and Structural Unemployment Debates* (Westport, CT: Greenwood Press, 1996), 17-18; “Recent Social Trends: A Review of Findings by President Hoover’s Research Committee,” *New York Times*, January 2, 1933.

<sup>29</sup> Martha Olney, “Avoiding Default: The Role of Credit in the Consumption Collapse of 1930,” *The Quarterly Journal of Economics* 114, no. 1 (February 1999): 319-323; Olney contends that when disposable income was substantial, consumers did not use installment plans to purchase material goods in the marketplace. Further, she writes that during the 1920s, Americans put down an installment payment for acquiring vehicles about 33 percent of the time, while the number increased to 40 percent for used models.

<sup>30</sup> Martha Olney, “Credit as a Production-Smoothing Device: The Case of Automobiles, 1913-1938,” *The Journal of Economic History* 49, no. 2 (June 1989): 377-379.

<sup>31</sup> Martha Olney, “When Your Word is not Enough: Race, Collateral and Household Credit,” *The Journal of Economic History* 58, no. 2 (June 1998): 408-410; Olney also argues that Black families received contracts that lasted for 12 to 24 months and could have their merchandise repossessed if they did not make payments on time. Moreover, most Black families submitted large amounts of capital as collateral for their loans.

to the difficult situation of providing Americans in the south with electrical power, it was partly rectified with the coming of the Roosevelt administration and the emergence of the Tennessee Valley Authority that built dams and power plants in Tennessee, North Carolina, Kentucky, Virginia, Mississippi, Georgia and Alabama.<sup>32</sup> The Southern states did not have greater access to new consumer innovations than the north, initially, but President Roosevelt attempted to improve upon their social conditions and standards of living.

Despite worries about job prospects, consumers spent more money on recreation and entertainment during the 1920s.<sup>33</sup> New consumer goods led to higher standards of living and increased demand for leisure time and activities.<sup>34</sup> Most citizens began to venture out to theatres, where they could see plays or watch movies. They also began to spend their money on enhancing their education and that of their children. Women increasingly entered the labor force throughout the 1920s, and working in the outside world contributed to family and economic success. The emergence of commodities and mass culture enabled Americans to live longer, and life expectancy rates improved to well over fifty-eight years of age.<sup>35</sup>

From the end of the First World War until 1929, there were a few short recessions, and some volatility in the market; but outside rural areas, most Americans remained confident that they could handle any instability that came their way. For some contemporary observers, however, the handwriting was already on the wall. Overvalued

<sup>32</sup> Richard B. Morris and Jeffrey B. Morris, ed., *Encyclopedia of American History* (New York: HarperCollins Publishers, 1996), 382-383.

<sup>33</sup> John Earl Haynes, ed., *Calvin Coolidge*, 195, 248.

<sup>34</sup> Winifred D. Wandersee, *Women's Work and Family Values, 1920-1940* (Cambridge: Harvard University Press, 1981), 3, 7-8, 15; Wandersee also countered that even as the American economy became consumer-oriented, there were problems with distribution of material resources and scarcity.

<sup>35</sup> Edgar Sydenstricker in "The Vitality of the American People;" Report of the President's Research Committee on Social Trends, *Recent Social Trends in the United States Volume 1*, New York: McGraw-Hill Book Company Inc., 1933.

stock, weakness in the agricultural sector, loose credit policies and global instability led the country into depression. Still most economists and politicians believed that the prosperity would continue into the foreseeable future. It is important to remember that Americans who participated in the stock market boom of the 1920s did not have the modern-day tools that stockbrokers on Wall Street use today. Most contemporary market observers, despite these tools, failed to see the 2008 crisis. In the 1920s, when broad-based stock investments were relatively new, failure to see the ensuing crises might have been expected.

With greater access to living wages, a greater number of Americans were acquiring cars even as massive highway construction projects were underway.<sup>36</sup> People used less public transportation, and they became more independent socially, because of the emergence of automobiles and a national system of roads and streets.<sup>37</sup> Automobile icons such as Henry Ford, William Durant, Alfred P. Sloan, Jr., and the DuPont family, who controlled a majority of GM preferred and common stock and its board of directors after 1920, began to apply their material and monetary resources for the construction of new transportation networks.<sup>38</sup> Many thousands of miles of roads were constructed. Transportation times decreased, because the emergence of a new highway system that linked states together and increases in the production and sale of automobiles.<sup>39</sup> Scholars have shown that modern style roads made from cement or asphalt increased in mileage

<sup>36</sup> John Earl Haynes, ed., *Calvin Coolidge*, 196.

<sup>37</sup> John B. Rae, *The American Automobile Industry*, 92-93.

<sup>38</sup> Melvyn P. Leffler in "Expansionist Impulses and Diplomatic Constraints," *Economics and World Power: An Assessment of American Diplomacy since 1789* edited by William H. Becker and Samuel F. Wells Jr. (New York: Columbia University Press, 1984), 261.

<sup>39</sup> W.F. Ogburn in "The Influence of Inventions and Discovery;" Report of the President's Research Committee on Social Trends, *Recent Social Trends in the United States Volume 1*, New York: McGraw-Hill Book Company Inc., 1933. Ogburn argued that mechanical inventions such as the automobile paved the way for the linkage of major cities to the suburbs, but it also led to the emergence of oil crises as Americans required more petroleum to use their vehicles.

from 161,000 (1905), to 521,000 (1930).<sup>40</sup> More cars were on these roads. Private car registrations advanced from 8,000 (1900), 1,258,062 (1913) to 26,545,281 (1930). Thus, there was more road construction in the United States that was used by new American vehicle owners.

As new technological innovations came to the forefront in the United States and the global system, Michigan emerged as an important state that led the nation through its promotion of economic growth and higher standards of living. Prominent scholars such as Doris B. McLaughlin and Charles K. Hyde argue that Michigan was the logical geographic center and production capital for the automotive industry.<sup>41</sup> The state had important copper, lumber, and iron resources and a small but easily accessible steel industry. It also was the home of the bicycle and carriage sectors before the automobile industry took hold. In Michigan and other parts of the Upper Midwest, there was a skilled labor force, experienced in machine tools and in locomotion, that supported the industry's emergence in that region.<sup>42</sup>

In 1887, the Olds Motor Works Company produced the first American mechanized automobile. The carriage had a steam engine that was run by coal, and it was cumbersome because of its massive size/weight and lack of maneuverability.<sup>43</sup> These first automobiles were very expensive, ranging in price from between one to two thousand dollars. At the

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<sup>40</sup> Richard B. Morris and Jeffrey B. Morris, *Encyclopedia of American History* (New York: HarperCollins Publishers, 1996), 589.

<sup>41</sup> Charles K. Hyde, "Detroit the Dynamic: The Industrial History of Detroit from Cigars to Cars," *Michigan Historical Review* 27, no. 1 (Spring 2001): 57, 66; Mike Smith, "Let's make Detroit a Union Town: The History of Labor and the Working Class in the Motor City," *Michigan Historical Review* 27, no. 2 (Fall 2001): 160.

<sup>42</sup> Doris B. McLaughlin, *Michigan Labor: A Brief History from 1818 to the Present* (Ann Arbor: The Institute of Labor and Industrial Relations, 1970), 95.

<sup>43</sup> Christopher W. Wells, "The Road to the Model T: Culture, Road Conditions, and Innovation at the Dawn of the American Motor Age," *Technology and Culture* 48, no. 3 (July 2007): 503-504, 511; James J. Flink, "Three Stages of American Automobile Consciousness," *American Quarterly* 24, no. 4 (October 1972): 452-453.

time, the average male worker earned about five to six hundred dollars annually. Automobiles were priced out of an average person's range. By the 1920s, however, installment payment plans were created that finally enabled middle and lower class families to acquire automobiles.<sup>44</sup> The technology used to build cars had improved, and over time, the price for them decreased. This link between new technologies, and especially new forms of automated production, bolstered the rapid growth of the auto industry, but had paradoxical effects on its labor force. According to Joyce Shaw Peterson, the number of vehicles registered in the United States increased from 55,290 in 1904 to 26,704,825 in 1929.<sup>45</sup> Clearly, Americans were acquiring vehicles and earning a higher standard of living.

Over time, the manufacturers in the automobile industry increased the wages of its employees, and jobs in automobile plants were among the best paid in the manufacturing sector during these decades.<sup>46</sup> The practice of providing auto workers with decent wages and benefits was continued after the 1910s, when Ford created the assembly line and established the five dollar a day wage. Upton Sinclair in *The Flivver King* argued that Henry Ford spent about one billion dollars per year in wage costs.<sup>47</sup> Although wages increased at Ford Motor Company, employees still worked in physically difficult conditions even as

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<sup>44</sup> In the 1920s, General Motors Corporation established the Acceptance Corporation while Ford Motor Company created the Universal Credit Corporation. This allowed ordinary Americans to acquire an automobile without breaking the bank. Citizens improved upon their economic stations in life, and living standards became much better. John B. Rae, *The American Automobile*, 88; "The Automobile Age," *The Wilson Quarterly* 10, no. 5 (Winter 1986): 67

<sup>45</sup> Joyce Shaw Peterson, *American Automobile Workers, 1900-1933* (Albany: State University of New York Press, 1987), 6; Winifred D. Wandersee, *Women's Work and Family Values*, 18-19.

<sup>46</sup> "The Automobile Age," *The Wilson Quarterly* 10, no. 5 (Winter 1986): 64.

<sup>47</sup> Upton Sinclair, *The Flivver King: A Story of Ford-America* (Emaus, PA: Rodale Press, 1937), 132.

many Americans viewed Henry Ford as the “Great Benefactor.”<sup>48</sup> Henry Ford became a Horatio Alger economic success story and many citizens wanted to emulate his work.

Thus, for many people, Henry Ford was an automotive icon and legendary car manufacturer.<sup>49</sup> He built an industrial empire in which village or cottage factories took center stage.<sup>50</sup> He understood, and later proclaimed in an almost ideological way, that producing low-priced or economical vehicles that maintained their value both expanded the market and democratized automobile ownership. It also made Ford one of the richest manufacturers in the country.<sup>51</sup> Ford liked to claim that he wanted to make vehicles for “the common man” who could become socially mobile in life’s journeys.<sup>52</sup> In Henry Ford’s quest to develop inexpensive cars that consisted of interchangeable parts, he created a factory system that enabled him to capitalize on the labor of unskilled workers in his plants throughout the Detroit area.<sup>53</sup> Like other believers in scientific management, Ford believed that most workers did not have to think; machines did this for them.<sup>54</sup> With the emergence of the assembly line that Henry Ford perfected in the 1910s, he developed a factory system in which fewer workers labored more efficiently, because they had only one task at a time. From there, Ford workers produced more vehicles per shift and maintained a market-share

<sup>48</sup> Associated Press, “Obituary: Henry Ford is Dead at 83 In Dearborn,” *New York Times*, April 8, 1947.

<sup>49</sup> T.C. Barker, “The International History of Motor Transport,” *Journal of Contemporary History* 20, no. 1 (January 1985): 5.

<sup>50</sup> Bruce Pietrykowski, “Fordism at Ford: Spatial Decentralization and Labor Segmentation at Ford Motor Company, 1920-1950,” *Economic Geography* 71, no. 4 (October 1995): 386.

<sup>51</sup> David Gartman, *Auto Slavery: The Labor Process in the American Automobile Industry, 1897-1950* (New Brunswick: Rutgers University Press, 1986), 39-40; Encyclopedia of World Biography, Henry Ford Biography, <http://www.notablebiographies.com>. (accessed January 3, 2012).

<sup>52</sup> Henry Ford Biography, Business and Industry, 1863-1947, <http://hftsa.org/> (accessed January 3, 2012); Reynold M. Wik, *Henry Ford and Grass-roots America* (Ann Arbor: The University of Michigan Press, 1973); 8, 13.

<sup>53</sup> David Gartman, *Auto Slavery*, 49-50; Mike Smith, “Let’s Make Detroit a Union Town,” 161; Daniel M.G. Raff and Lawrence Summers, “Did Henry Ford pay Efficiency Wages,” *Journal of Labor Economics* 5, no. 4 (October 1987): S63, S81.

<sup>54</sup> “Recent Social Trends: A Review of Findings by President Hoover’s Research Committee,” *New York Times*, January 2, 1933.



of about 50 percent.<sup>55</sup> With the use of interchangeable parts, Ford Motor Company could produce a more affordable car that was durable and met the needs of the American public. The entire industry became so successful that by 1929 Ford and other car companies manufactured about four million vehicles per year.<sup>56</sup>

In 1903, Henry Ford became a permanent fixture in the automobile industry. At the inception of Ford Motor Company, there were “more than 2,000 steam, electric, and gasoline automobiles in the United States.”<sup>57</sup> Moreover, there were over one hundred automobile companies, but many underperformed because of George B. Selden and his patent (no. 549,160) for the internal combustion engine.<sup>58</sup> Between 1903 and 1911, Henry Ford had to contend with George B. Selden and his patent of two stroke internal combustion engines.<sup>59</sup> Thus, Henry Ford and George B. Selden went head to head in federal court in the Southern District of New York in the case--*Electric Vehicle Company and George B. Selden versus C.A. Duerr & Company and Ford Motor Company*, because the Associates of Licensed Automobile Manufacturers believed that Selden’s patent of a gasoline-powered engine was legitimate and valid.<sup>60</sup> This patent (No. 549,160) would have given Selden an absolute monopoly within the automobile industry as new manufacturers would have had to pay royalties to utilize his product designs. Ultimately, Judge Walter Chadwick Noyes

<sup>55</sup> John B. Rae, *The American Automobile Industry*, 60-61; Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 97-98.

<sup>56</sup> Gene Smiley, *Rethinking the Great Depression* (Chicago: Ivan R. Dee, 2002), 4.

<sup>57</sup> Lonnie Bell, *The Story of Ford* (North Mankato: Smart Apple Media, 2004), 9.

<sup>58</sup> James J. Flink, *The Automobile Age* (Massachusetts: Massachusetts Institute of Technology, 1990), 51.

<sup>59</sup> Lonnie Bell, *The Story of Ford*, 9.

<sup>60</sup> Allan Nevins and Frank Ernest Hill, *Ford: The Times, the Man, the Company* (New York: Charles Scribner’s Sons, 1954), 284.

provided Ford Motor Company with a favorable decision at the Court of Appeals in Southern New York, in January of 1911, and the Selden patent was invalidated.<sup>61</sup>

While the Selden case continued, on March 18, 1908, Henry Ford introduced and began to manufacture his famous Model T, or the Tin Lizzie.<sup>62</sup> The vehicle had four cylinders and was priced at \$850. Between 1908 and 1927, when the Model T was discontinued, Ford Motor Company sold over fifteen million of them. The Model T was so popular that it eventually found new audiences in Great Britain, France and Germany.<sup>63</sup> It was advertised in the *Saturday Evening Post* and throughout the press, as a vehicle with four cylinders, twenty horsepower and could seat up to five persons. Henry Ford was confident that he could produce them for the American people at an affordable price. "On top of the starting price of \$850, a customer could easily add \$135 for extras, that figure covering a top, windshield, speedometer, headlamps, and a carbide generator to power the last two."<sup>64</sup> By 1909, the extra features were included in the base price for the Model T at \$950.

On January 5, 1914, Ford Motor Company released its newest incentive for current and future employees.<sup>65</sup> Henry Ford sought to pay his workers five dollars per day.<sup>66</sup> The Board of Directors at Ford Motor Company established a ten million dollar profit-sharing

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<sup>61</sup> David L. Lewis, *The Public Image of Henry Ford: An American Folk Hero and his Company* (Detroit: Wayne State University, 1976), 20-21, 24; James J. Flink, *The Automobile Age* (Massachusetts: Massachusetts Institute of Technology, 1990), 54; Richard Snow, "The Father of All Patent Trolls," *Forbes*, July 30, 2013.

<http://www.forbes.com>. (accessed March 12, 2015).

<sup>62</sup> David L. Lewis, *The Public Image of Henry Ford*, 41; Joyce Shaw Peterson, *American Automobile Workers*, 1-2, 5.

<sup>63</sup> "The History of Ford Motor Company," <http://www.web.bryant.edu/> (accessed January 3, 2012).

<sup>64</sup> Douglas Brinkley, *The Wheels for the World*, 110-111.

<sup>65</sup> Allan Nevins and Frank Ernest Hill, *Ford*, 532-533.

<sup>66</sup> William J. Barber, *From New Era to New Deal*, 29.

program that led to the implementation of this new incentive package.<sup>67</sup> John R. Lee was selected by the Ford Board of Directors to administer the new incentive plan. A plenitude of Ford hourly workers had originally made \$2.34 per nine hour shift.<sup>68</sup> When this new incentive was announced to the general public, it caught everyone by surprise. This minimum wage standard was an impetus or catalyst to recruit new workers and retain those employees with a high seniority. The new Ford wage was about 62.5 cents per hour. This new money wage rate was one of the highest in the country and when James Couzens made the announcement, he knew this would garner a lot of attention.

After the First World War, Ford Motor Company experienced some economic and financial growth. From 1920 to 1927, Ford Motor Company continued to expand its domestic and international transactions and investments. More Model T's were produced and the company sustained its profitability. In 1921, Ford Motor Company had manufactured one million Model T's at the Rouge plant in Dearborn and the Highland Park plant in Detroit. This unprecedented production awed, shocked and surprised the world. Overall, 928,750 cars had been produced in the United States, 42,860 abroad and 42,348 in Canada.<sup>69</sup> Ford Motor Company became the number one automobile maker in the global system. Henry Ford continued to expand his business and he hired an unprecedented amount of laborers at his new Rouge plant. As David Lewis reported, "by 1924 the Rouge had 42,000 workers; by 1925, 58,000; by 1926, 75,000; and by 1929 more than 103,000."<sup>70</sup>

The new Rouge manufacturing site was located on more than 1,115 acres, and overall the

<sup>67</sup> Clarence Hooker, *Life in the Shadows of the Crystal Palace, 1910-1927: Ford Workers in the Model T Era* (Bowling Green: Bowling Green State University Press, 1997), 107.

<sup>68</sup> Daniel M G Raff, "Wage Determination Theory and the five-Dollar Day at Ford," *The Journal of Economic History* 48, no. 2 (June 1988): 387.

<sup>69</sup> Douglas Brinkley, *The Wheels for the World: Henry Ford, his Company and a Century of Progress* (New York: Viking Penguin, 2004), 275.

<sup>70</sup> David L. Lewis, *The Public Image of Henry Ford*, 161.

factory maintained about 160 acres of work spaces to manufacture the Model T and subsequent vehicle models. Ford Motor Company became one of the nation's first multinational corporations with global and domestic operations. Henry Ford became one of the wealthiest men in the United States with enormous personal assets at his disposal.

Moreover, during the 1920s, Henry Ford attempted to re-establish his company in the public spotlight. These were rebuilding years for Ford Motor Company. Although the Model T was still the top selling car in the United States, the vehicle was becoming outmoded and its features were obsolete. Edsel Ford, who had become president of the Lincoln division in 1922, sought to convince his father that the company needed a new flagship model. The Model T was not selling as well and initially, Henry Ford did not listen to his son. Acquiring Lincoln was an important step for Ford Motor Company, because it was a luxury brand and some of its designs could be used in the process of developing the new Model A. Ford Motor Company purchased the Lincoln branch for about eight million dollars. The purchase of this luxury car company was inexpensive, because this corporation had been in bankruptcy.

The Lincoln acquisition was also important, because this business brought in new ideas to Ford Motor Company during a period of time in which General Motor was attempting to flex its industrial muscles. Ford Motor Company and its Model T could not compete with General Motors and its Chevrolet and Cadillac models. These General Motors cars were high tech for the period and had newer features that attracted the attention of American consumers. Edsel Ford attempted to convey these ideas to his father but initially, he would not listen. He was loyal to the Model T, because that vehicle had brought Ford Motor Company great success and wealth. But Henry Ford began to listen to his son when

he realized that sales of the Model T were down. The Model T continued to be priced cheaper than its General Motors' counterparts but the features of the Model T became sub-standard.

After 1924, Ford Motor Company had reached a crossroads.<sup>71</sup> What had been working in terms of production and marketing was no longer as effective. The Model T was not selling as well, and Chevrolet was competing strongly with Ford products. The Model T was a sound product, but many of its features were outmoded. Consumers sought a little more power, a better design, and more choices in their automobiles. By 1924, the price of the Model T continued to decrease until the overall cost stabilized at \$265.<sup>72</sup> The low price kept Ford in the market, but the company began to lose market-share. Dealers were disappointed with Henry Ford, because he did not have different models of cars that could sustain the company's profitability, once the Model T became obsolete. The change in consumer taste and demand hurt Ford Motor Company's business operations, because Henry Ford depended upon one type of vehicle to earn all of its revenue and maintain its competitiveness.

In 1927, Henry Ford and his engineering staff crafted the new Model A. For this vehicle, nine different styles were offered from "a snappy roadster to a dignified Fordor Sedan, complete with a landau roof."<sup>73</sup> The Model A even reached speeds up to sixty miles per hour, which was an improvement from the Model T's forty miles an hour pace. By December 1927, many hundreds of thousands of orders for the Model A had been placed and Ford Motor Company became another industrial and financial success story. In 1927,

<sup>71</sup> Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 14.

<sup>72</sup> Keith Reid, "NPN's 95<sup>th</sup> Anniversary: Filler'er Up," *National Petroleum News*, March 2004.

<sup>73</sup> Douglas Brinkley, *The Wheels for the World*, 352-353.

Henry Ford began to mass produce the new Model A car, but he could not regain his dominant position in the automobile market.<sup>74</sup> With the coming of the Great Crash, Ford Motor Company continued to perform well but the Great Depression that followed was difficult to bear. Ford Motor Company sold approximately two million of the Model A vehicles in 1929; but in 1930, sales of the car dropped by one and one half million automobiles.<sup>75</sup> By that time, Ford's market share had declined to 31.3 percent while General Motors took the lead at 32.3 percent.<sup>76</sup> Ford Motor Company needed to find new ways to appeal to customers, because the mass production of one or two models of automobiles put it at a disadvantage to General Motors, which had a growing market with its many different car lines.<sup>77</sup>

### General Motors and the Political Economy of Automobile Manufacture

The history of General Motors is a different industrial and economic story. With the ascension of Alfred P. Sloan, Jr., as president of GM in 1923, the company underwent unprecedented change. Sloan began to establish new forms of statistical data to improve GM's profitability and sales. Sales projections and corporate executives began to examine

<sup>74</sup> Gene Smiley, "The U.S. Economy in the 1920s." Economic History Services, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013).

<sup>75</sup> Upton Sinclair, *The Flivver King*, 172.

<sup>76</sup> Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 14; John Steele Gordon, "Eron & Henry Ford: Why the Boss must have a Boss," *American Heritage*, April-May 2002. <http://www.americanheritage.com>. (accessed March 12, 2015). He argued that in 1923, Ford Motor Company controlled fifty-seven percent of the market in the United States while in 1925, this figure dropped to forty-five percent.

<sup>77</sup> Burton Folsom, "Henry Ford & The Triumph of the Auto Industry: Ford had the Vision, Perseverance and Ability to make Cars for the Multitude," Foundation for Economic Education, <http://www.fee.org/detail/henry-ford-and-the-triumph-of-the-auto-industry>, (accessed January 23, 2015); "The Innovation and Ford Motor Company," The Henry Ford Museum website, [http://www.thehenryford.org/exhibits/hf/The\\_Innovator\\_and\\_Ford-Motor-Company.asp](http://www.thehenryford.org/exhibits/hf/The_Innovator_and_Ford-Motor-Company.asp). (accessed January 23, 2015).

their profit margins to determine which vehicles to mass produce, in order to capture a larger share of the market. General Motors differed substantially from Ford Motor Company, because of the use of statistical analysis. This enabled GM to position itself to challenge Henry Ford's efforts to produce an in-expensive and standardized vehicle that appealed to the masses.<sup>78</sup> General Motors analyzed cost projections to establish payment plans for its customers, so that the cost of a vehicle became more affordable.<sup>79</sup> The company's strategy also focused on designing and producing diverse models for its different car lines. Durant and Sloan aimed to produce a different car that was affordable to ordinary consumers. Both Durant and Sloan sought to manufacture a "car for every purse and purpose."<sup>80</sup>

In 1908, William Durant established General Motors Corporation and became its president with the merger of Buick and Oldsmobile into one automobile company.<sup>81</sup> His presidency was marked by rapid growth and the diversification of the company, but Durant left General Motors with some structural and organizational problems and a large leadership gap. During his tenure as president, Durant acquired other car companies and incorporated their ideas and resources into the parent company.<sup>82</sup> Without relying on the technical advice of his division heads, Durant could not determine the pace and growth of the consumer market. In 1909, to use one example, Durant purchased the Elmore Manufacturing Company for one-half million dollars; seven years later, it sold for only

<sup>78</sup> Christopher W. Wells, "The Road to the Model T," 521-522.

<sup>79</sup> James J. Flink, "Three Stages of American Automobile Consciousness," 461-462.

<sup>80</sup> Joshua Davidson, "Sloan, Alfred Pritchard, Jr.," Heritage Center: Generations of GM History <http://www.history.gmheritage.com/> (accessed July 22, 2013); Thomas A. Stewart et al., "The Businessman of the Century: Henry Ford, Alfred P. Sloan, Tom Watson, Jr., and Bill Gates," CNN Money [http://www.money.cnn.com/magazines/fortune/fortune\\_archive/1999/11/22/269067/](http://www.money.cnn.com/magazines/fortune/fortune_archive/1999/11/22/269067/) (accessed July 28, 2013.)

<sup>81</sup> Ed Cray, *Chrome Colossus*, 71-75.

<sup>82</sup> Richard Hornik, "Alfred Sloan, General Motors and the Rise of Corporate America," A & E Chicago Daily Tribune, <http://www.articles.chicagotribune.com/2003-01-19/entertainment/0301170455> (accessed July 28, 2013.)

\$50,000. Durant was certain that the company produced marketable goods, because it manufactured the two-cycle motor that, in thirty years, became the diesel engine. Durant lost money on this acquisition. This occurred on many other occasions, such as the Durant's unprofitable purchases of Carter Car Company, Scripps-Booth Car division, Sheridan Car project and the Sampson Tractor Company.<sup>83</sup>

President of General Motors until 1920, Durant had shown great intuition and insight. As one observer said, he "worked from the top of his head."<sup>84</sup> Durant did not commit his concepts and ideas to paper. He worked without direction and mastered the details of the inter-workings of GM. Under Durant, General Motors became a diversified entity with many different divisions and segments.<sup>85</sup> Durant was seen as more risky than his successor Sloan, and even reckless in how he moved the company forward. Later GM president Sloan took risks, but he did so when he had the statistical data to support his claims.<sup>86</sup> Durant believed in the individual or executive who maintained an audience of subordinates that turned to him for direction. In many ways, his company leadership was similar to the administrative skills of Henry Ford, who believed in corporate centralization and worked only with a few given individuals. When Durant was ousted in 1920 due to his unsuccessful stock market dealings, Sloan was given a free hand by Pierre DuPont to restructure GM and make it a more profitable and organized entity.

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<sup>83</sup> Ernest Dale, "Contributions to Administration by Alfred P. Sloan Jr., and GM," 34-35.

<sup>84</sup> Ernest Dale, "Contributions to Administration by Alfred P. Sloan Jr., and GM," 32-33.

<sup>85</sup> H. Thomas Johnson, "Management Accounting in an Early Multidivisional Organization," 492, 494.

<sup>86</sup> Ernest Dale, "Contributions to Administration by Alfred P. Sloan Jr., and GM," 32.



Under the leadership of the DuPont family from 1920 to 1923, GM executives and management practiced corporate paternalism in its factories and among its workers.<sup>87</sup> Douglas Reynolds argued that this practice of promoting corporate paternalism was necessary for establishing social control over workers and maintaining organized work conditions at the level of manufacturing plants. It also was important in retaining workers, especially skilled workers, for efficient factory production. Corporate paternalism enabled General Motors to become more technologically astute; because most workers benefited from a vast array of corporate social programs, and new machines were continually introduced at the various General Motors plants. The DuPont family cared for many of its employees within this rhetoric of paternalism and sought to produce vehicles for the masses. But according to John Cunningham Wood and Michael Wood, GM's paternalist housing and savings programs were eliminated in 1932 as the Depression took hold.<sup>88</sup>

Under Durant's leadership, GM had begun to show signs of trouble due to its lack of management centralization.<sup>89</sup> Alfred P. Sloan, Jr., who was then a junior executive, observed these problems, and he created an "Organization Study" after Durant's departure in 1920.<sup>90</sup> In this study, Sloan developed the concept of organized decentralization or

<sup>87</sup> Douglas Reynolds, "Engines of Struggle: Technology, Skill and Unionization at General Motors, 1930-1940," *Michigan Historical Review* 15, no. 1 (Spring 1989): 75.

<sup>88</sup> John Cunningham Wood and Michael Wood, *Alfred P. Sloan: Critical Evaluations in Business and Management* (London: Routledge, 2003), 352.

<sup>89</sup> F. G. Donner, "General Motors Budgetary Control," *Accounting Review* 7, no. 1 (March 1932): 23; Stephen B. Goddard, "The Road to Now," 37.

<sup>90</sup> Clarke Simmons, "The Sloan Legacy," London Business School, [http://www.london.edu/newsandevents/news/2009/11/the\\_sloan\\_legacy\\_1046.html](http://www.london.edu/newsandevents/news/2009/11/the_sloan_legacy_1046.html). (accessed February 27, 2013; Richard Hornik, "Alfred Sloan, General Motors and the Rise of Corporate America," *Chicago Tribune*, <http://articles.chicagotribune.com/> (February 27, 2013).

diffusion for the company.<sup>91</sup> Each division would be independent and have its own responsibilities, but division heads would be brought together to discuss management policies and practices under the leadership of the company's president and directors, who took on the ultimate management role. Each division handled its day-to-day operations, and the centralized management core made the executive decisions.<sup>92</sup> At the same time, each division contributed to the decision-making processes of the entire corporation through new channels. Each division was linked by an administrative core that worked on budgeting, hiring, forecasting, and reporting sales.<sup>93</sup> Lastly, each division maintained subdivisions that were responsible for advertising, purchases, car design and production.

GM's Executive Division was the central planning entity that, combined with the Finance and Inventory Divisions, was in charge of the allocation of resources and logistics. The Operations Division handled the ideas and contributions from division managers,<sup>94</sup> but, here too, the Executive Division maintained the ultimate decision-making powers. It confirmed and ratified any proposals from the lower echelons of General Motors Corporation. Sloan believed in sustaining this type of de-centralized process, because he maintained that the division leaders followed more willingly and enthusiastically decisions and directions in which they took a part in developing. The division leaders realized that their ideas had a place in the company. Sloan did not believe in using the carrot or the stick

<sup>91</sup> S.T., "The Automobile Industry: Introduction," *The Business History Review* 65, no. 4 (Winter 1991): ix- x; Gene Smiley, "The U.S. Economy in the 1920s," Economic History Services, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013).

<sup>92</sup> H. Thomas Johnson, "Management Accounting in an Early Multidivisional Organization: General Motors in the 1920s," *Business History Review* 52, no. 4 (Winter 1978): 491.

<sup>93</sup> Thomas A. Stewart et al., "The Businessman of the Century: Henry Ford, Alfred P. Sloan, Tom Watson, Jr., and Bill Gates," CNN Money [http://www.money.cnn/magazines/fortune/fortune\\_archive/1999/11/22/269067/](http://www.money.cnn/magazines/fortune/fortune_archive/1999/11/22/269067/) (accessed July 28, 2013); Arthur J. Kuhn, *GM Passes Ford, 1918-1938*, 140.

<sup>94</sup> Robert F. Freeland, "The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924-1958," *Business and Economic History* 25, no. 1 (Fall 1996): 33.

to reward or sanction corporate behavior. He wanted all parties to become involved and play a dynamic role in the betterment of corporate practices.<sup>95</sup>

Sloan used cost accounting and profitability measures to shape the company's expansion and diversification. Sloan did not just examine sales percentages but he looked at profitability. In contrast, Sloan believed that cost accounting could be used to augment sales projections and establish their relationship to profitability.<sup>96</sup> In Sloan's eyes, the volume of sales was less important than profitability and performance.

From its origins until the 1920s, GM produced a wide range of vehicles, but it did not examine supply and demand curves to determine production levels. The number and diversity of models that GM produced each year left the company with excess inventory that both reduced cost effectiveness and ate away at profits. This differed from Durant who was only concerned with producing vehicles. He did not examine what was in demand or the marginal utility of certain products. What appealed to the consumer was not discussed until Sloan began to forecast sales and analyzed supply and demand. As a result, Sloan established the "annual operating forecast," which enabled executives to perform a comparative analysis with the other divisions and coordinate production with their financial aims.<sup>97</sup>

Sloan encouraged each division to create sales reports and budgets to illustrate how the allocation of capital would be used and its projections on an annual basis. Each divisional chief executive produced pricing studies and monthly sales projections, so that

<sup>95</sup> Walter A. Friedman, "My Years with General Motors: Fifty Years On," Harvard Business Review, <http://www.hbr.org/2014/03/my-years-with-general-motors-fifty-years-on/> (accessed January 23, 2015).

<sup>96</sup> Seth W. Norton, "Information and Competitive Advantage: The Rise of General Motors," *Journal of Law and Economics* 40, no. 1: 245-248; Ernest Dale, "Contributions to Administration by Alfred P. Sloan, Jr.," 33.

<sup>97</sup> H. Thomas Johnson, "Management Accounting in an Early Multidivisional Organization," 493.

GM could establish a pricing system that was competitive with other automobile makers. It allowed them to design a product line that appealed to the masses. Monthly forecasts enabled divisional managers to examine trends from other companies in the automotive sector and project their sales percentages. Every effort was made to determine the conditions of the marketplace so that GM products could be placed safely in the consumer demand environment.<sup>98</sup>

General Motors integrated new production technologies during the decade, creating greater efficiency, but also reducing the number of workers needed to produce vehicles. The adoption of each new generation of machine technology eroded the skill base of assembly line workers. Innovation created machines that performed a growing number of tasks. This meant two things—first, the amount of training most production workers needed steadily declined; second, most workers were no longer specialized in particular tasks. Many General Motors' employees worried about their jobs and sought to retain their positions, even though they could be terminated at any time. With corporate paternalism, management controlled worker behavior and conditions in plants could improve.<sup>99</sup>

On May 10, 1923, Pierre S. DuPont resigned as President of General Motors and was replaced by Alfred P. Sloan Jr., who also served as Chief Executive Officer for the company.<sup>100</sup> This was an important step for Sloan, who had an extensive industrial and

<sup>98</sup> H. Thomas Johnson, "Management Accounting in an Early Multidivisional Organization," 501.

<sup>99</sup> Douglas Reynolds, "Engines of Struggle: Technology, Skill and Unionization at General Motors, 1930-1940," *Michigan Historical Review* 15, no. 1 (Spring 1989): 75.

<sup>100</sup> Obituary, "Alfred P. Sloan Jr. Dead at 90; G.M. Leader and Philanthropist," *The New York Times*, <http://www.nytimes.com/learning/general/onthisday/bday/0523.html>. (accessed April 27, 2012); Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 111-112; "Big has always been the rule at General Motors," *Automotive News*, April 29, 1996; Clarke Simmons, "The Sloan Legacy," London Business School, [http://www.london.edu/newsandevents/news/2009/11/the\\_sloan\\_legacy\\_1046.html](http://www.london.edu/newsandevents/news/2009/11/the_sloan_legacy_1046.html). (accessed February 27, 2013); Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw Hill Book Company, 1980); 217.

manufacturing background. He had graduated with a degree in electrical engineering from Massachusetts Institute of Technology at the age of twenty and worked for Hyatt Bearing Company of Newark, New Jersey, before taking a position at General Motors Corporation.<sup>101</sup> Sloan had been so successful at Hyatt that he invested five thousand dollars in that company and within six months had generated a profit of over twelve thousand dollars.<sup>102</sup> Sloan had maintained complete control over Hyatt and the company had been better served, because of his presence and decision-making capabilities.<sup>103</sup>

Sloan was selected to become the Chairman of the Executive Division, the entity that made the important administrative decisions for GM. The Executive Division consisted of the president of GM and member representatives from the various sub-divisions. Sloan maintained executive control, and he made the most critical decisions for GM. Sloan worked with the Financial Division, which made all of the economic and financial decisions for the firm. The Financial Division allocated capital and material resources to the many divisions at GM so its industrial role was taken seriously.

General Motors Corporation began to work on the organization and the updating of production, inventory control, and economic planning during the early 1920s. This occurred, because Sloan and Donaldson Brown, who served as vice president for the Financial Department, argued that material resources used in the production process were in peril; inventory control was non-existent, and the company had borrowed over eight

<sup>101</sup> Joshua Davidson, "Generations of GM History: Sloan Alfred Pritchard, Jr.," General Motors Heritage Center, <http://gmheritagecenter.com>. (accessed April 27, 2012).

<sup>102</sup> David Farber, *Sloan Rules*, 11.

<sup>103</sup> *Ibid.*

billion dollars.<sup>104</sup> There were no financial or fiscal requirements or stipulations that each division had to follow. Brown felt that it was imperative and essential for him to communicate his viewpoints with Sloan who immediately provided him with the necessary assistance to track inventory stocks. Normally, if sales projections were high, then the volume of inputs or material resources was increased to target and meet demand. Corporate executives at GM had to publish and present to the management core an Analysis of Production Requirements. According to Anil K. Kashyap and David W. Wilcox, “the function of this analysis was to record each of the elements of the inventory accumulation identity: stocks on hand at the beginning of the forecast period, projected retail deliveries during the forecast period, desired stocks at the end of the forecast period, and—as a residual—the indicated maximum production required.”<sup>105</sup> This report enabled corporate executives and dealers-principal at GM to anticipate stock levels and consumer demand. Moreover, dealerships held on to merchandise during the off-season and received more vehicles during peak periods. The analytical report enabled dealers and GM executives to determine when to deliver cars to all dealerships and when to anticipate their arrival date.

By 1929, GM was faced with deteriorating economic conditions, including declining stock prices, tighter credit, a slow-down in consumer purchasing, and price deflation. It also had a growing inventory at a time when competition among car companies increased. As two analysts noted, “new car registrations fell more than 2.7 million units (over 70

<sup>104</sup> Anil K. Kashyap and David W. Wilcox, “Production and Inventory Control at the General Motors Corporation During the 1920s and 1930s,” *American Business Review* 83, no. 3 (June 1993): 384.

<sup>105</sup> Anil K. Kashyap and David W. Wilcox, “Production and Inventory Control at the General Motors Corporation During the 1920s and 1930s,” 385.

percent) between 1929 and 1932.”<sup>106</sup> Fewer Americans were purchasing vehicles; still, if the new sales and inventory projections had not been put in place, GM would not have been able to keep track of its inputs and vehicle accessories and overproduction would have continued to hinder the company’s performance. Its monetary resources would have been wasted on unneeded spending. While it did not serve its workforce well, company leadership cut production lines and tried to adjust to the economic crisis. With the Great Depression came new GM policies such as the curtailment of the Preliminary Analysis of Production Requirements. After May 1932, the management core or central office was only notified by the various divisions about inventory levels when there was a modification of ten percent or more in the total production figures for a given forecast period, because this affected the entire GM sales predictions. Under Sloan, G.M.’s market-share increased from 12 percent to 52 percent globally.<sup>107</sup> General Motors Corporation surpassed Ford Motor Company in 1927, because of its strong Cadillac and Chevrolet sales; and assumed the responsibilities of an industrial superpower in the production of more diverse vehicles from its various car lines.

In summary, General Motors Corporation experienced some of the economic downturns and successes in parallel ways to the Ford Motor Company in the 1920s. For example, in terms of profitability during the first half of 1926, General Motors Corporation generated a profit of \$93,285,674 or \$17.33 per share of common stock.<sup>108</sup> Clearly, GM did make substantial profits that drove them pass Ford Motor Company and into the number

<sup>106</sup> Anil K. Kashyap and David W. Wilcox, “Production and Inventory Control at the General Motors Corporation During the 1920s and 1930s, 386.

<sup>107</sup> Obituary, “Alfred P. Sloan Jr. Dead at 90; G.M. Leader and Philanthropist,” The New York Times, <http://www.nytimes.com/learning/general/onthisday/bday/0523.html>. (accessed April 27, 2012); “The Automobile Age,” ix.

<sup>108</sup> Robert Dunn Collection, Box 2, Folder entitled Employer Organization, Archives of Labor and Urban Affairs, Wayne State University.

one spot in automobile sales and market-share. Ford and GM, however, maintained different corporate policies that drove their day-to-day business operations. GM believed in using projections and forecasting to sell their durable products while Henry Ford sought industrial centralization. Henry Ford did not want to relinquish control over his decision-making processes to interior or outside parties. He sought total control. Both Sloan and his predecessor, Durant, believed in corporate diffusion, which was a tool used by Ford Motor Company and Chrysler in later years.<sup>109</sup> The ways that both companies operated determined the rate at which they handled the effects of the Great Crash of 1929 and the Great Depression in the 1930s. Both companies weathered the storm, but Ford Motor Company suffered a little more, because of the lack of diverse product lines while GM sold a plenitude of vehicles that had different design features. Standardization affected Ford Motor Company in a negative way, because it only mass-produced one type of vehicle that could be “painted in any color as long as it was black”<sup>110</sup> while GM purchased new companies to incorporate design qualities into their final products.

As we will see in later chapters, both Ford and GM were affected with the emergence of the Roosevelt administration and the creation of industry codes under the National Industrial Recovery Act. Henry Ford was dissatisfied with the ascension of Franklin Delano Roosevelt to the American presidency while Sloan was more content with Roosevelt and the New Deal’s initial policies. Sloan was excited with the inauguration of Franklin Delano Roosevelt on March 4, 1933. Henry Ford was less inspired by the Roosevelt

<sup>109</sup> Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 14-16.

<sup>110</sup>“The Automobile Age,” 72; Alfred D. Chandler, Jr., ed., *Giant Enterprise*, 37.



Administration, because he had been an avid supporter of Herbert Hoover.<sup>111</sup> Henry Ford did not sign the codes of fair competition for the automotive industry until August of 1934, while Sloan approved them wholeheartedly. Both companies believed in fair wages and the reduction of hours to improve upon employment levels, but Henry Ford did not approve of section 7(a) of the National Industrial Recovery Act. Sloan was more accommodative in the sense that he argued in favor of the codes and collective bargaining, but did not stand for the closed shop. We will see in subsequent chapters how Roosevelt's policies played out in the automotive sector and the roles of Henry Ford and Alfred P. Sloan Jr. It made for interesting politics and profound business transactions.

### The Petroleum Industry and the Political Economy of the 1920s

The petroleum industry was another key player in the market for automobiles and in the economic expansion of the 1920s. The remaining portion of this chapter will discuss the efforts of American policymakers and corporate executives from the petroleum industry to control their business operations. It will also illustrate the efforts of American policymakers to handle the Teapot Dome crisis from 1921 to 1924, as this event shows a different relationship between government and industry.

The oil industry in the 1920s emerged from the Great War with great confidence. Petroleum was and is an important commodity. Oil production and refining helped drive the national economy, especially as the automotive sector developed rapidly in the United

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<sup>111</sup> Philip A. Grant Jr., "The Presidential Election of 1932 in Michigan," *Michigan Historical Review* 12, no. 1 (Spring 1986): 87-88.

States and global system.<sup>112</sup> Throughout this period, the oil industry experienced an economic boom and production increased exponentially. For example, from 1910 to 1920, oil production in California increased from 77.7 million barrels to 103.4 million barrels.<sup>113</sup> Also, Oklahoma served as the nation's largest oil producer until 1923, when it was surpassed by California. Oklahoma produced 278 million barrels of oil in 1927.<sup>114</sup> Moreover, in the United States, gasoline production increased at a rapid pace. Petroleum production accounted for about 48 percent of all forms of oil commodities and by 1929, its manufacture increased fourfold.<sup>115</sup>

Overproduction and the determination of oil prices have been a controversial issue in the petroleum industry. American businessmen such as John D. Rockefeller of Standard Oil sought to control the production and shipment of oil and gasoline in the United States. But he was not able to corner the market, in part because each state maintained its own petroleum regulations.<sup>116</sup> Moreover, the number of oil companies proliferated as gasoline became the oil industry's chief product, because most technological sectors benefited from the rise of the internal combustion engine that used gasoline. Their central market was supplying filling stations with enough gasoline to cater to their consumers on roads throughout the United States. For instance, by 1929, there were approximately fifteen and one half thousand petroleum companies that provided gasoline stations with their

<sup>112</sup> Dillard Spriggs, "Forecasting Oil Industry Profits," *Financial Analysts Journal* 22, no. 5 (Sept-Oct 1966): 49; Melvyn P. Leffler in "Expansionist Impulses and Domestic Constraints," *Economics and World Power*, 231.

<sup>113</sup> "Oil and Gas Production: History in California," Oil & Gas History <ftp://ftp.consrv.ca.gov/publ/oil/history/history-of-calif.pdf> (accessed July 19, 2013).

<sup>114</sup> Dan T. Boyd, "Oklahoma Oil: Past, Present, and Future," Oklahoma Geological Survey <http://www.ogs.ou.edu/fossilfuels/pdf/okoilnotespdf.pdf> (accessed July 19, 2013).

<sup>115</sup> Richard B. Morris and Jeffrey B. Morris, *Encyclopedia of American History* (New York: HarperCollins Publishers, 1996), 713.

<sup>116</sup> Bob Vavra, "Rockefeller's Power, Wealth Changed American Business," *National Petroleum News*, December 2000.

manufactured products throughout the Middle West.<sup>117</sup> The federal government had regulated loosely the oil industry during this period, but state laws also shaped petroleum drilling, transport, and refining. Further, each state had its own goals and obligations. As an example, the state of Texas had its own regulations regarding proration which were forms of price and production controls.<sup>118</sup> Humble Oil (Exxon) under its President William S. Farish attempted to receive a proration contract to produce 30,000 barrels of oil per day at the Hendrick field in Texas in the 1920s.<sup>119</sup> Although Farish was unsuccessful, this move would have been unprecedented if it had been implemented.

Surpluses of oil have always been problematic for the large producers such as Standard Oil. Large supplies and multiple suppliers lowered prices and led to an oversupply of oil. The federal government, however, maintained an enormous amount of public lands that had mineral resources. If these lands were sold to the private sector, then the government might, on the one hand, encourage further oil drilling but also stood to lose strategic oil reserves. Under the business-friendly Harding and Coolidge administrations, this was not entirely unwelcome. At the same time, however, greater oil production lowered oil prices. For example, in 1929, the American Petroleum Institute attempted to limit oil production in Texas, because the supply of this commodity expanded greatly causing depressed prices from 3 dollars per barrel to a few pennies per barrel.<sup>120</sup>

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<sup>117</sup> Keith Reid, "NPN's 95<sup>th</sup> Anniversary: Filler'er Up," *National Petroleum News*, March 2004; Keith Reid, "NPN's 95<sup>th</sup> Anniversary: How Many Sisters," *National Petroleum News*, November 2004. Reid contended that from 1920 to 1930, there were 12,000 more gasoline stations in the United States to serve vehicle owners. The market for gasoline was expanding.

<sup>118</sup> Texas State Library & Archives Commission, "The Oil Wars: Blood of War, Blood of Peace," Texas State Library <https://www.tsl.state.tx.us/exhibits/railroad/oil/page3.html> (accessed July 20, 2013).

<sup>119</sup> Texas State Library & Archives Commission, "The Oil Wars: Blood of War, Blood of Peace," Texas State Library, <https://www.tsl.state.tx.us/exhibits/railroad/oil/page3.html>. (accessed July 20, 2013)..

<sup>120</sup> Texas State Library & Archives Commission, "The Oil Wars: Blood of War, Blood of Peace," Texas State Library <https://www.tsl.state.tx.us/exhibits/railroad/oil/page3.html> (accessed July 20, 2013).

Private lands in the United States were utilized by petroleum corporations to generate high profit margins, but public lands were not tampered with and oil companies had to receive special permission to lease those lands. Thus, the private sector worried about the oversupply of oil. They were concerned deeply if and when public lands were placed within the hands of the private sector and how the transfer would occur. Obviously, companies wanted access to petroleum reserves, but they sought to limit competition and discourage new companies from entering the market. Malfeasance and corruption did not always plague the private and public sectors, with the exception of the Teapot Dome Scandal of 1921-1924. Both sides sought to ensure that the American people benefited from the regulation of the oil industry and that the interests of oil corporate executives were satisfied.

During the 1920s, there was an enormous scandal that involved the leasing of public lands reserved for the United States' Naval fuel.<sup>121</sup> The naval oil reserves were necessary, because naval sea vessels were no longer using coal. The United States had begun powering their ships with petroleum by the First World War.<sup>122</sup> From 1921 to 1924, Secretary of the Interior Albert Bacon Fall sold the rights to the naval petroleum reserves at Elk Hills, Buena Vista in California and the Teapot Dome in Wyoming to private sector oil corporations.<sup>123</sup> The leasing of these public lands was not the problem, but Secretary Fall

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<sup>121</sup> Laura Lindley, "Of Teapot Dome, Wind River and Fort Chaffee: Federal Oil and Gas Resources," *Natural Resources & Environment* 10, no. 1 (Summer 1995): 24; John Earl Haynes, ed., *Calvin Coolidge*, 249; David H. Stratton, "Behind the Teapot Dome: Some Practical Insights," *The Business History Review* 31, no. 4 (Winter 1957): 385; Joshua Green, "Schools for Scandal," *Atlantic Monthly*, March 2006. <http://www.theatlantic.com>. (accessed March 14, 2015).

<sup>122</sup> Patrick Crow, "Teapot Dome's Legacy," *The Oil and Gas Journal*, September 4, 1995; Frederic D. Schwarz, "Teapot Starts to Boil," *American Heritage*, April 1997. <http://www.americanheritage.com>. (accessed March 14, 2015).

<sup>123</sup> Earl F. Woodward, "Hon. Albert B. Fall of New Mexico: The Frontier's Fallen Star of Teapot Dome," *Montana: The Magazine of Western History* 23, no. 1 (Winter 1973): 22-23; Frederick Lewis Allen, *Only Yesterday*, 159-172;

accepted a questionable loan of about one hundred thousand dollars from Edward B. McLean and Edward F. Doheny. Secretary Fall's son-in-law received three hundred thousand dollars in bonds from Harry Sinclair. Sinclair's Mammoth Oil Company provided these funds to Secretary Fall and his family members, because the company acquired a lease of the entire Teapot Dome reserves in Wyoming and other reserves in California. The lease contract was questionable, because Secretary Fall did not allow other private companies in the United States bid for the rights to drill on these lands.<sup>124</sup> Secretary Fall argued that he could obtain more lucrative leases without the establishment of public auctions. An investigation uncovered this scandal.

After Senate hearings headed by Thomas J. Walsh from Montana,<sup>125</sup> and a court case, Secretary Fall was sentenced to one year in prison and one hundred thousand dollars in fines. Other parties, including Sinclair and Doheny, as well as the Attorney General, were involved in this debacle, but no one else was prosecuted.<sup>126</sup> Historian Frederick Lewis Allen has argued that even Secretary of the Treasury Andrew W. Mellon may have been involved in this scandal, and accusations of graft and corruption surrounded the Harding administration.<sup>127</sup>

During the 1920s, the oil industry in the public sphere argued for a policy of government non-intervention, but, in fact, like most mining and mineral concerns, the

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Gerald D. Nash, *United States Oil Policy, 1890-1964: Business and Government in Twentieth Century America* (Pennsylvania: University of Pittsburg Press, 1968), 73-77; "The United States Turns Inward: the 1920s and 1930s," Scholastic, <http://www.scholastic.com/browse/subarticle.usp?id=1674>. (accessed April 5, 2013).

<sup>124</sup> Frederic D. Schwarz, "1922," *American Heritage*, April 1997. <http://www.americanheritage.com>. (accessed March 14, 2015); Frederic D. Schwarz, "1923," *American Heritage*, October 1998; Gary Alan Fine, "Hail to the Crook," *Reason*, November 1996.

<sup>125</sup> David H. Stratton, "Two Western Senators and Teapot Dome: Thomas J. Walsh and Albert B. Fall," *The Pacific Northwest Quarterly* 65, no. 2 (April 1974): 59-64.

<sup>126</sup> David H. Stratton, "Behind the Teapot Dome," 386.

<sup>127</sup> Frederick Lewis Allen, *Only Yesterday*, 170-171.

petroleum industry was heavily subsidized by government resources. Each company had its own corporate rules and regulations, and the state, local and federal governments did attempt unsuccessfully to regulate the industry and ensure that each business played by the same rules. Moreover, corporations began to examine supply and demand curves as well as production figures to develop their prices for oil, prices that many argued were the products of corporate collusion and clandestine dishonesty. Further, restrictions on petroleum extraction and refining served the interests of corporations. High demand meant a lowered supply with high prices for petroleum while high supplies led to discounted oil prices.<sup>128</sup>

With a growing emphasis upon the use of proration, which were forms of price and production controls, supply and demand levels for oil and, thus, prices were controlled to make sure that all businesses benefited from this industrial and economic system. As overproduction in the United States became more problematic, the oil industry continued to press the federal government to limit supply and provide this sector with price supports. The south and southwestern states such as California, Louisiana, Oklahoma and Texas produced the majority of this nation's oil, and it became necessary to provide these states with the appropriate regulations to raise oil prices and establish production controls.<sup>129</sup>

Throughout the 1920s, oil supplies in the United States were high, which caused Standard Oil of New Jersey, Royal Dutch-Shell and Anglo-Persian to export a large part of their oil reserves overseas.<sup>130</sup> Moreover, in 1900, the United States produced forty-three

<sup>128</sup> Dillard Spriggs, "Forecasting Oil Industry Profits," 50.

<sup>129</sup> Gerald D. Nash, "Oil in the West: Reflections on the Historiography of an Unexplored Field," *Pacific Historical Review* 39, no. 2 (May 1970): 201.

<sup>130</sup> Emily Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945* (New York: Hill and Wang, 1982), 132.

percent of the world supply of oil, while, in 1926, American corporations produced seventy percent of the global reserves.<sup>131</sup> The United States was noted for its automotive industry, but the petroleum sector supported the economic transactions of their automotive counterparts.<sup>132</sup> Oil became a defining commodity that could be used for the betterment of the national economy. The rise of the internal combustion engine and its use in automobile production meant that oil and gasoline were two commodities that redefined American living standards and promoted social mobility. Moreover, it led to the rise of American multinational corporations that controlled valuable material resources and pursued strong American policies domestically and internationally. Oil companies and their counterparties in the automobile sectors dominated public policies and promoted the growth of their business practices.

Although oil supplies were already high in the United States and corporations began to perform their own statistical analyses, new oil fields, especially in Texas, were developed. Some corporate leaders such as Henry L. Doherty of Empire Gas and Fuel of California started to advocate for conservation policies, in part to control access to petroleum reserves and out of a sense of how future supply and demand might play out.<sup>133</sup> Other Americans sought to preserve the national landscape and to avoid looking for new reserves, because oil was so plentiful in this country. In the Southwestern part of the United States in such places as Texas, Oklahoma and California, new reserves were located and oil was drilled, which increased the supplies of this commodity nationally. However,

<sup>131</sup> Albert D. Brokaw, "Oil," *Foreign Affairs* 6, no. 1 (October 1927): 89.

<sup>132</sup> Emily Rosenberg, *Spreading the American Dream*, 123.

<sup>133</sup> Norman Nordhauser, "Origins of Federal Oil Regulation in the 1920s," *The Business History Review* 47, no. 1 (Spring 1973): 53; Debra Reschke, "National Petroleum News' 100<sup>th</sup> Anniversary," *National Petroleum News*, March 2009. Reschke argued that in 1930, a substantial oil field was discovered in East Texas.

transportation networks that needed to move the commodity from the drilling grounds to the filling stations may have been largely underdeveloped. This implied that oil stocks were not widely available in all parts of the United States.<sup>134</sup>

American corporations, following the Great War, sought to work together for the benefit and betterment of the oil industry, but Norman Nordhauser believed that their efforts were somewhat misplaced. The maturation period of American oil companies may not have occurred, because the oil men did not worry about working together when there were no new oil fields and the supply levels could be maintained. Thus, corporations did not discuss the unification of state and federal laws, because supply levels did not always increase dramatically. But as the automobile companies produced more vehicles, demand for oil increased and this implied that petroleum corporations had to work together to maintain supplies. For example, American oil consumption increased by fifty-three percent from 1915 to 1919, and in 1920, the use of petroleum advanced by 27 percent.<sup>135</sup>

In December of 1924, Doherty's efforts at conservation came to the forefront; and the Coolidge administration created the Federal Oil Conservation Board.<sup>136</sup> This organization had been designed to study and research issues of grave importance to the petroleum industry, and to report their findings to the federal government and industry leaders. Finally, corporate executives and government officials began to communicate with one another for the betterment of the oil industry. In an effort to assist the Conservation Board, the American Petroleum Institute established a special committee to locate

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<sup>134</sup> Ibid.

<sup>135</sup> James D. Hamilton, "Historical Oil Stocks," [http://www.dss.ucsd.edu/~jhamilito/oil\\_history.pdf](http://www.dss.ucsd.edu/~jhamilito/oil_history.pdf). (accessed July 22, 2013).

<sup>136</sup> Norman Nordhauser, "Origins of Federal Oil Regulation in the 1920s," 65; Gerald D. Nash, "Oil in the West," 197-198; Gerald D. Nash, *United States Oil Policy, 1890-1964: Business and Government in Twentieth Century America* (Pennsylvania: University of Pittsburg Press, 1968), 72.



statistical data and provide that information to the Conservation Board. Their job was strictly research and their findings could enable the Conservation Board to develop sound industrial and economic policies. This was a significant development in the United States. By 1929, American oil corporations produced a substantial amount of energy commodities.<sup>137</sup> The United States became the largest energy producer and led the world in the production of coal, petroleum and electricity. American corporations produced a majority of steel and natural gas on the globe in the 1920s and the national economy was able to use petroleum and oil commodities to further standards of living in the United States.

In summary, in ways similar to General Motors in the 1920s, corporations in the petroleum industry began to use statistical analysis to limit the oversupply of oil in the United States. Although the petroleum industry was rocked by scandal, proration<sup>138</sup> and conservation, initiatives emerged as a means to control the supply and market for petroleum. But after 1929, the petroleum industry pressed for economic and industrial change. Oil companies not only sought to adapt to the reduced demand of the Depression, but also as a means of controlling market conditions in the future. Corporate executives argued that government controls over production were problematic and a detriment to their industry, but they wanted assistance in shaping the market. They sought policymakers who addressed these important issues. During the Great Depression of the 1930s, the NIRA and the industry codes provided sanctions to the oil industry; but overall, the oil men were not completely satisfied with the laws, statutes and other forms of

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<sup>137</sup> John Earl Haynes, ed., *Calvin Coolidge*, 192.

<sup>138</sup> Proration implies that a state may force an oil company to limit production or to have only a few drilling facilities to curtail production along with price control mechanisms.

regulations that had been written in their favor. For example, throughout the 1920s and 1930s, there was an intense debate about price controls or proration versus anti-price regulations or production controls.<sup>139</sup>

Moreover, policymakers and corporate executives from the petroleum industry vacillated as to whether the Interior Department could develop regulations for the oil sector. However, in other parts of the United States, especially the city of Los Angeles, policymakers had to contend with pollution in commercial fisheries as drilling sites proliferated.<sup>140</sup> Los Angeles had experienced an oil boom toward the end of the 19<sup>th</sup> century, and by the 1920s, Union Oil Company of Los Angeles became one of the largest petroleum firms in the region.<sup>141</sup> But with excess pollution, the California state legislature sought to regulate the oil industry. The state of California attempted to nationalize the entire oil industry in the Los Angeles area to prevent pollution from destroying its natural wild life. This implied that some states that produced large oil stocks strove to promote conservation as an alternative to poor environmental conditions that resulted from excessive drilling. Additionally, by the beginning of the Great Depression, production and price controls became essential for the oil industry, including Union Oil Company, that experienced a supply boom, which hampered the sector as petroleum decreased in value.<sup>142</sup>

During the Great Depression, the Department of the Interior became an important cabinet level agency that served as a dominant regulatory agency for the oil industry.

<sup>139</sup> Chicago Bureau "Ickes Warns U.S. may Curb Oil," *Wall Street Journal*, October 26, 1933.

<sup>140</sup> Nancy Quam Wickham, "Cities Sacrificed on the Altar of Oil: Popular Opposition to Oil Development in 1920s Los Angeles," *Environmental History* 3, no. 2 (April 1998): 201.

<sup>141</sup> Clark Davis, *Company Men: White-Collar Life and Corporate Cultures in Los Angeles, 1892-1941* (Baltimore: The John Hopkins University Press, 2000), 24-28.

<sup>142</sup> Clark Davis, *Company Men*, 202-203

Harold Ickes, Secretary of the Interior under the Roosevelt administration, was an industrial czar for the oil industry, and he provided petroleum companies with information so that their professional operations improved. The petroleum industry did maintain some industrial codes, but overall various companies were not completely satisfied with the ways in which the regulatory system was established. When the NIRA was declared unconstitutional in 1935, oil companies breathed a sigh of relief. Corporate executives had been concerned about the roles that the industrial codes played within their business operations. Industry leaders did not want the federal government to tell them how to conduct themselves in the domestic and global marketplaces. They wanted industrial and economic change, but the nature of these changes was in dispute.

## CHAPTER: THE GREAT CRASH OF 1929

The causes of the Great Crash of 1929 and the subsequent Depression of the 1930s have been the subject of ongoing economic and political debates in the United States and global system.<sup>1</sup> Central to these academic exchanges have been whether global or domestic circumstances such as the Treaty of Versailles, the use of a metallic standard and gold outflows, Stock Market speculation in the United States, or Federal Reserve policies and the banking system under the New York Branch Presidents Benjamin Strong and George Harrison were the major explanations for the economic crisis.<sup>2</sup> As Commerce Secretary and President, Hoover believed that globalization was key to understanding the crisis and that the United States could not remain an isolated nation in a multilateral world. Others such as Franklin Delano Roosevelt looked at domestic policies, such as Hoover's use of American Individualism and other self-help strategies, investments among the middle and working classes, and growing unemployment toward the end of the 1920s due to overproduction and depressed pricing for commodities and consumer goods.<sup>3</sup>

<sup>1</sup> "The Crash and Early Depression," Austin Community College District, <http://www.austincc.edu>. (accessed February 7, 2015); Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "The Stock Market Crash of 1929," Federal Reserve Bank of Richmond, <http://www.federalreservehistory.org>. (accessed February 7, 2015); U.S. Department of the State, "The Great Depression and U.S. Foreign Policy," Office of the Historian, <http://www.history.state.gov>. (accessed February 7, 2015).

<sup>2</sup> "Stock Market Crash," PBS, <http://www.pbs.org/timeline/stockmrktcrash.htm>. (accessed February 7, 2015); Timothy Cogley, "Monetary Policy and the Great Crash of 1929: A Bursting Bubble or Collapsing Fundamentals," Federal Reserve Bank of San Francisco, <http://www.frbsf.org>. (accessed February 7, 2015). Cogley believed that scholars over the decades were mistaken about the causes of the Great Crash. The economic fundamentals were present and the Federal Reserve did act in accordance with traditional methods of monetary policy. Eugene M. Lokey, "Along the Highways of Finance," *New York Times*, July 23, 1933; "Grass Traces Crash of 1929 to Credits," *New York Times*, April 23, 1932. Senator Glass, in 1932, asserted that cheap loans were used to speculate on Wall Street and this credit bubble did not last; "Trade Aids Get Most Attention," *Wall Street Journal*, December 9, 1931. Charles Merz, "Hoover Reports on the State of the Union," *New York Times*, December 13, 1931.

<sup>3</sup> Ivan Pongracic, Jr., "The Great Depression According to Milton Friedman," Foundation of Economic Education, <http://www.fee.org>. (accessed February 7, 2015). Pongracic argued that with high unemployment, there is an absence of consumer confidence as spending decreases and this may have been one of the causes for the Great

Michael Bernstein, Eric Rauchway, William Leuchtenburg, Elliot Rosen, Arthur Schlesinger, Jr., Bernard Asbell, George McJimsey, Peter Temin, Charles Kindleberger, Ellis Hawley, David Kennedy, John Kenneth Galbraith, Milton Friedman, Anna Jacobson Schwartz and others have argued that there were internal and external reasons for the coming of this difficult period in American history. This chapter seeks to point out the primary reasons for the emergence of the Great Depression by enumerating the central causes for the Crash of 1929. It will largely look at global and financial concerns, especially investment and credit strategies of consumers and corporations during the Hoover administration, and how they affected American and European economies.<sup>4</sup> It will assert that speculation, foreign loans, the Treaty of Versailles and German reparations, and the use of a metallic standard played a major role in bringing about economic and financial instability in the United States and its allies during this complex period in American history.<sup>5</sup>

This chapter seeks to chart the events that paved the way for the Great Crash of 1929. It will address the reasons for the economic crisis, examine the various interpretations of this event, and highlight the approaches that scholars have taken when they discuss this important event in American history. It will examine the domestic and international economic environment and how that affected public policy in the United States. There were many economic and political developments that took place globally

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Crash and Depression. James Gregory, "Economics & Poverty," University of Washington, <http://depts.washington.edu>. (accessed February 7, 2015).

<sup>4</sup> David M. Kennedy, "The Great Depression and World War II, 1929-1945," The Gilder Lehrman Institute of American History, <http://www.gilderlehrman.org>. (accessed February 7, 2015). Kennedy, in this article, examines the internal and external causes for the economic crisis and Roosevelt's response as president after 1933.

<sup>5</sup> "Investigating the Panic of 1929," *New York Times*, December 6, 1931. New York Times reporters argued that in 1931, the Senate was determined to locate the causes of the Stock Market Crash and argued that speculators had been warned to no avail about the coming of the crisis.

following the First World War. This chapter enumerates how the early years of the roaring 1920s became one of economic strife in 1929. It illustrates the emergence of economic and political interdependence, due to the coming of the collective security pacts of the League of Nations, and economic strategies such as the use of metallic standards and stock market speculation.

The Great Crash of 1929, from the stock market crisis to the onset of the economic depression, was a catastrophic event that caused political and social instability at home and abroad.<sup>6</sup> Some scholars have speculated whether it could have been prevented.<sup>7</sup> This chapter will not address this hypothesis but will focus on the central reasons for the emergence of one of the worst economic crises in American history. The Great Depression changed the ways that Americans and their international allies viewed the economic system in ways that are still reflected in domestic and foreign economic policies; and it must be understood as a crisis of the global system. The global system had become more interdependent and both Hoover and Roosevelt realized that the United States could not remain isolated from the rest of the world.

For most of the 1920s, the United States experienced unprecedented economic expansion and growth both domestically and globally. First, following the First World War, the United States became a creditor nation with a net balance of approximately \$3.5 billion.<sup>8</sup> It furthered its status as an economic juggernaut. Although many Americans were

<sup>6</sup> Debra Reschke, "National Petroleum News' 100<sup>th</sup> Anniversary," *National Petroleum News*, March 2009.

<sup>7</sup> Gary Richardson, "The Great Depression, 1929-1941," Federal Reserve Bank of Richmond, <http://www.federalreservehistory.org>. (accessed February 7, 2015). Richardson argued that during the Crash, the Federal Reserve System was decentralized and each branch made independent decisions. This caused indecision and chaos as each branch followed its own stipulations and remained isolated from other members.

<sup>8</sup> Melvyn P. Leffler in "Expansionist Impulses and Domestic Constraints," *Economics and World Paper: An Assessment of American Diplomacy since 1789*, edited by William H. Becker and Samuel F. Wells, Jr. (New York: Columbia University Press, 1984), 227.

cautiously optimistic, they seemed somewhat uncertain about their nation's new global role and its expanded responsibilities.<sup>9</sup> Public opinion was increasingly isolationist during the interwar period, as some scholars have denoted; but the United States took on its newly acquired global status, especially in the areas of international trade and investment.<sup>10</sup>

As Western Europe sought to recover from the war's devastation, the United States saw a mild postwar depression followed by rapid economic growth in key sectors of the economy.<sup>11</sup> The country controlled about forty percent of the world's gold reserves and, after the war, reigned as a powerful nation that provided liquidity or monetary resources to its European allies.<sup>12</sup> Since the United States became an immense global creditor nation, its portfolio contained about 12.6 billion in public accounts and among corporations of the private sector.<sup>13</sup>

With the end of the war, Woodrow Wilson asserted that Americans had to adopt a more international face. His successors followed that advice. From 1921 to 1933, American policymakers looked abroad and expanded their vision of foreign policy as a way to sustain world peace and further domestic economic growth.<sup>14</sup> Throughout the 1920s, the Republican administrations of Harding and Coolidge gave new priority to assisting

<sup>9</sup> Arthur M. Schlesinger Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal* (Boston: Houghton Mifflin, 1960), 64; Theodore Rosenof, "The Economic Ideas of Henry A. Wallace, 1933-1948," *Agricultural History* 41, no. 2 (April 1967): 147; Gene Smiley, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); Donald A. Ritchie, *Electing FDR: The New Deal Campaign of 1932* (Lawrence: University Press of Kansas, 2007), 9; Martin L. Fausold, *The Presidency of Herbert C. Hoover* (Lawrence: University Press of Kansas, 1985), 63; Frank Costigliola, "Anglo-American Financial Rivalry in the 1920s," *The Journal of Economic History* 37, no. 4 (December 1977): 911; "Recent Social Trends: A Review of Findings by President Hoover's Research Committee," *New York Times*, January 2, 1933.

<sup>10</sup> Emily Rosenberg, *Spreading the American Dream*, 142-143.

<sup>11</sup> "Black Tuesday," *Calliope*, May-June 2011, 32; Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: University of North Carolina Press, 1979), 42.

<sup>12</sup> Gene Smiley, *Rethinking the Great Depression*, 55.

<sup>13</sup> Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Cambridge: Harvard University Press, 1999), 97.

<sup>14</sup> Melvyn P. Leffler, "American Policy Making and European Stability, 1921-1933," *Pacific Historical Review* 46, no. 2 (May 1977): 207-208, 210, 212.

their allies through the support of international trade and investment, even as they emphasized the importance of domestic issues on the public agenda. No one expected that, toward the end of the decade, economic instability would become a global norm. Americans began to suffer from acute financial insolvency and a lack of liquidity that was equally, if not more, dire than Europe's postwar situation.<sup>15</sup> America's postwar economic strategy of loans and investment partially set the stage for the economic woes of the 1930s.

Historian Martin Kitchen has argued that Western European governments were isolationist after the war, because they had to face constituents at home, who may not have been as supportive of the League of Nations. Despite the guarantees of the Versailles Treaty, European nations worried about their national security concerns. For example, France demanded punitive restrictions be placed on the German military in the peace process and sought to control the Rhineland, which served as the German industrial base.<sup>16</sup> France sought further reassurances from the United States and Great Britain that both nations would come to its aid militarily in the case of another German invasion. Although the United States did not ratify the League of Nations treaty, its foreign policy sustained relations with other nations through trade and treaty obligations.<sup>17</sup> The Postwar treaty set the context for economic relations and also for the economic developments of the decade.

The Wilson administration fell short of its international goals in terms of the League, because of the absence of the Senate's ratification of the League of Nation's pact. His successors pursued an expansive trade policy and continued intervention in the Western Hemisphere. Franklin Delano Roosevelt completed the task started by his Democratic

<sup>15</sup> Eric Arnesen, "And the Market Crashes," *Cobblestone*, April 2006, 32.

<sup>16</sup> Melvyn P. Leffler in "Expansionist Impulses and Domestic Constraints," *Economics and World Power*, 263.

<sup>17</sup> Dexter Perkins, "Woodrow Wilson: An Interpretation," *Transactions of the Royal Historical Society, Fourth Series* 29 (1947): 116.



predecessor with continued engagement in European affairs and a foreign policy positioned for American leadership. Roosevelt's stance eventually modified public opinion and enabled Americans to assume their important place in the global system. He formed the industrial and manufacturing sectors in the United States and this relieved the domestic and global pressures for economic change.

In *The Great Crash: 1929*, economist John Kenneth Galbraith argued that, while many Americans were unsure about the country's role internationally, some of them began to invest in the Stock Market, foreign investments, and to speculate on Wall Street.<sup>18</sup> For middle-class Americans, stable production, steady wages, and low unemployment allowed them to imagine investing in the market. A growing number of citizens learned about stocks and bonds, and they were able to purchase shares of stock in American corporations. They did not necessarily want to "get rich," as scholars have traditionally asserted.<sup>19</sup> They were in it for the long haul and wanted to improve upon their economic station in life. Harold Bierman, Jr., also argued that investors that participated in the stock market were knowledgeable individuals.<sup>20</sup> They understood the fundamentals of economics and used their know-how to buy and sell stocks.<sup>21</sup> The new stock market trends led middle class Americans to invest in the global economy.

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<sup>18</sup> John Kenneth Galbraith, *The Great Crash: 1929* (New York: Houghton Mifflin Harcourt Publishing Company, 2009), 7, 9-10. He argued that middle class Americans invested in the stock market, because corporate earnings were satisfactory, internationalism became an important global aspect tied to their spending and Great Britain had returned to the gold standard in 1925. The pound was valued at \$4.86. There were some difficult times during the 1920s, but overall, American corporations performed well under those circumstances until the latter part of the decade.

<sup>19</sup> "Black Tuesday," *Current Events*, January 28, 2008, 4. <http://www.weeklyreader.com/current-events-maganize>. (accessed March 14, 2015).

<sup>20</sup> Harold Bierman, "The 1929 Stock Market Crash," EH.Net Encyclopedia, edited by Robert Whaples, <http://eh.net/encyclopedia/article/bierman.crash> (accessed July 14, 2013).

<sup>21</sup> Harold Bierman, Jr., "The 1929 Stock Market Crash," Economic History Association, <http://eh.net/encyclopedia/article/bierman.crash> (accessed July 14, 2013). Bierman argued that it was difficult to

The new middle class's new approach toward spending money purchasing stocks caused Herbert Hoover, in his memoirs, to discuss the issue.<sup>22</sup> Hoover's concerns remained muted temporarily. He did not issue warnings against speculation, in large part because he did not want to promote further financial instability or volatility on Wall Street.<sup>23</sup> However, by 1925, the *New York Times* and the *New York Financial Chronicle* provided the general public with some warning that the stock market speculation must end.<sup>24</sup> Hoover protested to the Federal Reserve Board Governor Daniel Crissinger and President Calvin Coolidge that the stock market was in a volatile range. Calvin Coolidge remarked that the Federal Reserve was a separate and independent agency and that the Federal government could not intervene. Later, in his memoirs, Herbert Hoover stated that he did not mention his concerns about the private sphere in press statements, because he believed that this might have contributed to economic problems.<sup>25</sup> But he did speak with his fellow public servants that the Stock Market on Wall Street may be in peril. Herbert Hoover believed that Americans were capable workers in the labor force. He asserted in press statements that Americans should not lack economic confidence,<sup>26</sup> even while he believed that Americans could turn around any economic storms that came their way.

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determine the volume of asset portfolios or a listing of stockholders, because this sort of information was not gathered until after the Crash of 1929 when statisticians began to keep records. Moreover, information on trust accounts was not maintained and investors did not keep good records.

<sup>22</sup> John Kenneth Galbraith, *The Great Crash*, 16.

<sup>23</sup> Justus D. Doenecke, "Hoover to Hiroshima: So You Think American History from the Great Depression through World War II Holds no Surprises," *Books & Culture*, November-December 2004.

<http://www.booksandculture.com/articles/2004/novdec/15.24.html>. (accessed March 12, 2015). In this article, Doenecke refuted the claim that a plenitude of middle class Americans participated in the Stock Market. He argued that 97.5 percent of Americans did not own any shares of stock.

<sup>24</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 5- 6, 8-9.

<sup>25</sup> Statement on the National Business and Economic Situation, *The Public Papers of the Presidents of the United States*, Volume 1: Herbert Hoover, October 25, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library, West Branch, Iowa.

<sup>26</sup> The President's News Conference, *The Public Papers of the Presidents of the United States*, Volume 1: Herbert Hoover, November 15, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library, West Branch, Iowa;

At first, the stock market speculation of the 1920s only seemed to contribute to a growing economy. Hundreds of millions of stocks changed hands on Wall Street. Contemporary analyst H. Parker Willis confirmed the new phenomenon:

During the year 1925, shares to the number of 452,000,000 had been traded in, and during 1926 as many as 449,000,000 shares, but during 1927 the tide mounted to 577,000,000 shares which were brought and sold.<sup>27</sup>

Despite new investment opportunities, Willis argued, interest rates were increasing, as American and British firms attempted to generate some revenue from the creation of new loans both at home and abroad.<sup>28</sup> These new loans were used to further speculate on Wall Street. It appeared that stockjobbers were making money, as the volume of trades increased steadily. Casual speculators did not make lots of money, because obtaining loans was expensive and subject to high rates of interest that American banks charged. Bankers made some money through the use of high interest loans, but what about stockjobbers? H. Parker Willis confirmed that, in 1928, loans on callable funds stood at about 15 to 16 percent.<sup>29</sup> Even if Americans or Europeans made money from stock market speculation, paying back their loans became a daunting task in the face of rising interest rates and fluctuating market prices.

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Statement Announcing a Series of Conferences with Representatives of Business, Industry, Agriculture and Labor, The Public Papers of the Presidents of the United States, Volume 1: Herbert Hoover, November 15, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library, West Branch, Iowa.

<sup>27</sup> H. Parker Willis, "Who Caused the Panic of 1929?" *The North American Review* 229, no. 2 (February 1930): 176; Charles A. Beard and George H.E. Smith, *The Future Comes: A Study of the New Deal* (New York: The Macmillan Company, 1934), 4-7

<sup>28</sup> Alexander J. Field, "A New Interpretation of the Onset of the Great Depression," *The Journal of Economic History* 44, no. 2 (June 1984): 495-496.

<sup>29</sup> Callable loans are financial contracts that can be redeemed on demand at any time by the credit provider. "First American Financial Restructured Debt," *Los Angeles Times*, April 30, 1992.

By the late 1920s, as contemporary columnist Harold James has shown, the Dow Jones Industrial Average increased dramatically. He wrote:

Between early 1926 and the spring of 1929, the Dow Jones Industrial Average index almost doubled, from 158.54 at the beginning of 1926 to 308.85 at the end of March; then it moved ahead even faster during the summer; with a peak of 381 on September 3.”<sup>30</sup>

The widespread speculation in stocks drove up stock prices. While some investors became squeamish, others sought to take profits from the market while it was at its zenith. George D. Green, a Federal Reserve researcher, reported that between 500 to 600 thousand individuals owned between 75 to 80 percent of the common stock issued in the 1920s.<sup>31</sup> The new middle class owned common stocks, but it was the prominent investors who controlled Wall Street. Stock Market wealth seemed to be concentrated mainly at the higher echelons of American society, but gradually, more ordinary Americans attempted, sometimes unsuccessfully, to acquire common shares of stock. This viewpoint that middle class Americans did not possess a significant amount of common stocks differed from the account provided by John Kenneth Galbraith.

After September 3, 1929, James continued, the Dow Jones Industrial Average experienced unpredictable and dangerous declines as investors sought to sell their shares of stock.<sup>32</sup> That year, October 24 to 29 were the worst days in American economic and

<sup>30</sup> Harold James, “1929: The New York Stock Market Crash,” *Representations* 110, no. 1 (Spring 2010): 133; Gene Smiley, *Rethinking the Great Depression*, 11; William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists and American Economic Policy, 1921-1933* (Cambridge: Cambridge University Press, 1985), 78.

<sup>31</sup> George D. Green, “Economic Impact of the Stock Market Boom and Crash of 1929,” Federal Reserve of Boston, <http://www.bos.frb.org/economic/conf/conf5.pdf>. (accessed July 16, 2013).

<sup>32</sup> “The Great Depression,” <http://www.westga.edu/~hgoodson/the%20great%20depression.htm>. (accessed February 17, 2013); Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw-Hill Book

financial history. Most scholars argue that the fall of the stock market directly contributed to the onset of the Great Depression of the 1930s.<sup>33</sup> In the wake of falling market prices throughout September and October 1929, there were bank failures in London, England, and the United States. The Dow Jones dropped significantly in terms of points, and stock values plummeted. On October 24, 1929, the Dow opened at 305.87 but closed at 299.47.<sup>34</sup> Moreover, the market lost between \$8 to 9 billion in stock valuation on Black Tuesday, October 29, 1929.<sup>35</sup> Weeks before, the Dow had dropped between 2 to 3 percent.<sup>36</sup> Americans had been accustomed to some market instability, but nothing like this had occurred since the Panic of 1873.<sup>37</sup> New Dealer Bernard Asbell recalled that “when the New York Stock Exchange headily opened on September 1, 1929, the aggregate value of all stocks was some \$89 billion. He estimated that stockjobbers had lost 83 cents for every dollar invested.”<sup>38</sup> The impact was devastating.

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Company, 1980); 264-265. In this book, he argued that millions of dollars in stock values were decreased during this period and that small investors suffered gravely.

<sup>33</sup> Bill Hrutky, “Black Tuesday Anniversary,” *Grit*, October 2004. <http://www.grit.com>. (accessed March 14, 2015); Gene Smiley, “The U.S. Economy in the 1920s,” Economic History Services, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013); Hugh Jebson, “The Great Crash of 1929,” *Hindsight*, January 2005, 22.

<sup>34</sup> John D. Harkrider, “Lessons from the Great Depression,” *Antitrust* 23, no. 2 (Spring 2009): 6-7; Aldo Svaldi, “Remembering the ‘29 Stock Market Debacle,” *Denver Business Journal*, October 15, 1999, 8A; “The Great Depression,” *Current Events*, September 26, 2011. <http://www.weeklyreader.com/current-events-magazine>. (accessed March 14, 2015).

<sup>35</sup> Nick Taylor, “A Short History of the Great Depression,” *New York Times*, July 22, 2013.

<sup>36</sup> Harold James, “1929: The New York Stock Market Crash,” 133; Albert U. Romasco, *The Poverty of Abundance: Hoover, the Nation, the Depression* (New York: Oxford University Press, 1965), 24-25; “Black Tuesday: A Worldwide, Crippling, Economic Downturn,” *Calliope*, May-June 2011. On Black Tuesday 1929, stock values decreased by one half and thirty million dollars was lost in stock market transactions; see Aldo Svaldi, “1929: The Crash,” *Denver Business Journal*, November 12, 1999. In this article, Svaldi argued that the stock market volumes on October 24, 1929, were at thirteen million shares. This figure illustrates the financial instability that Wall Street faced and confirmed the notion that this day was one of the darkest in American history.

<sup>37</sup> Free Exchange Blog, “Robber Barons, Religious Fundamentalism and other Forthcoming Developments,” *The Economist*, October 6, 2008. This article stated that this crisis started in Europe in 1870 with a housing bubble and reached the United States by 1873 when Americans suffered from banking and railroad crises.

<sup>38</sup> Bernard Asbell, *The F.D.R. Memoirs* (Garden City: Doubleday & Company, 1943): 12.

The value of stocks declined sharply, and both stockbrokers and ordinary investors who put money in the Stock Market suffered huge losses.<sup>39</sup> Their stocks became nearly worthless. Further, there was a lack of liquidity as Americans could not cash in their stocks at their original investment values. Anyone buying stock in the late 1920s had paid substantial amounts for what were, by then, overvalued stocks. When Americans decided to sell their asset-backed paper, they received only a nominal amount from their initial investments. By late fall 1929, few investors looked to the Stock Market, and the market's collapse hurt those who sought to put their hard-earned money into American corporations. Historian Eric Arnesen argued that in the aftermath of the Crash, Americans lost billions of dollars, unemployment levels increased, and consumers could not purchase goods in the marketplace because of the lack of funds.<sup>40</sup> For example, economic historian Gene Smiley reported that corporate profits decreased from \$2.8 billion in 1929 to -\$2.6 billion in 1930.<sup>41</sup> Others contend that by November 1929, the market had lost \$100 billion in private assets.<sup>42</sup>

Economic historian Michael Bernstein examined consumer consumption habits to address the Great Crash of 1929 and the reasons that recovery only occurred gradually throughout the 1930s. He observed that initially, the decade of the 1920s experienced a major economic boom after the minor recession from 1920 to 1922, only to witness changes in buying and purchasing habits of consumers. This affected the financial markets as the national economy became more secularized and industrialized. He further asserted

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<sup>39</sup> Janine Richardson, "Letting in the Light," *Cobblestone*, March 2008, 13; David McGill, "The Great Depression and the New Deal," *Hindsight*, April 2008, 26.

<sup>40</sup> Eric Arnesen, "Stock Market Crash," *Cobblestone*, May-June 2010, 32.

<sup>41</sup> Gene Smiley, "Great Depression," Library of Economics and Liberty <http://www.econlib.org/library/enc/greatdepression.html> (accessed July 22, 2013).

<sup>42</sup> Special, "October 29, 1929: Black Tuesday," CNN <http://www.cnn.com/us> (accessed July 22, 2013).

that the economic recovery occurred once the Second World War started, because there were increased amounts of consumption to support the global war effort.

Additionally, Bernstein argued that the United States during the Hoover and Roosevelt administrations failed to address the economic crisis, because of high unemployment that affected productivity negatively and recovery only began with the emergence of warfare in 1939.<sup>43</sup> He asserted that labor costs had to remain low to prevent the growth in the prices of consumer goods. Bernstein also mentioned that as consumers became more affluent during the 1920s, because of higher income levels in a more secularized marketplace, they began to purchase more durable goods for their homes, and retail and durable goods became cheaper and had lower demand levels.<sup>44</sup> This affected the national economy detrimentally as Americans witnessed less growth during the latter years of the 1920s. If there had been newer retail products in the marketplace, then American corporations would have been able to generate more revenue for their merchandise, and the Great Crash and Depression that followed could have been averted.

In an effort to stabilize the Dow, on October 24, Richard Whitney, vice president of the Stock Exchange and member of J.P. Morgan, went to the Wall Street.<sup>45</sup> He purchased between 10,000 to 25,000 shares of United States Steel for \$205.00 per share.<sup>46</sup> So, how did the two most powerful automotive companies: Ford Motor Company and General Motors Corporation fare during the economic crisis? Ford Motor Company and General

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<sup>43</sup> Michael Bernstein, *The Great Depression: Delayed Recovery and Economic Change in America, 1929-1939* (Cambridge: Cambridge University Press, 1987), 20-23.

<sup>44</sup> Ibid, 26-30. Bernstein argued that consumption of manufactured or processed food declined in value during the 1920s and 1930s, while durable products such as steel, iron, aircrafts and chemicals were in high demand.

<sup>45</sup> Joseph Nolan, "Boom and Bust in the 1920s," *Vital Speeches of the Day*, December 1, 1995; "Banking Crisis: The Lessons of Two Evils," *Money Marketing*, October 9, 2008. <http://www.moneymarketing.co.uk>. (March 14, 2015).

<sup>46</sup> John Kenneth Galbraith, *The Great Crash*, 44; Harold James, "1929: *The New York Stock Market Crash*", 133. Today, scholars remain uncertain whether Whitney's acquisition of stocks benefited and mitigated the crisis.

Motors Corporation were mainly unaffected by the Stock Market Crash. Ford Motor Company was a corporate proprietorship and did not maintain publically traded stock, while General Motors Corporation did experience a slight reduction in the prices for common and preferred stock<sup>47</sup>. Sales volumes for General Motors common and preferred stocks did plummet but the company's profitability was sound during the period.<sup>48</sup>

On October 24, however, the Dow closed at 299.47, still down 1.78 percent, while 12,895,000 stocks had changed hands. Normally, Wall Street was accustomed to volumes at the one to two million exchanges per day. This day was unprecedented. So why did it happen? What caused the Dow to move into this volatile range? What explanations have been given about this economic event in American history?

Business columnist Maury Klein offered many suggestions to explain the situation. He argued that the Federal Reserve branch of New York and Washington D. C. should bear some of the responsibility for the 1929 crisis, because of their cheap money policies in the mid-to-late 1920s. The Federal Reserve continued to lower interest rates during the decade, which resulted in inexpensive loans to consumers. Some then used this money to speculate in the stock market. Klein confirmed that Federal Reserve Board member Adolph

<sup>47</sup> Accession # 122, Ford Motor Company Corporate Papers, Bylaws of Ford Motor Company, From the Collection of the Henry Ford, Benson Research Center. According to Ford Motor Company, shareholders were the first to be offered treasury stock if someone wanted to sell their stocks. Most stocks did not change hands regularly but remained with the original owners. Moreover, Ford Motor Company was not a publically traded corporation and was unaffected by Wall Street. It did experience some internal economic and financial crises at times but this was because of FMC's corporate structure and organization, and not from its dealings on the New York Stock Exchange.

<sup>48</sup> Annual Sales Report, October and November 1929, General Collection, General Motors Heritage Center, General Motors Corporation. In October and November of 1929, stock prices and volumes for preferred and common stocks were at a normal range. For example, on October 24, 543,900 in common stocks were sold on Wall Street and the stock reached a high of 57 ¼ of a ten dollar parity. On October 29, 971,300 shares of common stocks were sold but the stocks did dip to a high of 45 ½ and had a low of 33 ½ of the parity price of ten dollars. November 1929 stock prices for common shares, on average were in the 30s to 40s of the parity price of ten dollars, but sales volumes were in the tens to one hundred thousand range. Common stocks remained in the mid-20s to 30s of its ten dollar parity until October 1931. Then common stocks started to rebound. General Motors also benefited, because it sold debentures or corporate bonds and other forms of common stocks, so it was able to generate some revenue from different sources.



Miller mentioned that the institution's cheap money policies toward American banks caused much of the economic instability.<sup>49</sup> In his memoirs, Herbert Hoover assigned some of the blame for the Great Crash of 1929 to the Federal Reserve System. He argued that, before 1928, the Federal Reserve System was responsible for the emergence of cheap money policies that promoted the revitalization of European economies and currencies.<sup>50</sup> In 1925, Governor of the Federal Reserve Branch of New York Benjamin Strong expanded its open market operations, and lowered interest rates at the behest of Montagu Norman, head of the Bank of England, Hjalmar Schacht of the Reichsbank, and Charles Rist of the Bank of France.<sup>51</sup> This policy immediately aided Europe, but it had a long-term negative impact on the United States. Domestically, easily available credit had fueled the stock market bubble.

As president, Herbert Hoover stated that he had confronted Federal Reserve officials about their cheap credit policies; but he was overruled by them. At the same time, Hoover asserted that the economic crisis might not have occurred without the coming of the First World War and the Treaty of Versailles. It was his contention that the Stock Market Crash and the Great Depression started in Europe, Asia, Africa and Latin America first and then spread to the United States. Thus, the United States was not completely responsible for the coming of the Great Depression. It was an international crisis. Economists Galbraith, Fisher, and Keynes contended that stock market speculation was one

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<sup>49</sup> Maury Klein, "The Stock Market Crash of 1929: A Review Article," *Business History Review* 75, no. 2 (Summer 2001): 326-327.

<sup>50</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941* (New York: The Macmillan Company, 1952), vi; Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 80.

<sup>51</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1919-1941*, 7; "Blind Spots: Central Bankers in History," *The Economist*, January 10, 2009; "Books: Old Masters of the Universe," *Management Today*, May 1, 2009. <http://www.managementtoday.co.uk>. (accessed March 12, 2015).

of the causes, but Wall Street throughout the 1920s was within a healthy economic range.<sup>52</sup> Economist Paul Samuelson argued that the Great Crash of 1929 did not display any visible causes. Many investors did not see it coming. Moreover, Samuelson asserted that throughout American History, economists and policymakers had been able to predict a majority of the recessions or depressions in this country, but there were some events that caught them by surprise.<sup>53</sup> These unexpected economic events, such as the Great Crash of 1929, were severe when they did occur.

In a report by the National Bureau of Economic Research, scholars argued that Bolivia, Australia, Germany, Brazil, India and Bulgaria had entered their depressions before the Stock Market crashed in the United States.<sup>54</sup> The economies of China, Russia, Central Asia, and Central Africa further had begun to show weakness before the United States' economy.<sup>55</sup> Thus, Hoover argued that the Stock Market Crash was a global, not domestic event. The crises started throughout the globe and that the United States was not isolated nor was it the lone nation to experience this economic instability. This global event was not within his control.

Irving Fisher, a member of Roosevelt's Brain Trust, contended that the Federal Reserve did make a terrible mistake regarding its monetary policies, but Federal Reserve

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<sup>52</sup> Harold Bierman, "The 1929 Stock Market Crash," eh.net encyclopedia, edited by Robert Whaples, <http://eh.net/encyclopedia/article/bierman.crash> (accessed July 14, 2013).

<sup>53</sup> Justin Lahart and Jon Hilsenrath, "The Titan of Economics: Noble Prize-Winning Theorist Revolutionized the Field," *Wall Street Journal*, December 14, 2009. Both authors, in this news piece, argued that the economic crisis was not predicted, nor were scholars prepared for the event. The crisis was noted for their complexity and difficulty.

<sup>54</sup> "Trade Aids Get Most Attention," *Wall Street Journal*, December 9, 1931.

<sup>55</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 1-2; Charles Scaliger, "The Great Depression," *The New American*, June 23, 2008, 21. <http://www.thenewamerican.com>. (accessed March 14, 2015).

economists were not responsible for the crisis.<sup>56</sup> He believed that, before the fall of 1929, both economic growth and Wall Street's gains had been legitimate. The American economy had become more internationalized with consumers from around the globe participating in the stock market. By contrast, Federal Reserve Vice-Governor of the Washington, D.C., Board Paul Warburg stressed that the Fed was responsible, because it restricted public credit and raised interest rates after the death of Benjamin Strong, even as Americans and global citizens had participated in establishing an asset bubble. Wild speculation may have been the cause.<sup>57</sup> Before the Crash occurred, Warburg believed that speculation in the United States could contribute to a depression. His warnings went unheeded.

International incidents, especially in Europe, contributed to investor uncertainty and, indirectly, to the Wall Street Crash in 1929. Remember, the United States had become an immense creditor nation with large gold reserves. The Stock Market Crash, thus, affected nations throughout the globe and strong gold reserves in the United States coupled with the use of metallic standards, furthered depressed the international market.

In the absence of a world banking system, financial leaders and economists still acted on a national basis. George Harrison, successor to Benjamin Strong as the Governor of the Federal Reserve Branch in New York, increased interest rates after November 1928 in response to global developments. Harrison's now controversial move is the subject of much scholarly and political debate. Economists Milton Friedman and Anna Schwartz

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<sup>56</sup> Maury Klein, "The Stock Market Crash of 1929," 328; Amity Shlaes, interview by Nick Gillespie, "Remembering the Forgotten Man," *Reason*, January 2008, 9. <http://www.reason.com>. (accessed March 14, 2015). This interview is important, because Shlaes, in some ways, concurs with Friedman and Schwarz that more liquidity into the national economy by the Federal Reserve System would have prevented the Great Crash of 1929 and the Great Depression. Citizens would have been able to spend their cash on consumer goods, which would have strengthened the national economy. But two questions that scholars must ask were whether this is a conservative view of the Stock Market Crash and if these types of statements are justifiable.

<sup>57</sup>"Banking Crisis: The Lessons of Two Evils," *Money Marketing*, October 9, 2008. <http://www.moneymarketing.co.uk>. (accessed March 12, 2015).

agree that if the Federal Reserve had not raised interest rates and, instead, had increased the money supply in the private sector through cheap money policies, then the economic depression might have been averted. Before 1928, after all, New York Federal Reserve Governor Benjamin Strong had provided cheap loans to the Bank of England, which was working to revitalize the British economy and appreciate the pound sterling.<sup>58</sup> This move was calculated to stave off the ensuing global economic downturn. Moreover, Friedman and Schwartz point out, while Benjamin Strong was alive, the competitive relationship between the Board in Washington, D. C., and New York was balanced.<sup>59</sup> Disputes over monetary policy came to the surface under his successor George Harrison. These discussions had a negative impact on the actions of the Federal Reserve System. The decision-making process regarding monetary policy for the Federal Reserve System was hampered, because of disputes between the New York Branch and Washington, D.C.<sup>60</sup> Each branch had a difficult time maintaining a universal and uniform economic strategy. The conflict between the different Federal Reserve boards exacerbated the economic crisis.

Both the Federal Reserve Board in Washington, D. C., and New York were concerned over stock speculation on the Wall Street exchange, but their strategy to control this

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<sup>58</sup> Liagat Ahamed, *Lords of Finance*, 289, 309; Arthur M. Schlesinger Jr., *The Age of Roosevelt* Volume II, 69; Anne Mayhew, "Ideology and the Great Depression: Monetary History Rewritten," *Journal of Economic Issues* 17, no. 2 (June 1983): 357; "The Age of Monty and Ben," *The Economist*, December 22, 1990; Melvyn P. Leffler in "Expansionist Impulses and Domestic Constraints," *Economics and World Power*, 254.

<sup>59</sup> Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867-1960* (Princeton: Princeton University Press, 1963), 255-256; Robert J. Samuelson, "The Great Depression," *Library of Economics and Liberty*, <http://www.econlib.org/> (accessed November 2, 2012); David C. Wheelock, "Member Bank Borrowing and the Fed's Contractionary Monetary Policy during the Great Depression," *Journal of Money, Credit and Banking* 22, no. 4 (November 1990): 409; Melvyn P. Leffler, "American Policy Making and European Stability," 219; Emily Rosenberg, *Spreading the American Dream*, 152; Melvyn P. Leffler, *The Elusive Quest*, 190. Although Strong believed in cheap credit policies for Great Britain in 1928, this did not stop him from agreeing to raise discount rates from 3.5 to 5 percent. Strong sought to curtail stock market acquisitions, because he believed that this would become a detriment to the national and global economies.

<sup>60</sup> Anne Mayhew, "Ideology and the Great Depression," 353.

problem was not unified. Hence, Harrison convinced the Board in Washington, D.C., to increase discount rates and curtail cheap money policies in an effort to curtail speculation. As this occurred, there was significant disagreement among other Fed officials. From the Crash of 1929 to the Banking crisis of the early 1930s, Harrison petitioned the Board in Washington, D. C., to raise interest rates. American policymakers at the Board would not listen to his arguments.<sup>61</sup> Harrison believed in the use of direct pressure to compel the private sector to end speculation, but his approach was not agreed upon by the Board and the other member banks. Both sides of the debate vacillated.<sup>62</sup>

Economists Friedman and Schwartz have argued that the Federal Reserve could not make sound monetary policy and that, because of its lack of leadership, the money supply among member banks declined.<sup>63</sup> This failure had a negative impact upon corporate and private banks, which then could not extend domestic loans to combat insolvency and improve unemployment levels during the stock market decline.<sup>64</sup> Moreover, they argued that there was a profound lack of liquidity or available cash in circulation in the private sector. The Federal Reserve refused to purchase corporate securities. This may have increased the ability of multinational corporations to further invest in the economy and

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<sup>61</sup> Emily S. Rosenberg, *Financial Missionaries to the World*, 153. These were important concepts to remember, because with a metallic standard, if a country overextended itself financially, then gold and other precious metals were used to support that transaction and serve as the necessary collateral to make that transaction occur. Sometimes, banks extinguished all of their assets in an attempt to cover certain economic transactions.

<sup>62</sup> Milton Friedman and Anna Jacobson Schwartz, *The Monetary History of the United States*, 267-268.

<sup>63</sup> Chris Edwards, "Echoes of the Great Depression," *USA Today Magazine*, November 2005; Jim Powell, "How FDR Prolonged the Great Depression," CATO Policy Report, <http://www.cato.org/pubs/policy-report/v25n4/powell.pdf>. (accessed April 1, 2013); Gary Richardson, "The Great Depression, 1929-1941," Federal Reserve Bank of Richmond, <http://www.federalreservehistory.org>. (accessed February 7, 2015); Governor Ben S. Bernanke, "On Milton's Friedman's Ninetieth Birthday," The Federal Reserve Board, <http://www.federalreserve.gov>. (accessed February 7, 2015).

<sup>64</sup> Anne Mayhew, "Ideology and the Great Depression," 354-356, 358; The President's News Conference, The Public Papers of the Presidents of the United States, Volume 1, November 5, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library, West Branch, Iowa.

increase employment levels and conditions in the private sector. Political and economic historians such as Anne Mayhew, on the other hand, contend that Friedman and Schwartz failed to make the case that the Federal Reserve's monetary contraction was the principal cause of the economic crisis. Mayhew points out that high-powered money, which consisted of deposits in private bank accounts was in abundance in the late 1920s and the Great Depression of the 1930s.<sup>65</sup> According to Mayhew, bank concerns may have been muted during the 1920s, especially if banks were able to prevent the withdrawal of funds from private accounts.

One reason why the Federal Reserve did not increase the money supply available to private banks after the stock market crash of 1929 was that, initially, the Reserve Board examined the banking conditions of Chicago and New York to determine its monetary stance. When Mayhew re-examined the data, she discovered that, throughout much of the early 1930s, banks in both states had sound reserves. They did not require more monetary resources, but they continued to weather the financial storm, despite difficult economic conditions. Thus, the Federal Reserve System did not perceive that there was a present or evident need for action. Scholars have argued that, when the Federal Reserve purchased corporate and foreign securities, the global economy prospered. Bank borrowing normally decreased when the central bank acquired asset-backed paper or securities.<sup>66</sup> The Federal Reserve may have been able to increase the outflow of public credit to the national economy through purchases of government securities and corporate bonds, not necessarily through just fiscal policies. Economist David Wheelock contended that private banks were

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<sup>65</sup> Anne Mayhew, "Ideology and the Great Depression," 355.

<sup>66</sup> David C. Wheelock, "Member Bank Borrowing and the Fed's Contractionary Monetary Policy during the Great Depression," 411-412, 415, 423.

reluctant to borrow from the Federal Reserve System and viewed this agency as the lender of last resort. There could have been other financial mechanisms that could have assisted private banks infuse cash into their institutions if needed.<sup>67</sup>

One problem that central banks face is that, during booms, private banks were willing to lend more money, while if there is a downturn, then monetary contraction became the norm. The Federal Reserve may have been reluctant to provide loans to corporate banks, because they have viewed the national economy as one in which there was a slowdown.<sup>68</sup> Moreover, restricting public credit disabled the outflow of gold. Hoover was determined to prevent substantial losses of gold reserves, which could have increased the federal deficit.

Economic historian Peter Temin offered a perspective that contrasts with the arguments put forth by Friedman and Schwartz and confirms the theories presented by Anne Mayhew.<sup>69</sup> Temin argued that the money supply did not decline at the end of 1930, as Friedman and Schwartz had specified. Temin contended that, despite the number of bank failures, the national economy returned to normalcy at the end of 1930. Friedman and Schwartz, in his opinion, were incorrect. From the Crash of 1929 to the Banking Crisis of the early 1930s, there was an increase in the amount of credit (money stock) in the private sector, which could have prevented the economic downturn. On the other hand,

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<sup>67</sup> Ibid, 411.-12.

<sup>68</sup> David Wheelock, "Monetary Policy in the Great Depression: What the Fed Did and Why," Federal Reserve Bank of St. Louis, <https://www.research.stlouisfed.org>. (accessed February 8, 2015). This view may have been contradicted by some Federal Reserve officials in the 1930s who believed that money was cheap and in abundance. Friedman and Schwartz countered this argument and stated that monetary contraction was problematic during this period. This may have been the reason by George Harrison sought to increase interest rates to slow down public credit outflows.

<sup>69</sup> Stanley L Engerman, and Robert Gallman, eds., *The Economic History of the United States: The Twentieth Century*, Vol. 3 (Cambridge: Cambridge University Press, 2008): 307-309; Stephen G. Cecchetti, "Prices During the Great Depression," 141, 153-154

Temin argued that Herbert Hoover was a monetary deflationist, because he believed in the use of a metallic standard, which normally depressed prices. This may have been the reason that he restricted the outflow of gold from the United States and for the decrease in the amount of available credit (money stock) in the country.<sup>70</sup> Deflation implied that public credit was reduced and the use of a metallic standard, causing the appreciation of the currency and the depression of consumer prices.<sup>71</sup>

There is one problem with Temin's argument. Cheap money policies had contributed to the economic downturn. If the Fed had increased the money supply further in the private sector, then consumers might have purchased more stocks or used the money stock to support their earlier margin purchases of stock. The American middle class may neither have spent the money to bolster consumer demand nor deposited their monetary resources into banks. Instead they spent it on the acquisition of already overpriced stocks. During the early years of the economic crisis, Americans lost valuable financial assets, and their savings were reduced to nominal amounts.<sup>72</sup> Many middle class investors had made intelligent decisions in their stock acquisitions, but the crash caught many off-guard. They did not expect this crisis nor were they prepared for it. But Economic historian Harold Bierman, Jr., argued that the economic indicators were present,

<sup>70</sup> Stanley L Engerman and Robert Gallman, eds., *The Economic History of the United States*, Volume 3, 310-322.

<sup>71</sup> Arthur B. Adams, *Our Economic Revolution*, 58-71; Eugene Nelson White, "A Reinterpretation of the Banking Crisis of 1930," *Journal of Economic History* 44, no. 1 (March 1984): 127. A metallic standard led to depressed prices, because of the increased value of the dollar in the American economy. Exports became more expensive, while imports were cheaper, because of a highly valued dollar. This meant that prices for domestic goods declined, while foreign goods became more costly. If prices were lower, then money reserves in circulation did not advance as quickly.

<sup>72</sup> Gene Smiley, *Rethinking the Great Depression*, 59.



such as the risky increase in stock prices.<sup>73</sup> Herbert Hoover attempted to warn Wall Street and the Federal Reserve and banking system to no avail. Policymakers, economists and stockbrokers immediately blamed the crisis on speculators who acquired large amounts of common stocks and supposedly made poor investment decisions.<sup>74</sup>

Maintaining global metallic standards have been one of the sources of economic stagnation that contributed to the crash in 1929, but so too was the belief that a balanced federal budget should trump other policy priorities. Herbert Hoover, throughout his public career, believed that government intervention in the national economy was, at best, a cumbersome approach toward solving private sector woes. The Federal Reserve's approach was neither a coherent nor a sufficient response to the crisis. Moreover, President Hoover, once called the "Great Engineer," prevented the federal government from playing an active role in mitigating the crisis after 1929.<sup>75</sup> Many in the financial world, including Hoover, believed government actions should be limited. Further, a metallic standard based upon the sale and acquisition of gold in the public sector, they believed, put the United States on the path toward economic recovery. Critic and historian Arthur Schlesinger, Jr., quipped that Hoover felt that gold "was a metal enshrined in human instincts for over 10,000 years and he did not mean to abandon it."<sup>76</sup> His rock-solid belief

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<sup>73</sup> "The Stock Market Crash of 1929," University of Notre Dame, <http://www3.nd.edu>. (accessed February 6, 2015). Scholars argue that stock prices were too high and this may have been one of the reasons for the collapse along with the maintenance of a metallic standard in the United States and Europe during the 1920s.

<sup>74</sup> Harold Bierman, Jr., "The 1929 Stock Market Crash," Economic History Services, <http://www.eh.net>. (accessed February 6, 2015).

<sup>75</sup> Elliot A. Rosen, *Roosevelt, the Great Depression and the Economics of Recovery*, 1-2.

<sup>76</sup> Arthur M. Schlesinger Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal*, 233; "Herbert Hoover's Tragic Presidency." <http://www.austincc.edu/lpatrick/his2341/tragic/html>. (accessed February 17, 2013).

in the gold standard did not persuade various European nations, including major trading partner, Great Britain, from renouncing their use of a metallic standard.<sup>77</sup>

Patricia Clavin, among others, has confirmed that the gold standard contributed to the market crash in 1929 that gradually transformed into a deep international depression during the 1930s.<sup>78</sup> The United States and Europe could not establish an exchange rate policy that all nations could agree upon, because of its use of metallic standards. Clavin further argued that each country developed their own policy rules for the maintenance of their metallic standards. Each metallic standard used among the Westernized countries was distinct, so efforts to change their monetary policies had to be negotiated. By 1930, most nations tended to use deflationary policies and a contraction of their domestic money supply to prevent massive outflows of gold through the use of import tariffs and other economic measures.<sup>79</sup>

Finally, Clavin stressed that once nations removed their currency from a metallic standard, and expanded their money supply, their economies improved. Any hope of maintaining a gold or other metallic standard required global economic agreement. Each nation could not have policies that were differentiated from their international counterparties if the systems were to function properly. Without global metallic standards, creditor nations such as the United States were regarded as lenders of last resort. The abandonment of metallic monetary standards and the use of floating exchange rates created economic tensions in the United States. Nations such as France, the Netherlands,

<sup>77</sup> Charles Scaliger, "The Great Depression," *The New American*, June 23, 2008, 21.  
<http://www.thenewamerican.com>. (accessed March 14, 2015).

<sup>78</sup> Patricia Clavin, FDR, the Depression and Europe, 1932-6 in Robert A. Garson and Stuart S. Kidd, eds., *The Roosevelt Years: New Perspectives on American History, 1933-1945* (Edinburgh: Edinburgh University Press, 1999), 141. Governor Benjamin S. Bernanke, "On Milton Friedman's Ninetieth Birthday," The Federal Reserve Board, <http://www.federalreserve.gov>. (accessed February 7, 2015).

<sup>79</sup>"The Golden Milestone," *Wilson Quarterly*, Winter 2011.

Belgium, and Switzerland sought to sell their holdings of American banknotes for gold. These nations were convinced that the United States would discontinue its gold standard in similar ways as Great Britain and Germany.<sup>80</sup>

Prominent historian William Leuchtenburg argued that Hoover was ideologically committed to maintaining the United States on a gold standard, even at the cost of a deflated national economy and high unemployment levels.<sup>81</sup> In response to his critics, Hoover contended that gold stabilized the prices for manufactured goods. In his opinion, this conservative move eventually increased consumer demand and thus regenerated the economy. Still, as Leuchtenburg and others have argued, Hoover's limited government actions, coupled with his insistence on balanced federal budget, put the government on the path toward temporary solvency. But it did not answer larger structural problems nor did it put food in the mouths of the unemployed and impoverished. Rutgers historian Elliot Rosen concurred with Schlesinger and Leuchtenburg in arguing that Hoover sought to maintain the gold standard.<sup>82</sup> He convinced Great Britain, which had abandoned the gold standard, to reestablish its global economic and fiscal role. Again, scholars such as Kristie M. Engemann of the St. Louis Federal Reserve branch and others have argued that many

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<sup>80</sup> Gene Smiley, *Rethinking the Great Depression*, 20.

<sup>81</sup> William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal: 1932-1940* (New York: Harper & Row Publishers, 1963), 31.

<sup>82</sup> Herbert Hoover, "The President's News Conference," September 22, 1931. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.uscb.edu/ws/?pid=22811>. (accessed February 6, 2015); Herbert Hoover, "Message on the Gold Standard, September 22, 1931," The Miller Center, <http://www.millercenter.org/president/hoover/speeches/message-on-the-gold-standard>. (accessed February 6, 2015). In both conferences, Hoover argued that although Great Britain was not on a fixed metallic standard, American imports would not be affected in a negative way. American imports became less costly with this move and the pound was no longer valued at \$4.86. The pound sterling became devalued and Hoover tried to reassure the public that American policies to Great Britain were not hindered by this new change.

foreign nations were concerned that once Great Britain left the gold standard, the United States would follow in its footsteps.<sup>83</sup>

Another international problem that Hoover faced was that Germany, which still owed massive war reparations and became deeply in debt to American banks, was undergoing severe economic instability. In 1930 to 1931, Hoover was uncertain that the German government would be able to pay its reparations as stipulated under the Treaty of Versailles. The Postwar Reparations Commission had estimated that German reparations amounted to about 132 billion gold marks.<sup>84</sup> France received about fifty-two percent of the reparations while their British counterparts were to gather about twenty-two percent in reparations payments.<sup>85</sup>

Moreover, German multinational corporations began, after the war, to borrow heavily through loans from the United States. It appeared likely that Germany would default on its domestic and foreign loans. Both the Dawes plan of 1924 under the Coolidge administration and the Young plan of 1929, devised under Hoover, were designed to solve the reparations crisis in Europe, but the crisis had not been resolved following their enactment.<sup>86</sup> Prominent banks in the United States loaned to German local governments and corporations between 50 to 75 percent of the monetary resources for the expansion of their national economy. J.P. Morgan provided Germany with between \$100 to 200 million

<sup>83</sup> Kristie M. Engemann, "Banking Panic of 1931-1933," Federal Reserve Bank of St. Louis, <http://www.federalreservehistory.org>. (accessed February 6, 2015).

<sup>84</sup> U.S. Department of State, "The Dawes Plan, the Young Plan, German Reparations, and Inter-allied War Debts," Office of the Historian, <http://www.history.state.gov>. (accessed February 7, 2015).

<sup>85</sup> Martin Kitchen, *Europe between the Wars*, 28; Emily S. Rosenberg, *Financial Missionaries to the World*, 168-169. In terms of American currency, German reparations amounted to \$33 billion or annual payments of \$500 million, as determined by the Reparations Committee in 1921; Melvyn P. Leffler, *The Elusive Quest*, 185.

<sup>86</sup> John Earl Haynes, ed., *Calvin Coolidge*, 202. U.S. Department of State, "The Dawes Plan, the Young Plan, German Reparations, and Inter-allied War Debts, Office of the Historian, <http://www.history.state.gov>. (accessed February 7, 2015).

in loans for postwar revitalization efforts.<sup>87</sup> American companies such as Chase and Guaranty Trust further had invested two billion dollars in German infrastructure. It was unclear if these loans could be re-paid.<sup>88</sup> The private and public sectors in Germany were devastated, and policymakers had to devise sound solutions to manage this economic issue.

Postwar loans were important, because the United States was determined to reconstruct Europe and to ensure that its allies (especially Great Britain and France) had the wherewithal to pay off their massive wartime debts. Hoover realized that, if Europe was to be saved, bailing out Germany had to take priority. On the one hand, German reparations had to be addressed.<sup>89</sup> From a foreign policy standpoint, the government worried about Communism; and they were determined to use Germany as a bastion against the newly emergent Soviet Russia and its radical political ideology.<sup>90</sup> Hoover and his predecessor thus faced a financial and political dilemma. They had to address the issue of German reparations. They also understood the issues of European reconstruction and war debts were interlinked. The Hoover administration was especially concerned with France, because he was certain that France had a vested interest in promoting a docile German nation. In turn, France was worried that Germany would rearm and return to a militarized state.

The Laval administration was determined to use its political and economic powers to prevent any new forms of German aggression. The question that policymakers had to ask themselves was whether Germany could pay its reparations, even if they were reduced.

<sup>87</sup> Emily Rosenberg, *Spreading the American Dream*, 150-151.

<sup>88</sup> Elliot A. Rosen, *Roosevelt, The Great Depression and the Economics of Recovery*, 8-9.

<sup>89</sup> Frank Costigliola, "The United States and the Reconstruction of Germany in the 1920s," *Business History Review* 50, no. 4 (Winter 1976): 477, 483.

<sup>90</sup> Melvyn P. Leffler in "Expansionist Impulses and Domestic Constraints," *Economics and World Power*, 241.

Owen D. Young, a corporate executive and the architect of the Young plan of 1929, contended that Germany could not pay its reparations. Western allies had to renegotiate some of the financial stipulations of the Treaty of Versailles.<sup>91</sup> Young's stance, however, did not move the French or British governments to renegotiate, but the German default on its reparations payments caused both France and Great Britain to experience much economic instability.

From 1929 to 1932, as the crisis in Germany, and secondarily in France and the Great Britain, accelerated, many Western centralized banks and government treasuries prevented the outflow of gold. Gold was hoarded, and beggar-thy-neighbor policies came to the surface.<sup>92</sup> Historian Elliot Rosen noted that over twenty-one nations curtailed the use of the gold standard and barred or limited gold exports.<sup>93</sup> Great Britain was a dominant political actor in this new fiscal and monetary strategy.<sup>94</sup> Germany and Italy also established foreign exchange constraints, and countries with nominal economic resources propagated moratoriums on intergovernmental debts and credit for businesses in the private sector.<sup>95</sup>

In the face of this crisis, the Federal Reserve Branch in New York and the Board in Washington, D.C., were determined to prohibit the exportation of gold to foreign countries. Their moves led to a major contraction of international credit in an effort to prevent gold

<sup>91</sup> Frank Costigliola, "The United States and the Reconstruction of Germany in the 1920s," 488.

<sup>92</sup> "Beggary-thy-neighbor Devaluation," <http://www.nasdaq.com>. (accessed February 7, 2015). This practice enables a nation to devalue their currencies so that exports are less expensive and the nation in question can have a comparative advantage. It leads, also, to a lessening of imports, because they become too expensive.

<sup>93</sup> Elliot A. Rosen, *Roosevelt, The Great Depression and the Economics of Recovery*, 15.

<sup>94</sup> Kristie M. Engemann, "Banking Panics of 1931-1933," Federal Reserve Bank of St. Louis, <http://www.federalreservehistory.org>. (accessed February 6, 2015).

<sup>95</sup> *Ibid*, 15.

outflows. It also deepened the banking crisis in the years from 1929 to 1933.<sup>96</sup> Moreover, after the summer of 1931, there were multiple major bank failures, such as the closing of Credit-Anstalt, a powerful bank in Austria.<sup>97</sup> Overseas trade in Austria and Germany became problematic, due to loan defaults; and unemployment levels in both countries increased drastically.<sup>98</sup>

Hoover responded that it was important to target the reparations issue, because restoring the German economy and the economic balance within Europe was the only way to restore confidence in the global economic system. His response did not consist of solely global strategies but domestic policies as well. Hoover sought not just to bolster European stability through the Young plan and limit intergovernmental loans. He was inclined to sustain the gold standard, balance the federal budget, and use his executive powers to avoid the collapse of state and national banks and maintain domestic economic solvency. Thus, he sought to restore confidence in the developed nations of the world.<sup>99</sup>

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<sup>96</sup> Remember, a metallic standard implied that currencies were pegged to precious metals. This led to the creation of asset-backed paper. If foreign nations acquired American dollars, then they could exchange them for gold, which led to the outflow of gold from the United States, and again weakened the country's economic foundation.

<sup>97</sup> Robert J. Samuelson, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); Gene Smiley, *Rethinking the Great Depression*, 17; Justus D. Doenecke, "Hoover to Hiroshima," *Books & Culture*, November-December 2004. <http://www.booksandculture.com/articles/2004/novdec/15.24.html>. (accessed March 12, 2015); "Shades of 1931," *Israel Business Arena*, October 4, 2012; Melvyn P. Leffler, *The Elusive Quest*, 234-238.. To make matters even more difficult in Germany, the German Central Bank called the Reichsbank, lost 400 million Reichsmarks in gold in June 1931.

<sup>98</sup> Peter Coy, "Opening Remarks: Lessons from the Credit-Anstalt Collapse," Bloomberg Business, [http://www.bloomberg.com/bw/magazine/content/11\\_18?b4226012481756.htm](http://www.bloomberg.com/bw/magazine/content/11_18?b4226012481756.htm). (accessed February 6, 2015). Credit-Anstalt was an Austrian bank that had been controlled by the Rothschild family in Europe. When this bank collapsed, the crisis affected other nations in Europe that maintained accounts and the United States. The crisis spread, according to Coy, to Amsterdam, Warsaw, Latvia, Turkey and Egypt. Then Germany was affected along with England and the United States; Randall Parker, "An Overview of the Great Depression," Economic History Services, <http://www.eh.net>. (accessed February 6, 2015). Albert Scardino, "Did '29 Crash Spark the Depression," *New York Times*, October 21, 1987.

<sup>99</sup> Elliot A. Rosen, *Hoover, Roosevelt and the Brains Trust*, 66-67.

In terms of his direct policies, Hoover issued a moratorium on reparations payments and intergovernmental loans in the early 1930s, so that Germany was not responsible for reparations payments for one full year.<sup>100</sup> This step was important, because the United States was one of Germany's major creditors. American banks held billions of dollars in German securities and loans. If Germany was to fail, then the United States and its economic security would be in peril. Most New York banks held German securities, and Wall Street had vested interests in making sure that the German government and private sector remained solvent. In an effort to promote global peace, Hoover hoped that the moratorium would encourage domestic political forces in Germany and Austria to limit military spending.<sup>101</sup>

The moratorium eliminated German reparations payments for one year, but neither Hoover nor his European allies believed that the overall debt should be cancelled.<sup>102</sup> Most European nations agreed to the principles behind the moratorium, but France was dissatisfied with this development. France had been using the reparations payments to revitalize their national economy after World War I. But the Laval administration argued that the United States failed to contact them about the proposal in a timely manner. France

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<sup>100</sup> Howard F. Bremer, *Franklin Delano Roosevelt* (Dobbs Ferry: Oceana Publications Inc., 1971), 16; Donald A. Ritchie, *Electing FDR: The New Deal Campaign of 1932* (Lawrence: University Press of Kansas, 2007); 52; Albert U. Romasco, *The Poverty of Abundance*, 184-185, 187; Melvyn P. Leffler, "American Policy Making and European Stability," 226; Melvin I. Urofsky, *A March of Liberty: A Constitutional History of the United States* (New York: Alfred A. Knopf, 1988), 662; Harold J.T. Horan, "U.S. to Remit Payments Due on War Debts," *The Washington Post*, December 14, 1931; Herbert Hoover, "Complete Text of President Hoover's Message to Congress on War Debts and Foreign Relations," *The Washington Post*, December 11, 1931.

<sup>101</sup> Herbert Hoover, "Statement on Signing the Foreign Debt Moratorium Resolution," December 23, 1931. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=229955>. (accessed February 6, 2015).

<sup>102</sup> "Senate Ratifies Moratorium, 69 to 12," *New York Times*, December 23, 1931. The article highlights how Senate officials debated this treaty, because they argued that Americans were suffering. This treaty hindered providing relief to low-to-middle Americans, who faced unemployment and homelessness. Senator Johnson opposed this treaty vehemently, because it served as an indirect tax on Americans.



temporarily backed off, but its disappointment was exacerbated when Hoover threatened to negotiate the proposal without French approval. French public officials continued to be concerned about German military might, which limited their willingness to sign on to the U.S. plan.<sup>103</sup>

Some scholars now argue that Hoover's moratorium may not have been a step in the right direction. In making this temporary easement of the reparations payments, European and American policymakers missed a great opportunity to make fundamental changes in the global system.<sup>104</sup> The main problems were the crisis of the expansion of the public credit, the decrease in farm prices globally, and a general loss of confidence in public and private banking.<sup>105</sup> Policymakers might have attacked the issue of liquidity or ready-available cash and in turn strengthen public and private credit. Available assets were illiquid so that the money supply could be expanded. As the market crisis continued, the issue was not the enormity of debts, but how to pay for these debts with readily-available cash.<sup>106</sup>

The road to domestic economic solvency in the United States was difficult at best, but trying to coordinate global developments and pushing to move the economy forward was nearly impossible. Before issuing the moratorium on reparations payments, President Hoover was reluctant to offer Germany and Austria any financial concessions. Two global

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<sup>103</sup> Elliot A. Rosen, *Hoover, Roosevelt and the Brains Trust*, 72-73; Edgar Eugene Robinson and Vaughn Davis Bornet, *Herbert Hoover: President of the United States* (Stanford: Hoover Institution Press, 1975), 252.

<sup>104</sup> Arthur B. Adams, *Our Economic Revolution*, 22-24.

<sup>105</sup> Eugene Nelson White, "A Reinterpretation of the Banking Crisis of 1930," *The Journal of Economic History* 44, no. 1 (March 1984): 119-121.

<sup>106</sup> Randall Parker, "An Overview of the Great Depression," Economic History Services, <http://www.eh.net>. (accessed February 6, 2015); Robert J. Samuelson, "The Great Depression," *The Concise Encyclopedia of Economics*, <http://www.econlib.org>. (accessed February 6, 2015). Samuelson argued that since the Federal Reserve increased interest rates, this tightened credit, which led to a reduction in spending and the consumption of consumer and retail goods.

conferences to discuss the issue further were held—the Lausanne conference of 1932 and the World Monetary and Economic Conference of 1933. The results of these conferences were disastrous.<sup>107</sup> In both conferences, Americans and their European counterparts held talks about the gold and silver standards, disarmament and collective security issues, tariff limits and reductions, and reforming the Treaty of Versailles.<sup>108</sup> They did not, however, agree on an economic plan of action. Still, international hostility and competition remained.

At the beginning stages of the Great Depression, gold started to flow slowly in and out of the United States and Western European countries.<sup>109</sup> At the same time, many nations such as Canada, Argentina, and Uruguay were forced off a metallic standard because of gold flight. Liquidity and massive loan defaults and bank failures remained problems,<sup>110</sup> and they caused massive deflation in the Western World. Unemployment levels increased dramatically in both Europe and in the Americas. Many nations remained economically insolvent. Banks in the United States, as elsewhere, suffered from economic instability, and many began to fail. Hoover tried to put on a brave face, but banks were forced to liquidate their assets. These actions further contributed to the declining values of stocks and severely weakened investment.

In 1931, 2,290 banks excluding mortgage companies that also faced some financial hardships, had closed their doors in the United States alone.<sup>111</sup> And in the three years after

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<sup>107</sup> Elliot A. Rosen, *Roosevelt, The Great Depression and the Economics of Recovery*, 10.

<sup>108</sup> *Ibid*, 10.

<sup>109</sup> "Harvard Group Sees Acute Stage Passed," *Wall Street Journal*, December 8, 1931.

<sup>110</sup> Eugene Nelson White, "A Reinterpretation of the Banking Crisis of 1930," 126.

<sup>111</sup> Bernard Asbell, *The F.D.R. Memoirs*, 13; Arthur Sears Henning, "Investors' Loses in Land Bank Bonds Laid to Inefficient U.S. Supervision," *Chicago Daily Tribune*, July 17, 1931. "A Half Century of Bank Growth," *Wall Street Journal*, June 27, 1932. The article states that for the last fifty years, banks have experienced rapid growth and it was not until after 1930 that banks started to witness some instability and were subjected to closures.

1929, approximately five thousand banks were no longer in business. There was a decrease of money in circulation, the dismantling of metallic standards in Europe, an appreciation of the dollar and a decline in prices for consumer goods. Trade gradually came to a halt. People during this period began to hoard cash. They stored it in their homes, rather than banks, because they did not trust bankers or policymakers.<sup>112</sup> They felt threatened by the economic collapse and did not know who they could count on for financial support and relief.

The global credit crisis forced the hand of the Hoover administration. Something had to be done to improve liquidity and to encourage re-investment in the stagnant economy.<sup>113</sup> First, Hoover solicited some private funds and established the National Credit Corporation (NCC) on October 13, 1931.<sup>114</sup> He called for a meeting at Secretary of the Treasury Mellon's apartment with corporate executives such as Thomas W. Lamont, George Whitney of J.P. Morgan, Albert H. Wiggins of Chase National Bank, Charles E. Mitchell, chairman of National City Bank, William C. President, president of Guarantee Trust Company of New York and others. Hoover's proposal for a private credit corporation did not go over well. A majority of the participants sought federal action and a government response to the Banking Crisis and Great Depression.<sup>115</sup>

<sup>112</sup> F.L.W. Wood, "The New Deal in the United States," 42; Special, "Text of Roosevelt's Address to Nation," *Los Angeles Times*, October 1, 1934.

<sup>113</sup> "Rival Relief Bill Offered to Senate," *New York Times*, May 24, 1932. "Senate Ratifies Moratorium, 69 to 12," *New York Times*, December 23, 1931.

<sup>114</sup> "National Credit Group, RFC Predecessor, to Pay \$6,300,000 Notes and End Business," *New York Times*, July 28, 1934; "State May Use Plan of 1931 Federal Aid," *New York Times*, May 7, 1933; "27 Banks in Capital Back Hoover Credit," *The Washington Post*, October 23, 1931.

<sup>115</sup> Gerald D. Nash, "Herbert Hoover and the Origins of the Reconstruction Finance Corporation," 462.

Still, the National Credit Corporation went forward. The NCC was to be managed by the domestic corporate executives and insurance leaders.<sup>116</sup> It was a private sector organization that loaned money to American banks, but private banks did not approve of the lending policies of the NCC, which required them to use their most liquid assets as collateral.<sup>117</sup> With assets of about one half billion dollars, the NCC accepted asset-backed paper as collateral for redevelopment loans designed to re-invigorate the economy.<sup>118</sup> Small banks and businesses could not participate, because the NCC required member banks to provide it with two percent of their assets as collateral. Hoover suggested that, if necessary, he would re-establish the War Finance Corporation, an idea promoted by Washington, D.C., Federal Reserve Board Governor Eugene Meyer. He believed that modeling a new initiative on the WFC, which had served business well during the World War I, could now be a solution to the looming crisis.<sup>119</sup> The difficulties ahead would open the door for Meyer's solution.<sup>120</sup>

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<sup>116</sup> "Efforts by Banks to Combat Slump," *New York Times*, January 3, 1933. "Bank Credit Pool in Business Today," *New York Times*, November 7, 1931; "Credit Corporation is Ready for Action," *The Washington Post*, October 18, 1931. The article stated that George M. Reynolds was selected as the Chairman of the NCC, while Mortimer N. Buckner became the organization's president. Reynolds had been the chairman of the board at Continental Illinois Bank & Trust of Chicago and Buckner was the president of the New York Clearing House Association.

<sup>117</sup> James Butkiewicz, "Reconstruction Finance Corporation," Economic History Association <http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction> (accessed July 22, 2013); "Text of National Bank Credit Corporation Plan," *New York Times*, October 9, 1931.

<sup>118</sup> William MacDonald, *The Menace of Recovery: What the New Deal Means* (New York: The Macmillan Company, 1934), 68-69.

<sup>119</sup> "Trade Aids Get Most Attention," *Wall Street Journal*, December 7, 1931; Charles Merz, "Hoover Reports on the State of the Union," *New York Times*, December 13, 1931; "New Finance Plan Praised by Wehle," *New York Times*, January 31, 1932. Louis B. Wehle who was the former general counsel for the War Finance Corporation argued that the RFC was a step in the right direction for mortgage companies and banks that could receive new loans and promote job growth. He believed that the measure was not a cure-all, but it did alleviate some economic pressures on businesses.

<sup>120</sup> Joseph P. Lash, *Dealers and Dreamers: A New Look at the New Deal* (New York: Doubleday, 1988), 72; Gerald D. Nash, "Herbert Hoover and the Origins of the Reconstruction Finance Corporation," *The Mississippi Valley Historical Review* 46, no. 3 (December 1959): 461.

From the beginning, NCC was a disaster in the making. Small banks were excluded from participation, and the process to obtain new loans was “slow and cumbersome.”<sup>121</sup> The organization was so ineffective that, by January 1932, only fifty-five million dollars, or a little better than ten percent of its funds, had been disbursed to various parties. The failure of the NCC paved the way for the creation of a government agency with far greater assets and available federal funds to promote liquidity among American banks.<sup>122</sup>

On January 22, 1932, Hoover established the Reconstruction Finance Corporation (RFC) to handle the credit crisis.<sup>123</sup> The Senate had approved the bill 63 to 8 while the House supported the bill 335 to 55.<sup>124</sup> When the law was passed, a fiduciary trust (a sinking fund) containing two billion dollars was established to finance its operations, provide business loans, and promote job creation in the private sector.<sup>125</sup> The RFC began to disburse funds on February 2, 1932.<sup>126</sup> Hoover had resisted as long as possible establishing a new government agency that worked with public funds; but the national economy was in economic shambles. He did not have a choice. Eugene Meyer became the Reconstruction Finance Corporation’s first chairman, and he was quick to hire George

<sup>121</sup> Gerald D. Nash, “Herbert Hoover and the Origins of the Reconstruction Finance Corporation,” 465.

<sup>122</sup> James Butkiewicz, “Reconstruction Financial Corporation,” Economic History Association <http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction> (accessed July 22, 2013). The RFC was created by Hoover, but its operations were expanded by Roosevelt. Under Roosevelt, the RFC purchased bank blue chip stocks, provided loans to farmers, the housing sector, exports, businesses, governments, disaster relief, and acquired gold to modify the market price of gold in the national economy.

<sup>123</sup> Roger Biles, “Robert Wagner, Franklin D. Roosevelt, and Social Welfare Legislation in the New Deal,” *Presidential Studies Quarterly* 28, no. 1 (Winter 1998): 142; William H. Mullins, “Self-Help in Seattle, 1931-1932: Herbert Hoover’s Concept of Cooperative Individualism and the Unemployed Citizens’ League,” *The Pacific Northwest Quarterly* 72, no. 1 (January 1981): 11-12; Howard F. Bremer, *Franklin Delano Roosevelt*, 17; Edgar Eugene Robinson and Vaughn Davis Bornet, *Herbert Hoover*, 252; Jonathan Alter, “Letter: I Never Got Any Letter, Herbert,” *Newsweek*, December 1, 2008. <http://www.newsweek.com>. (accessed March 14, 2015); Herbert Hoover’s Tragic Presidency.” <http://www.austincc.edu/lpatrick/his2341/tragic.html>. (accessed February 17, 2013).

<sup>124</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 91-92; Albert U. Romasco, *The Poverty of Abundance*, 189.

<sup>125</sup> J. Franklin Ebersole, “One Year of the Reconstruction Finance Corporation,” *The Quarterly Journal of Economics* 47, no. 3 (May 1933): 470.

<sup>126</sup> Beryl Wayne Sprinkel, “Economic Consequences of the Operations of the Reconstruction Finance Corporation,” *The Journal of Business of the University of Chicago* 25, no. 4 (October 1952): 211.

Franklin to serve as the general counsel for this agency.<sup>127</sup> As President of this agency, Hoover selected Charles Dawes, who had served previously as Vice-President under Calvin Coolidge and had been a stalwart opponent of government intervention.<sup>128</sup> Members of the RFC board consisted of the following individuals: Senate Democratic leader Joe Robinson, Speaker of the House John Nance Garner, Arkansas executive Harvey C. Couch, and Jesse H. Jones of Texas. The Treasury Department loaned funds to the RFC, and the proceeds were allocated to domestic banks and corporations. These efforts were supposed to increase the money supply in the private sector and improve employment levels, because the loans were to be allocated to hire Americans. In addition, funding for the RFC did not just come from American taxpayers, but from the sale of bonds and the emergence of a fiduciary trust.<sup>129</sup>

In the beginning, the RFC instilled confidence in ordinary people, but their hopes and aspirations were quickly dashed. In June 1932, Charles Dawes resigned from his post as the President of the RFC.<sup>130</sup> It was revealed to the public that he secured a loan from the RFC in the amount of ninety million dollars. Dawes returned to Chicago and continued to serve the banking community in Illinois. In the wake of this revelation, American voters began to feel that the RFC benefited the wealthy as a rubberstamp for their chosen policies. They thought that the RFC was “relief for the rich.” As Franklin Ebersole reported, “even in Chicago financial district, cynical lawyers chortled that RFC stood for Relief for Charlie.”<sup>131</sup>

<sup>127</sup> Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 154.

<sup>128</sup> Jordan A. Schwarz, *The New Dealers*, 51.

<sup>129</sup> Beryle Wayne Sprinkel, “Economic Consequences of the Operation of the Reconstruction Finance Corporation,” 213.

<sup>130</sup> Special, “Dawes Considers His Job is Finished,” *New York Times*, June 7, 1932.

<sup>131</sup> Jordan A. Schwarz, *The New Dealers*, 51.

In later years, the RFC barred its members of the board of directors from obtaining loans, because it was considered a conflict of interest,<sup>132</sup> as it had been for Dawes.

Large banks welcomed the RFC, because they could secure loans from a reliable and business-friendly institution. In addition, corporations in the private sector could obtain RFC funding for their business operations and new investments.<sup>133</sup> RFC funds enabled large banks to increase their expenditures, because there were more banknotes in circulation. By the early 1930s, there was a liquidity problem in the United States and the rest of the world. Henry B. Steagall, Democratic House Representative from Alabama and Chairman of the Banking and Currency committee, argued that the RFC was an absolute necessity because of the lack of funds in the private sector.

The passage of the Reconstruction Finance Corporation Act was a watershed event in American history, because it was one of the first instances in which the federal government infused cash into the private sector.<sup>134</sup> The media, such as the *St. Louis Post-Dispatch*, policymakers, and many ordinary Americans, felt that this was uncharted territory, because of its governmental intervention in peacetime. As Jordan Schwarz wrote, "Representative Homer C. Parker of Georgia branded the RFC the most decided step toward communism any civilized government has ever taken with the possible exception of Russia."<sup>135</sup> Other observers argued that the RFC arrived too little too late. American banks and corporations received an infusion of cash to support their business operations.<sup>136</sup> They spent nearly all of their monetary resources on balancing their financial records.

<sup>132</sup> J. Franklin Ebersole, "One Year of the Reconstruction Finance Corporation," *The Quarterly Journal of Economics* 47, no. 3 (May 1933): 474.

<sup>133</sup> Beryl Wayne Sprinkel, "Economic Consequences of the Operation of the Reconstruction Finance Corporation," 212, 219.

<sup>134</sup> Oliver M'Kee, Jr., "Helping the States," *The Washington Post*, October 2, 1932.

<sup>135</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 92-93.

<sup>136</sup> "Stresses Need of Bank Reform," *Wall Street Journal*, December 7, 1932.

Corporations did not hire new workers.<sup>137</sup> High unemployment remained a serious problem.

Some scholars such as James L. Butkiewicz argue that the RFC was somewhat successful. Hoover's efforts should be applauded, because of the plentitude of loans that were initiated under this institution to banks, railroads and utilities.<sup>138</sup> From the period of August 1932 to January 1933, Butkiewicz showed that over 3,300 businesses enhanced their private credit from the RFC.<sup>139</sup> The RFC may have assisted banks overcome the liquidity crisis, but did the formation of the RFC enable the elite classes to prosper at the expense of the lower and middle classes? In fact, Hoover believed in internationalism and government cooperation but not in individual relief.<sup>140</sup> Here, he preferred self-help. Private charities were promoted. The federal role in this crisis was based upon improving the financial operations of businesses so that American corporations could hire more workers. If ordinary Americans turned to the government for relief, then this countered his arguments for the maintenance of rugged individualism and social mobility based upon hard work and dedication.<sup>141</sup>

<sup>137</sup> "American President: A Reference Resource, The Miller Center-University of Virginia, <http://www.millercenter.org> (accessed February 8, 2015). The article contends that the RFC did not lead to the creation of new jobs. Unemployment remained a problem after the Stock Market Crash.

<sup>138</sup> Robert J. Samuelson, "Great Depression," The Concise Encyclopedia of Economics, <http://www.econlib.org>. (accessed February 6, 2015); "Herbert Hoover National Historic Site," The National Park Service, <http://www.nps.gov>. (accessed February 6, 2015). "RFC Activities are Described at Symposium Agency's Counsel Speaks at G.W. Discussion of Corporations," *The Washington Post*, July 22, 1938; "1<sup>st</sup> Chairman Urges Curbs on the RFC," *The Washington Post*, August 13, 1949; "Text of Hoover's Letter on Public Works Plan," *The Washington Post*, May 23, 1932.

<sup>139</sup> James L. Butkiewicz, "The Reconstruction Finance Corporation, the Gold Standard and the Banking Panic of 1933," *Southern Economic Journal* 66, no. 2 (October 1999): 275.

<sup>140</sup> Nick Taylor, "A Short History of the Great Depression," *New York Times*, February 6, 2015.

<sup>141</sup> Joyce Bryant, "The Great Depression and New Deal," Yale-New Haven Teachers Institute, <http://www.yale.edu>. (accessed February 8, 2015). "Digital History: President Hoover," University of Houston, <http://www.digitalhistory.uh.edu>. (accessed February 8, 2015).



By July 1932, Congress acted further to stem the Great Depression with the passage of the Emergency Relief and Construction Act. This new law increased the borrowing power of the RFC and enabled it to assist states and corporations that required new liquidity.<sup>142</sup> It came to the aid of local governments seeking to provide some form of relief during the growing economic crisis. During the Interregnum, President-Elect Franklin Roosevelt contended that, even though the RFC financed the operations of banks, corporations and state agencies, it did not necessarily promote an expanded economy with national growth. In a letter to Felix Frankfurter, Roosevelt wrote that

We do not believe that loans to corporations by such bodies as the Reconstruction Finance Corporation even if financed by inflationary money necessarily tend to quicken activity. The test here is whether they are used to finance the output of new capital goods. If they are merely used to enable corporations to liquefy their assets they may have little or no effort in reviving activity.<sup>143</sup>

RFC loans may have stabilized some American businesses, but private corporations did not necessarily expand their business operations or rush to enlarge their payrolls. Corporations may have had positive balance sheets, but they did not necessarily reduce unemployment. Moreover, under the Hoover administration, the RFC may have been increasingly reluctant to provide corporations with new loans. The Great Depression was also called the Great Contraction, because of the overall lack of American financial liquidity or money in circulation.<sup>144</sup> New credit did not filter into the American economy on a regular basis,<sup>145</sup> and even the new RFC did not extend credit quickly enough or in sufficient

<sup>142</sup> "R.F.C. Has Lent 3,234 Million, 935 Returned," *The Washington Post*, November 6, 1933.

<sup>143</sup> Joseph P. Lash, *Dealers and Dreamers*, 98.

<sup>144</sup> Edward S. Cohen, "Monetary History Details Fed's Role in Depression," *The Washington Post*, November 22, 1963.

<sup>145</sup> Edson W. Briggs, "Lessons Are Seen From Depression," *The Washington Post*, December 20, 1931. Briggs argued that during the Depression, the credit system was broken and that industries were not flexible enough to adjust to rapid changes in the national economy; "Finance, Business, Economics," *The Washington Post*, December 22, 1934. The article reports that during the Depression, commercial and private loans were hard to locate, and this was one of the serious problems that had to be resolved.

numbers to make an impact over the short-term. Private banks continued to be reluctant to provide domestic businesses with loans, no matter their industrial and financial plans even though this would have provided corporations with private relief, not public. Hoover believed that the public sector should not play a dynamic role in strengthening private corporations. The absence of liquidity in the private sector prevented banks from establishing more loans to American industries.<sup>146</sup>

Some scholars contend that the United States and Great Britain sought to revitalize the national economies in Europe and the rest of the world.<sup>147</sup> The only problem that they faced was domestic opposition. Each nation had its own ideas about the global economy. They argued among themselves, because they also had national interests and security concerns that prevented economic compromise. The United States, which was a nation with strong gold reserves and a strong competitive advantage, sought to keep open its borders to free trade and competition. Other nations saw it differently. Moreover, the United States did not believe that overt or excessive government regulations were the answers to economic strife. The Hoover administration was determined to limit government action in the private sector to corporate and bank support.

One reason for the decline of the RFC after the Crash of 1929 was that the United States' government and banks did have gold reserves, but they were unwilling to increase credit for fear of decreasing their gold stocks. Federal Reserve chairman Eugene Meyers and Treasury Secretary Ogden Mills were reluctant to hold auctions for the acquisition of government securities, because they did not want to increase private credit. The Federal Reserve, instead, increased interest rates to diminish the money stock in the private sector

<sup>146</sup> Elliot A Rosen, *Roosevelt, the Great Depression and the Economics of Recovery*, 2-3.

<sup>147</sup> Frank Costigliola, "Anglo-American Rivalry in the 1920s," 914-918, 925.

and avoid an outflow of gold. Elliot A. Rosen pointed out that between the summer of 1929 and March of 1933, “monetary currency and demand deposits fell by 28 percent, while industrial output declined by some 50 percent.”<sup>148</sup> By 1928, the United States had spent over 500 million dollars in gold to finance its foreign bond purchases and stock market acquisitions.<sup>149</sup>

The Great Crash of 1929 and the Great Depression were devastating events in American and global history. The United States and its American citizens suffered gravely, because of the lack of job growth and the problems with deflation. Americans, overall, were subjected to poor economic conditions. They sought government support from the Hoover administration. Hoover, however, believed in self-help although the national economy could no longer support a system of laissez-faire and paternalistic financial practices. Corporations did not have the wherewithal to support the average citizen and life for ordinary Americans became uncertain.

These events occurred on the presidential watch of Herbert Hoover, and he attempted to resolve the crises by initiating proposals that had an international scope. The statistics listed throughout this chapter illustrate that the United States was indeed in an economic downturn. But the statistics do not mention where the crises first occurred. Was it an American or global problem or both? Did the economic crisis occur in the United States and then spread to other countries? Hoover based much of his domestic actions in light of the international causes of the Great Depression and that had consequences for how the economic crisis played out and was addressed in the United States. In the 1930s, President Franklin Delano Roosevelt contended that Hoover was mistaken to argue that the

<sup>148</sup> Elliot A. Rosen, *Roosevelt, The Great Depression and the Economics of Recovery*, 19.

<sup>149</sup> Frank Costigliola, “Anglo-American Financial Rivalry in the 1920s,” 931.

crises occurred in the global system first. Roosevelt believed that the crises had to be resolved in the United States first before policymakers sought to address a myriad of issues in foreign nations. It is difficult to assign responsibility regarding why the Great Crash occurred.

Hoover probably blamed the Federal Reserve System and his international allies throughout Europe that used cheap money policies to revitalize their national economies while Roosevelt blamed Hoover for his conservative approaches to monetary and fiscal policies. The policies that these presidents pursued were completely opposite in the sense that Hoover was a fiscal conservative while Roosevelt was a liberal progressive. Both political leaders sought to undo the policies of their opposition parties, in the sense that Hoover even strove to prevent the subsequent enactment of New Deal laws. Roosevelt, on the other hand, attempted to argue that the Great Crash of 1929 was an American occurrence that required domestic solutions, and that the Hoover administration was responsible not so much for causing as for refusing to address national and global crisis.

Scholars must look to the domestic and international policies of the Hoover administration and how they shaped the political agenda for Franklin Delano Roosevelt once he assumed the Oval office. In contrast to his preferences for a non-interventionist government, Hoover did create the Reconstruction Finance Corporation that was intended to promote economic growth in the private sector, but he was determined to not become involved in mitigating the economic crisis through direct measures. Hoover preferred in the use of the invisible hand of the market where policymakers examined public sector growth, balanced their federal budgets and did not develop proactive responses to private sector woes.

One question that must be asked is whether the Reconstruction Finance Corporation served as an impetus for the National Industrial Recovery Act of 1933.<sup>150</sup> Both the NIRA and the RFC were designed to target the private sector, but the RFC was established to extend public credit to the private sector. The NIRA was implemented to use centralized planning to reform the industrial sectors of the national economy. Both reforms worked to improve economic conditions, but their methodologies were inherently distinct. Hoover could not bring himself to devise private sector reforms while Roosevelt excelled by using liberal economic ideologies to target industrial stagnation. What this means is that both Hoover and Roosevelt maintained a set of different public policies that moved the nation forward in profound and distinct ways. Roosevelt's policies were not a continuation of Hoover's conservative ideology. The Roosevelt administration moved in different political circles, and this meant that economic change came to the forefront in distinct ways. In the chapters that follow, we will attempt to chart the new economic methods of Roosevelt and how he departed from the public policies of the Hoover administration.

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<sup>150</sup> Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy*, 9. Gardner mentioned that Hoover did seek to move beyond the RFC, but his solutions lacked substance and direction. Hoover needed plan, but one was not forthcoming.

## CHAPTER 4: HERBERT HOOVER, FRANKLIN DELANO ROOSEVELT AND THEIR ECONOMIC VISIONS

Long before the Great Crash of 1929, Herbert Hoover wrote and published an intriguing book entitled *American Individualism* in 1922. This book affirmed Hoover's belief in American competitiveness in the global economy and endorsed free competition in the trade sectors.<sup>1</sup> Further, Hoover's economic and social philosophy was not the foreign conception of Individualism practiced in Europe but an American Individualism in which social mobility was supposed to enable all citizens improve upon their living conditions.<sup>2</sup> Service and responsibility became the main characteristics of Hoover's dominant philosophy. Democracy enabled this economic wheel to turn as monarchs, aristocrats or members of the elite classes were not the only individuals that improved upon their social stations of life. Hoover's faith in the Horatio Alger economic success story applied to all citizens in the United States and distinguished Americans from their European counterparts.<sup>3</sup> This principle of American Individualism shaped Hoover's political beliefs and served as the economic foundation for his policies as president.<sup>4</sup>

What is American Individualism? This chapter seeks to address and describe this important concept and to enumerate the uses of individualism in the policies and political choices of Herbert Hoover and Franklin Delano Roosevelt. It itemizes the principles that

<sup>1</sup> David M. Kennedy, *Freedom From Fear: The American People in Depression and War, 1929-1945* (New York: Oxford University Press, 1999), 46; Ronald William Gordon Mackay, "America 1933 and the Industrial Recovery Act," *The Australian Quarterly* 5, no. 19 (September 1933): 32.

<sup>2</sup> Herbert Hoover, *American Individualism* (Garden City, New York: Doubleday, Page & Company, 1922), 32.

<sup>3</sup> Herbert Hoover, *American Individualism*, 24, 48; David W. Houck, "FDR's Commonwealth Club Address: Redefining Individualism, Adjudicating Greatness," *Rhetoric & Public Affairs* 7, no. 3 (Fall 2004): 266. In Houck's opinion, only certain individuals benefited from the Horatio Alger dream of self-improvement. All Americans could not experience this dream, so he differs from traditional interpretations of Individualism.

<sup>4</sup> "Herbert Hoover's Book," *Los Angeles Times*, January 22, 1923.

shaped American Individualism in the United States and how this idea led citizens to strive for the American dream. By 1929, however, the dreams enabled by a belief in American Individualism were no longer realized. This individualist philosophy could not serve as a mechanism for promoting social and financial growth among citizens in the United States when the supposedly self-regulating market collapsed. Thus, American Individualism still affected the political debate in the United States and how Americans, especially corporate executives and Republican policymakers, conducted themselves in political and economic environments even during the crisis of authority in the Great Depression.

This chapter will touch upon some of Hoover's experiences and philosophical stances, and his use of American Individualism as commerce secretary and president until 1933. It will, further, examine the devastating midterm elections of 1930 in which the Republican party lost many seats in Congress, because of disillusionment with American Individualism and how this theory no longer applied to American economic and social conditions. Lastly, it will address the political styles of Roosevelt and Hoover during the Presidential election of 1932. The Presidential race was hotly contested, and Hoover was fighting for his political life and legacy. Roosevelt won the election, but the presidencies of both men reflected the contradictory bent of American public culture. This chapter will illustrate the failure of American Individualism to address the problems of deprivation and insolvency among ordinary citizens.<sup>5</sup> This principle no longer worked in defining American economic, political and social culture, and hampered American efforts at maintaining its

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<sup>5</sup> William H. Riker, "Learning to Love the Me Generation," *Wall Street Journal*, March 27, 1985. In this article, Riker reviewed a book entitled *Habits of the Heart: Individualism and Commitment in American Life*. He argued that Americans had been influenced by Alexis de Tocqueville in the 19<sup>th</sup> century, but in the 1980s, citizens became too selfish and individualist. They had lost the traditional meaning of individualism and became the "me generation."

power in the global system.<sup>6</sup> Its failure also created the political context in which Roosevelt became president.

When and where does the term Individualism originate? Initially, "Individualism" was an European concept that came into existence as a political philosophy before the 19<sup>th</sup> century.<sup>7</sup> The term was developed from the European Enlightenment and the French Revolution in the late 18<sup>th</sup> century. European Individualism, or the belief in an autonomous social identity, was a controversial term. Its destructive force, some believed, threatened communal obedience, duty, and the system of law. Its emergence in philosophy also marked the age of capitalism.

In the United States, the uses of individualism were forms of capitalist libertarianism that reflected race, gender, and class.<sup>8</sup> Nevertheless, the term promoted democratic values that underlay the American dream.<sup>9</sup> The strong beliefs in private property were cemented into the political, social and economic landscape long before the twentieth century, but Hoover believed that this concept of property rights was only one of the tenets of American Individualism as it evolved following the American Revolution.<sup>10</sup>

American Individualism was supposedly a concept that pertained to all citizens regardless of class. Moreover, it differed from old World Individualism as practiced in Europe, because in the United States, less emphasis was placed upon the development of

<sup>6</sup> "Does Individualism Survive," *Wall Street Journal*, February 19, 1929. Dr. McBain of Columbia University, in this article, argued that rugged individualism was no longer prominent in the United States and that any sort of theoretical term that ends with ism does not always have a permanent place in any academic discourse.

<sup>7</sup> Steven Lukes, "The Meanings of Individualism," *Journal of the History of Ideas*, 32, no. 1 (January-March 1971): 45-46; Donald A. Ritchie, *Electing FDR*, 23-24; Albert U. Romasco, *The Poverty of Abundance: Hoover, the Nation, the Depression* (New York: Oxford University Press, 1965), 12-13; Edgar Eugene Robinson and Vaughn Davis Bornet, *Herbert Hoover: President of the United States* (Stanford: Hoover Institution Press, 1975), 39.

<sup>8</sup> John Spargo, "Hoover, The New Phase," *The North American Review* 231, no. 4 (April 1931): 294.

<sup>9</sup> Steven Lukes, "The Meanings of Individualism," 59, 62-63.

<sup>10</sup> Peter Steinfels, "Individualism: No Exit," *The Hastings Center Studies* 2, no. 3 (September 1974): 3.



monarchical values, autocracy, and privilege.<sup>11</sup> Society, in the United States, produced its own intellectuals that came from the masses, not just the elite or upper classes. Every person or more realistically, man benefited from equality of opportunity, liberty, and justice.<sup>12</sup> According to Hoover, democracy enabled all citizens, regardless of their origins or social backgrounds, to achieve in an equal setting. But achieving the American dream became difficult at times depending upon race, gender, and ethnicity. Citizens could not always acquire more than their modest means, even if they believed in the principles of American Individualism. Despite inequality among citizens, Individualism had been long-standing in the United States, especially since the American Revolution.

In his *Democracy in America*, Tocqueville emphasized that Americans possessed the individual freedom and liberty to achieve in a system of laissez-faire economics.<sup>13</sup> To believe in “American Individualism,” according to Tocqueville, was to have fortitude, courage, and confidence and to strive for the American dream, whatever it happened to be. Moreover, a person had to believe in the American spirit and contend that their goals could be accomplished.<sup>14</sup> Tocqueville continued that since men in the United States believed in equality, freedom, democracy and individualism that they all stood on equal footing with other American citizens. With equality, men were not above others, but were placed “side

<sup>11</sup> Herbert Hoover, *American Individualism* (Garden City, New York: Doubleday, Page & Company, 1922), 24.

<sup>12</sup> Herbert Hoover, *American Individualism*, 19.

<sup>13</sup> Peter Steinfeis, “Individualism: No Exit,” 5; Alpheus T. Mason, “American Individualism: Fact and Fiction,” *The American Political Science Review* 46, no. 1 (March 1952): 11; Alexis de Tocqueville, *Democracy in America* (Chicago: University of Chicago Press, 2000), 482-484. Tocqueville argued that sometimes Americans became isolated, because of their belief in the individual spirit and worked on their own self-interested inclinations or desires.

<sup>14</sup> Donald R. Richberg, “Progress under the National Industrial Recovery Act,” *Proceedings of the Academy of Political Science* 15, no. 4 (January 1934): 27.

by side.”<sup>15</sup> For Hoover, equality of opportunity was an important factor in his views on American Individualism.<sup>16</sup> American Individualism encouraged social mobility and that a person could improve his economic station in life depending upon his educational background, professional experiences and hard work. Hoover believed that American Individualism distinguished the United States from the rest of the world.

According to critics, only a select group of American citizens, mainly dominant protestant white males, believed that Individualism implied that “man is his own master.”<sup>17</sup> Opponents contended that it did not apply to all citizens, regardless of their socioeconomic background, race, or gender. As an ideology, it emerged, because American governmental structures were democratic in origin, and equality of opportunity became the ideal for the first few centuries.<sup>18</sup> In fact, it did not apply to all; but as an ideology, it masked the assumptions behind it.

American individualism had a strong root in voluntarism, and proponents of its philosophy saw limited use for federal programs to stimulate growth in the private sector.<sup>19</sup> Small government, decentralization of the federal government, and federalism governed policy initiatives in the United States.<sup>20</sup> Many presidents, including Hoover’s predecessor, Warren Harding, believed that American citizens and policymakers should not

<sup>15</sup> Alexis de Tocqueville, *Democracy in America: Volume II*, trans. Henry Reeve (Salt Lake City: Project Gutenberg Literary Archives foundation, 2006), <http://www.gutenberg.org>. (accessed February 26, 2015).

<sup>16</sup> Ellis Wayne Hawley, *Herbert Hoover as Secretary of Commerce: Studies in New Era Thought and Practice* (Iowa: University of Iowa Press, 1981), 232-237.

<sup>17</sup> Peter Steinfels, “Individualism: No Exit,” 6.

<sup>18</sup> Stephen Kalberg, “Tocqueville and Weber on the Sociological Origins of Citizenship: The Political Culture of American Democracy,” *Citizenship Studies* 1, no. 2 (1997): 199-222.

<sup>19</sup> “Individualism Is Key to Progress, Hoover Writes,” *Chicago Daily Tribune*, December 11, 1922; Thomas V. Dibacco, “Remembering Herbert Hoover,” *San Francisco Chronicle*, August 10, 1989.

<sup>20</sup> Robert H. Zieger, “Labor, Progressivism, and Herbert Hoover in the 1920s,” 207; Albert U. Romasco, *The Poverty of Abundance*, 4.

expect too much from the federal government.<sup>21</sup> Intervention in state affairs was not promoted, nor could it serve as an adequate solution to national economic problems.<sup>22</sup> In his book, *The Interregnum of Despair*, Jordan A. Schwarz argued that the president was thought to play the role of preacher and policeman while Congress devised solutions to the problems of generating revenue and appropriations. Herbert Hoover, who served as the Commerce secretary under Presidents Warren Harding and Calvin Coolidge, was somewhat conflicted when it came to that belief. He believed in voluntarism but used public works projects to stimulate the national economy. Thus, Hoover sought indirect forms of relief for Americans and longstanding corporations, but he did not believe in extending more than limited and-in some cases-public works to ordinary citizens.

Historian Elliot A. Rosen has questioned whether Hoover's individualism required intense competition, because of Hoover's belief in equality and the absence of class war, or social stratification.<sup>23</sup> Hoover endorsed the idea that Americans did not want to emulate its European counterparts. He was determined to avoid their political and economic moves to either nationalization or collectivism.<sup>24</sup> Americans, in Hoover's opinion, were distinct from their European allies. As a proponent of capitalism and a system of laissez-faire, Hoover

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<sup>21</sup> Jordan A. Schwarz, *The Interregnum of Despair: Hoover, Congress and the Depression* (Urbana: University of Illinois Press, 1970), 4.

<sup>22</sup> John Roskam, "From the Executive Director," *Institute of Public Affairs Review*, September 2008. Roskam wrote that even Tocqueville worried about an over-intrusive centralized government. Should government intervene in the lives of ordinary Americans; James Q. Wilson, "Tocqueville and America," *Claremont Review of Books*, Spring 2012.

<sup>23</sup> Elliot A. Rosen, *Hoover, Roosevelt, and the Brains Trust*, 42-43.

<sup>24</sup> Arthur Schlesinger, Jr., "The Man of the Century," *American Heritage*, May/June 1994. <http://www.americanheritage.com>. (accessed March 14, 2015); "Hoover Points Way to Wipe Out Unrest," *New York Times*, May 24, 1920. Hoover argued in this article that in Europe, an alternative to Socialism or Communism was needed because this system did not address the direct needs of European citizens.

sought to push Americans toward economic success.<sup>25</sup> Government had a limited role in that process. He saw little value in centralized planning strategies, and he argued that such policies went too far in regulating the national economy. He held the belief that the private market was self-regulating and could reform itself, which was the key reason that Hoover argued that the Great Crash of 1929 was merely an economic correction in the corporate marketplace.<sup>26</sup> In Hoover's opinion, it was a short-term economic collapse, but the Great Crash of 1929 deepened the economic crisis that he faced. It was not just a rudimentary economic crisis, but served as a warning that American Individualism no longer held a prominent place in American culture.<sup>27</sup> Moreover, instead of direct intervention to mitigate the economic crisis, Hoover experimented with using industrial associations and mutual aid societies to address financial and social problems.

Hoover adopted the principles of American Individualism during his academic pursuits at Stanford University and throughout his early career as a mining engineer.<sup>28</sup> As a food administrator during the Great War, he began to develop his ideas about the public and private sectors.<sup>29</sup> His wartime service reinforced his "romantic viewpoint" about voluntarism and the roles of individual professionals who became members of the

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<sup>25</sup> Jordan A. Schwarz, *The New Dealers: Power Politics in the Age of Roosevelt* (New York: Alfred A. Knopf, 1993), 35; Raymond Keating, "Commentary: What We Must Learn From the Great Depression," *Long Island Business News*, October 10, 2008; Hugh Samuel Johnson, *The Blue Eagle from Egg to Earth*, 160, 169, 175.

<sup>26</sup> Raymond Keating, "Commentary: What We Must Learn from the Great Depression," *Long Island Business News*, October 10, 2008. Keating argued that although Hoover was a proponent of a system of laissez-faire, he believed in financial intervention in the sense that institutions received monies for hiring workers. He did not believe in the dole, but he worked toward financing corporations that improved unemployment levels in the United States; William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists and American Economic Policy, 1921-1933* (Cambridge: Cambridge University Press, 1985), 1.

<sup>27</sup> Herbert Hoover, "Rugged Individualism Campaign Speech," 1928, University of Houston, <http://www.digitalhistory.uh.edu>. (accessed March 10, 2015).

<sup>28</sup> "Harding and Most of Cabinet Began Life at Manual labor," *New York Times*, December 24, 1922.

<sup>29</sup> Donald A. Ritchie, *Electing FDR*, 20; Arthur M. Schlesinger, Jr., *The Age of Roosevelt Volume II: The Coming of the New Deal*, 82-83; Robert H. Ferrell, "His War Against Starvation: Bookshelf," *Wall Street Journal*, October 1, 1996.

government system.<sup>30</sup> During and after the Great War, historian Kendrick A. Clements argued that Hoover served as the U.S. Food Administrator, chairman of the U.S. Grain Corporation, head of the Sugar Equalization, and chairman of the Commission for Relief in Belgium.<sup>31</sup> President Woodrow Wilson even asked Hoover to serve as the head of the American Relief Administration in 1918, because he was so successful in his endeavors. In *Herbert Hoover*, Vernon Kellogg argued that Hoover was a great organizer of resources that he received from American non-governmental organizations such as the Rockefeller Foundation, the Daughters of the American Revolution, the New York Chamber of Commerce and the Cardinal Gibbons Fund.<sup>32</sup> All of these charitable groups from the United States were instrumental in Hoover's relief initiatives.

Voluntarism and professionalism were embodied in Hoover's ideal citizen, and this ideal man was perfect for the political arena. It was the tireless professional and volunteer who worked in government in order to serve American citizens that was Hoover's ideal. His volunteer, of course, did not receive wages or compensation for his role in the public sector, because the volunteer had to be wealthy in his own right. For Hoover, the volunteer professional provided his services, because of his belief in American Individualism.<sup>33</sup> Thus, the private citizen emerged in a place of prominence in the public sector and worked with a

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<sup>30</sup> Robert D. Cuff, "Herbert Hoover, The Ideology of Voluntarism and the War Organization During the Great War," *Journal of American History* 64, no. 2 (September 1977): 359; Martin L. Fausold, "President Hoover's Farm Policies, 1929-1933," *Agricultural History* 51, no. 2 (April 1977): 363-364; John Spargo, "Hoover, The New Phase," 295-296; Robert H. Zieger, "Herbert Hoover, the Wage-Earner and the New Economic System," 176; Herbert Hoover Biographical Sketch," Herbert Hoover Presidential Library and Museum website, West Branch, Iowa, <http://www.hoover.archives.gov/info/hooverbio.html>. (accessed February 17, 2013).

<sup>31</sup> Kendrick A. Clements, *The Life of Herbert Hoover: Imperfect Visionary, 1918-1928* (Basingstoke: Palgrave Macmillan, 2010), 1.

<sup>32</sup> Vernon Kellogg, *Herbert Hoover* (S.I.: Great Neck Publishing, 2010), 172-174; "Bookshelf: Hoover: Engineer, Ardent Humanitarian," *Wall Street Journal*, July 10, 1964.

<sup>33</sup> Special, "Hoover Won the Gratitude of Millions for his Relief Work After World War I," *New York Times*, October 21, 1964. As food administrator in Belgium, Hoover did not receive a salary and paid for his own personal expenses. He believed in frugality and attempted to persuade other bureaucrats to espouse these views.

political mandate to govern. Moreover, Hoover did not believe that government agencies should be highly centralized. He trumpeted the individual spirit, even early on when he worked as a mining engineer. He held on to these beliefs tightly, and they served as a mechanism for his government service, even before his presidency.<sup>34</sup>

Once Hoover returned from continental Europe in the early 1920s, he was convinced that economic liberties were dependent upon what he called spiritual and intellectual freedom. Hoover contended that all peoples needed to sustain their economic freedom and that it must not come at the expense of maintaining intellectual equality. As he wrote, "equality of opportunity is the right of every American—rich or poor, foreign or native born, irrespective of faith or color. It is the right of every individual to attain their position in life to which his ability and character entitle him. By its maintenance, we will alone hold open the door of opportunity to every new generation, to every boy and girl."<sup>35</sup>

Hoover continued that:

Business is practical, but it is founded upon faith—faith among our people in the integrity of business men, and faith that it will receive fair play from the government. It is the duty of government to maintain that faith. Our whole business system would break down in a day if there was not a high sense of moral responsibility in our business world.<sup>36</sup>

Hoover believed that ordinary citizens should have faith in American political institutions; and he prized the American businessman in his efforts to bring about economic, political and social change in the United States. But businessmen must have faith in themselves or

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<sup>34</sup> Special, "Hoover Won the Gratitude of Millions for his Relief Work After World War I," *New York Times*, October 21, 1964; Harris & Ewing, "Hoover Gained Fame in War Relief Work," *New York Times*, June 15, 1928.

<sup>35</sup> Herbert Hoover, *The New Day*, 41; Herbert Hoover, "Speech on the Consequences of the Proposed New Deal," October 31, 1932, Teachingamericanhistory.org., Ashbrook Center at Ashland University, <http://www.teachingamericanhistory.org/library/document/speech-on-the-consequences-of-the-proposed-new-deal/>. (accessed March 10, 2015); "Individualism Hoover's Creed," *Los Angeles Times*, December 10, 1922.

<sup>36</sup> Herbert Hoover, *The New Day*, 31-32.

they will not have the capacity to make the appropriate changes to American institutions and the national economy.

Hoover's ideal citizen-volunteer was the ultimate professional, and he used his intellectual framework, and economic and political know-how to provide common sense solutions to the American people.<sup>37</sup> Government officials, he argued, were professionals who worked for the bureaucracy; but the government was decentralized so that policymakers exercised considerable control over political and economic transactions.<sup>38</sup> The skills that Hoover developed as a Food administrator, he used to again and again as Commerce Secretary and as President. From this perspective, Hoover believed that an extensive administration was unnecessary in most cases. In his acceptance speech in 1928 for the Republican Presidential Nomination, Hoover declared, under his political party's leadership, that limited government with a budgeted budget had been the federal government's primary goals along with the elimination of poverty in the United States.<sup>39</sup>

Hoover's belief in voluntarism was witnessed in all of his public policy as Commerce Secretary and President. He favored Chambers of Commerce and trade associations, because they helped the lower-to-middle classes get back on their economic feet through the creation of jobs in the private sector. Hoover believed in using indirect methods to strengthen the national economy through relief for American businesses who, in turn, put

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<sup>37</sup> "Herbert Hoover's Book," *Los Angeles Times*, January 22, 1923.

<sup>38</sup> Herbert Hoover, "Principles and ideals of the United States Government," October 22, 1928, Miller Center, the University of Virginia, <http://www.millercenter.org/president/speeches/speech-6000>. (accessed March 10, 2015).

<sup>39</sup> Herbert Hoover, *The New Day*, 13, 16; Herbert Hoover, "Rugged Individualism Campaign Speech," 1928, University of Houston, <http://www.digitalhistory.uh.edu>. (accessed March 10, 2015).

people back to work. He asserted that enlightened corporate executives at large American firms “represented a fusion of altruism and self-interest.”<sup>40</sup> Moreover, he argued that:

Voluntarism would result in the elimination of waste, the furtherance of individualism, the promise of economic expansion, and the avoidance of the cancer of socialism which had proven a ghastly failure in Russia.<sup>41</sup>

With Hoover, American Individualism, coupled with a metallic monetary standard could serve as the basis for economic growth and expansion. He believed that the only way to balance the federal budget and bring prosperity back to the private sector was through the maintenance of a gold standard and a strong dollar.<sup>42</sup> With a dollar supported by coinage or specie, American corporate executives increased their employment numbers and hired more citizens. Hoover was called the *Great Engineer* for that very reason.

Hoover believed in informing public opinion, but he was not the best communicator. He did not give a lot of interviews, and he did not discuss his policies as commerce secretary or president with the press. He was inward and serious, and he did not possess a fierce sense of humor. After his experiences as Food administrator in Europe, his thoughts and mentality became somewhat personal and subdued, and this shaped his political policies regarding the Great Crash of 1929 and the Great Depression of the 1930s.<sup>43</sup> Moreover, historian Elliot A. Rosen has argued, because Hoover’s focus was on big

<sup>40</sup> Elliot A. Rosen, *Hoover, Roosevelt, and the Brains Trust*, 45.

<sup>41</sup> Elliot A. Rosen, *Hoover, Roosevelt, and the Brains Trust*, 45.

<sup>42</sup> Herbert Hoover, Museum Exhibit Galleries: Gallery Seven: From Hero to Scapegoat, Herbert Hoover Presidential Library, <http://www.hoover.archives.gov>. (accessed February 26, 2015).

<sup>43</sup> Stephen Kemp Bailey, *Roosevelt and his New Deal*, 17.



business, his policies promoted the status-quo. Businesses were to be reformed but not regulated.<sup>44</sup>

Businesses received more financial assistance under Hoover, and this relief was intended to help ordinary Americans indirectly. For Hoover, financial assistance had to be hierarchical. Ordinary citizens would benefit but only from government support for the economy generally. Hoover's belief in American Individualism shaped his views and led him to see supporting the business community as the primary means by which to help ordinary Americans.<sup>45</sup> He believed in upward mobility for the working class, but improving one's station in life was to be more gradual and less direct.<sup>46</sup> According to historian Elliot Rosen, Hoover did not want to change society from its roots, but he sought to promote business interests so that working Americans could get off the "dole" and work as members of the labor force.<sup>47</sup>

Hoover's promotion of American Individualism was a failed attempt to create public policies that were in line with an older vision of government.<sup>48</sup> His Individualist philosophy did not function to resolve national and global economic crises, and this failure was reflected in the Midterm elections of 1930. Scholars contend that due to Hoover and his Republican colleagues' conservative beliefs, a global economic downturn, a lack of presidential popularity and profound disapproval of his policies, November 4, 1930, was a

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<sup>44</sup> Albert U. Romasco, *The Poverty of Abundance*, 14, 17. Hoover also worked with the private sector, because he believed in limited government and welfare capitalism.

<sup>45</sup> Charles R. Michael, "Herbert Hoover, Prophet of Rugged Individualism," *New York Times*, September 18, 1932.

<sup>46</sup> Elliot A. Rosen, *Hoover, Roosevelt and the Brains Trust*, 55.

<sup>47</sup> "Herbert Hoover's Tragic Presidency." <http://www.austincc.edu/lpatrick/his2341/tragic.html>. (accessed February 17, 2013); Ellis W. Hawley, "Herbert Hoover, Commerce Secretariat and the Visions of an Associate State," 118, 121, 138.

<sup>48</sup> "Does Individualism Survive," *Wall Street Journal*, February 19, 1929.

disaster for the Republican party.<sup>49</sup> But this was normally the case with midterm elections in the United States. If there was an economic collapse, a new influx of young, female or African American voters, or if the president lacked political charisma, then the incumbent party did not fare well in the midterm elections.<sup>50</sup> The Midterm elections always meant losses for the incumbent party, but in 1930, the Republican party lost big.

Moreover, in *The Future of American Politics*, Samuel Lubell argued that Democratic values such as the use of strong fiscal policies and expanded government versus Republican ideals of limited government and deflation have been staples of American governmental policies since the match-up between Herbert Hoover and Franklin Delano Roosevelt in the 1932 presidential election.<sup>51</sup> If the federal government interfered too much in the private sector, then the American people began to espouse more Republican values. But Herbert Hoover during the 1930 midterm elections may have experienced some backlash from his aggressive monetary policies to bring in revenue for the public sector, the absence of social programs at the federal level, and his emphasis upon a balance federal budget during a period of economic collapse.

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<sup>49</sup> Donald A. Ritchie, *Electing FDR*, 58-59; Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 100; Edgar Eugene Robinson and Vaughn Davis Bornet, *Herbert Hoover*, 48, 143, 166. Alan I. Abramowitz et al., "The President's Party in the Midterm Elections: Going From Bad to Worse," *American Journal of Political Science* 30, no. 3 (August 1986): 562, 571-572, 574; The President's New Conference, Public Papers of the President of the United States, Volume 2: Herbert Hoover, November 7, 1930, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, IA. This conference was important, because it was Hoover's first meeting with the press following the midterm elections of 1930. Democrats from the election contests had won 18 of the 32 gubernatorial races, 22 of the 36 senatorial seats and 216 out of the 431 seats for the House of Representatives; Special, "Republicans Lay Defeat to Slump," *New York Times*, November 6, 1930.

<sup>50</sup> Vermont Royster, "Thinking Things Over," *Wall Street Journal*, November 3, 1982. This article compares the midterm elections of Roosevelt, Truman, Reagan and others to confirm that during the midterm elections, the president's party normally does not pick up new seats in Congress. The opposition party typically gained new seats; Louis H. Bean, "Midterm Spell May be Broken," *Washington Post*, February 4, 1962. One point that Bean made was that during only one in 26 midterm elections has the incumbent party picked up seats in Congress since 1856 and remained in the majority; Samuel Lubell, *The Future of American Politics* (New York: Harper & Row, Publishers, 1965), ix, 80.

<sup>51</sup> Samuel Lubell, *The Future of American Politics*, 4-5.

On November 4, 1930, many Congressional seats were open during these election-day contests, and the Republicans failed to capture key legislative seats. The Republican party was still popular and influential in the South, but Michigan, Massachusetts, and Pennsylvania were the only places in which the Republican party held preeminence in the Northeast and Middle Western regions of the United States.<sup>52</sup> In Illinois, Republicans lost five House seats, and they only won 49.6 percent of the state votes compared with 56.9 percent in 1928. Democratic Senatorial candidate from Illinois James Hamilton Lewis defeated Republican Ruth Hanna McCormick by 700,000 votes. In Indiana, Republicans only received 47.2 percent of the vote, and Democrats controlled that state by a margin of 9 to 4; in 1928, the margin had been 10 to 3 in favor of Republicans. In Ohio, Republican Representatives for the House had lost six seats. The 1930 midterm elections illustrates the effects of a party realignment in which many urban, working class ethnic Americans voted for the first time.<sup>53</sup> These new citizens voted for the Democratic party and they have laid the groundwork for FDR's election victory.

Moreover, in 1930, there were thirteen new Senators in Congress while eleven of them were seated as Democrats.<sup>54</sup> In the House of Representatives, Democrats picked up forty-nine new seats.<sup>55</sup> It was a bad year for Republicans and Hoover had lost his presidential mandate among Congressional lawmakers and the American people. Congress was in the hands of the Democrats, and they were not supplanted easily.<sup>56</sup> Hoover had to

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<sup>52</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 18-19.

<sup>53</sup> "Two on Trial," *Wall Street Journal*, November 5, 1954.

<sup>54</sup> William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 14, 2015).

<sup>55</sup> Ashbrook Center, "1930 Midterms Heralded New Deal," Ashland University. <http://ashbrook.org/publications/oped-06-1930/> (accessed February 17, 2013).

<sup>56</sup> "The Great Depression," <http://www.westga.edu/~hgoodson/the%20great%depression.htm>. (accessed February 17, 2013).

negotiate with a House and Senate housed with more Democrats who did not have his perspectives or interests at heart.

Although Republicans lost several seats in the 1930 Congressional elections, the Republican party, also, did not fully support the president. In the past, Hoover had been viewed as one of their brethren or comrade-in-arms,<sup>57</sup> but the Hoover administration and the Republican Senators did not get along well. Hoover's cabinet remained loyal. In his last two years in office, Hoover faced significant opposition from his own party. Herbert Hoover believed that Republican Senate Leader James E. Watson of Indiana lacked Republican loyalty and respect for the party. Hoover sought to supplant him with David A. Reed, Republican Senator from Pennsylvania; but he could not generate support within Congress. Watson did not view Hoover as a legitimate or serious politician, and he would not follow Hoover's directions or public policies.<sup>58</sup> Following the mid-term elections, Watson proposed a compromise with Democrats in Congress so that bi-partisanship would be the order of the day.<sup>59</sup> This act was useful to Republicans and Democrats in Congress, because Republicans were not evenly matched in legislative seats.

Later in 1931 and early 1932, Hoover worked independently to turn the national economy around. He did not want to incur congressional interference to his plans to prevent the spread of the Depression. Hoover was able to push the debt moratorium, the Reconstruction Finance Corporation, and Glass-Steagall act or the Banking act of 1933

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<sup>57</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 48-49; Robert M. Eisinger, "Gauging Public Opinion in the Hoover White House: Understanding the Roots of Presidential Polling," *Presidential Studies Quarterly* 30, no. 4 (December 2000): 644-646, 648-649; Barbara Deckard Sinclair, "Party Realignment and the Transformation of the Political Agenda: The House of Representatives, 1925-1938," *The American Political Science Review* 71, no. 3 (September 1977): 941, 943, 945, 950, 952.

<sup>58</sup> Robert M. Eisinger, "Gauging Public Opinion in the Hoover White House: Understanding the Roots of Presidential Polling," *Presidential Studies Quarterly* 30, no. 4 (December 2000):645-646.

<sup>59</sup> Special, "Offer of Democratic Aid in Ending Slump Accepted After White House Parley," *New York Times*, November 10, 1930.

through Congress with Democratic assistance. According to the Federal Reserve Bank of St. Louis, Julia Maues argued that the Glass-Steagall act had been developed by Senator Carter Glass, Democrat from Virginia and Representative Henry Steagall, Democrat from Alabama.<sup>60</sup> The bill had been passed during the last days of the Hoover administration, but it was signed into law by Franklin Delano Roosevelt. The sales tax bill, that would have balanced the federal budget, tariff alterations, and public works projects were not enacted, because of the emerging controversies and disagreements surrounding those proposals.<sup>61</sup>

In contrast to Hoover's public personality, Roosevelt's character and political identity were rooted in his on-the-job experience. He was a masterful politician. Unlike Hoover, Roosevelt became a public official early on in his life, and he used his professional experience to emerge as a dominant political leader in the United States. In 1910, Roosevelt, at 28 years of age, became the State Senator for Dutchess County, New York.<sup>62</sup> Throughout his time as state senator, he chaired and controlled the Forest, Fish and Game Committee. He attempted to establish public policies that encouraged economic growth and environmental conservation in New York State.<sup>63</sup> He attempted to sanction the economic behavior of New York City's chief company executives and policymakers. Roosevelt also distinguished himself from the actions of New York City's Tammany Hall machine.<sup>64</sup> As a progressive conservationist, FDR fought to protect the New York State's

<sup>60</sup> Julia Maues, "Banking Act of 1933, Commonly called Glass-Steagall," Federal Reserve Bank of St. Louis, <http://www.federalreservehistory.org/events/printview/25>. (accessed February 27, 2015).

<sup>61</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 73.

<sup>62</sup> Teaching Eleanor Roosevelt Glossary, "Franklin Delano Roosevelt (1882-1945)," <http://www.gwu.edu/> (accessed November 2, 2012); "Franklin D. Roosevelt," The White House, <http://www.whitehouse.gov/1600/presidents/franklindroosevelt>. (accessed February 26, 2015).; Adam Gorlick, "FDR Museum, A Passion for the 32<sup>nd</sup> President," *The Associated Press—Newsday*, January 28, 2007.

<sup>63</sup> Thomas E. Cronin and William R. Hochman, "Franklin D. Roosevelt and the American Presidency," 277-278.

<sup>64</sup> Donald Richberg, *My Hero: The Indiscreet Memoirs of an Eventual but Unheroic Life* (New York: G.P. Putnam's Sons, 1954), 153.

environmental conditions. He promoted the interests of farmers. He wanted to establish low-interest loans for farmers, protect farmlands, and assist with the marketing of primary goods.<sup>65</sup>

Throughout the 1910s and 1920s, Roosevelt began to argue that “American Individualism” as voiced by his opponents did not share a dynamic place in the United States. Sometimes the needs of the many had to be promoted over those of the individual. Roosevelt argued that, throughout history, there had been a struggle between the individual versus the community.<sup>66</sup> During Roosevelt’s first Inaugural Address as governor of New York State in 1928,<sup>67</sup> he stressed that our civilization would not survive unless each citizen fulfilled their societal responsibilities in the United States and the global system. Our standards of living improved, because of the sacrifices of everyday American citizens and their foreign counterparts.<sup>68</sup>

Roosevelt did not endorse “rugged individualism,” because it led to intense competition in the private sector.<sup>69</sup> He only supported this way of life and approach if there were equal opportunities for all Americans and economic exploitation was non-existent.<sup>70</sup> American Individualism was a practice and method that was supposed to benefit all Americans, especially when the private sector failed to answer the needs of its citizens.<sup>71</sup> In his opinion, this situation enabled the federal government to step in and aid

<sup>65</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 10-11.

<sup>66</sup> David Keith Adams, *Franklin D. Roosevelt and the New Deal*, 14.

<sup>67</sup> The White House, “Franklin Delano Roosevelt,” <http://www.whitehouse.gov/> (accessed November 2, 2012).

<sup>68</sup> Samuel I. Rosenman, *The Public Papers and Addresses of Franklin D. Roosevelt Volume One*, 76.

<sup>69</sup> Christopher Connell, “Still Glistening on its Golden Birthday,” *Orlando Sentinel*, August 11, 1985.

<sup>70</sup> Franklin D. Roosevelt, “Campaign Address at Columbus, Ohio,” August 20, 1932. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=88407>. (accessed March 2, 2015).

<sup>71</sup> “FDR’s Commonwealth Club Address, September 23, 1932,” The Heritage Foundation: The First Principles Series. <http://www.heritage.org>. (accessed March 2, 2015).

working class Americans. He felt that the modern form of “rugged individualism” was a detriment to the national economy, and that the traditional approach associated with American Individualism had been lost.<sup>72</sup> In addition, he believed that this had been the central reason for economic deprivation, destitution and collapse in the United States.<sup>73</sup>

From this speech, historians believed that Roosevelt was liberal and progressive. He believed in reforming society through government action. He argued for social justice and contended that, only through responsible government, could the needs of citizens come to the forefront.<sup>74</sup> Additionally, Roosevelt believed that it was through the completion of our public policy initiatives that made countries in the global system great.<sup>75</sup> Working hard and using government assistance only when necessary paved the way for dynamic and widespread economic growth.

Roosevelt continued to serve as a politician; after his ordeal with polio in 1921 and he worked for the peoples’ interests in New York State.<sup>76</sup> In 1928, he won the Governor’s seat in New York State, while attempting to complete his private efforts at recovery and

<sup>72</sup> Franklin D. Roosevelt: “Address Accepting the Presidential Nomination at the Democratic National Convention in Chicago,” July 2, 1932. Online by Gerhard Peters and John T. Woolley, The American Presidency Project.

<http://www.presidency.ucsb.edu/we/?pid=75174>. (accessed March 10, 2015); William A. Schambra, “Cuomo’s Sense of Community Is a Political Hand-Me-Down,” *Wall Street Journal*, July 24, 1984.

<sup>73</sup> “The United States Turns Inward: the 1920s and 1930s,” Scholastic, <http://www.scholastic.com/browse/subarticle.jsp?id=1674>. (accessed April 5, 2013).

<sup>74</sup> Bernard Bellush, *The Failure of the NRA*, 5; David M. Shribman, “A Triumvirate for Change,” *Boston Globe*, May 6, 2001. Shribman argued that although Roosevelt was considered an aristocrat, he fought for the common man that could not defend himself in difficult financial and economic conditions.

<sup>75</sup> Samuel I. Rosenman, *The Public Papers and Addresses of Franklin D. Roosevelt Volume I*, 76.

<sup>76</sup> Earland I. Carlson, “Franklin D. Roosevelt’s Post-Mortem of the 1928 Election,” *Midwest Journal of Political Science* 8, no. 3 (August 1964): 299, 305; Jonathan Alter, “What FDR Teaches,” *Newsweek*, May 1, 2006, <http://www.newsweek.com>. (accessed March 21, 2015); Richard Cavendish, “The First of the Hundred Days: March 4<sup>th</sup>, 1933,” *History Today* 58, no. 3 (March 2008): 13; Elizabeth Elkins, “Franklin D. Roosevelt,” *Cobblestone*, January 2010; Alan Brinkley, “About FDR,” American Heritage Center, Inc., <http://www.fdrheritage.org/fdrbio.htm>. (accessed April 1, 2013).

rehabilitation.<sup>77</sup> As Governor of New York State, Roosevelt listened to his constituents. He understood by 1929 that the American economy was in a shambles, but he hesitated to bring about reforms. He believed, as did many, that recovery was in sight. He realized that this was incorrect and he acted quickly to provide financial support for his constituents, as the depression deepened.

After the collapse of the Bank of the United States in December 1930, FDR called for more stringent regulation of state chartered banks. He established a regional committee for the establishment of unemployment compensation and retirement insurance. He developed social programs, such as the Temporary Emergency Relief Administration to provide financial assistance to New York residents so that they could purchase consumer essentials from the private sector and maintain a high standard of living.<sup>78</sup> This agency was established in New York State on October 1, 1931 and had a sinking fund of twenty million dollars to provide assistance to the unemployed.<sup>79</sup> Roosevelt, as governor, accomplished a series of programs to help the unemployed, such as the enactment of sweeping legislation that established unemployment benefits, old-age pensions, work hours stipulations and limits, and public works projects that promoted job growth.<sup>80</sup>

Because of Roosevelt's popularity in New York State, he went up against Alfred Smith, the former New York governor, for the Democratic nomination for president in

<sup>77</sup> Frances Perkins, *The Roosevelt I Knew* (New York: The Viking Press, 1946), 41-53; Alan Brinkley, "Roosevelt, Franklin Delano," American National Biography Online, <http://www.anb.org/articles/06/06-00567.html>. (accessed April 1, 2013).

<sup>78</sup> Richard Polenberg, *The Era of Franklin D. Roosevelt, 1933-1945: A Brief History with Documents* (Boston: Bedford/St. Martin's, 2000), 7.

<sup>79</sup> June Hopkins, "The New York State Emergency Relief Administration: October 1, 1931, Social Welfare History, <http://socialwelfarehistory.com/era/temporary-emergency-relief-administration>. (accessed February 26, 2015).

<sup>80</sup> "American President: Franklin Delano Roosevelt, The Miller Center at University of Virginia, <http://www.millercenter.org/president/fdroosevelt/essays/biography/print>. (accessed February 26, 2015).  
Ignazio Messina, "FDR's Economic Fairness Initiative Resonates Today," *The Blade*, October 12, 2008; "Roosevelt Left Mark on the Capital Region," *Times Union*, May 3, 1997.



1932. Roosevelt understood that the road would be difficult and full of political hurdles. The main obstacles that Roosevelt faced in his battle with Alfred Smith were the issues of Catholicism, Prohibition but most importantly, the Great Depression. Roosevelt had both the experience and intellectual know-how to handle Smith without much difficulty. The same policies that he used as governor of New York State, he applied to his presidential campaign. In the end, Roosevelt won the Democratic nomination for President in 1932.<sup>81</sup>

On July 2, he announced at the Democratic convention in Chicago, Illinois, a New Deal for all Americans.<sup>82</sup> Roosevelt pledged to help “the forgotten man,” who was suffering from the negative effects of the Great Depression.<sup>83</sup> This speech was important, because Roosevelt was not speaking for the American people, he was speaking with them. He understood that times were difficult but he believed that Americans could pull through these difficulties with some assistance from the federal government. This political stance set Roosevelt apart from previous candidates because he was not trying to speak over the heads of ordinary Americans.

During his campaign, FDR established his Brains Trust, which consisted of scholars that supported him intellectually and developed his public agenda for the presidency.<sup>84</sup> In his group were Raymond Moley, Rexford Tugwell, and Adolf Berle from Columbia

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<sup>81</sup> Michael Kennedy, “Recalling FDR’s Pivotal Rise at the 1932 DNC,” *Boston Globe*, July 20, 2004; Michael Kennedy, “Account of FDR’s 1932 Nomination Marks Happy Days for Political Junkies,” *Pittsburg Post-Gazette*, August 1, 2004; William O’Rourke, “The Making of FDR,” *Chicago Sun-Times*, July 4, 2004.

<sup>82</sup> Speech Accepting Nomination for presidency, Franklin Delano Roosevelt, July 2, 1932, Franklin Delano Roosevelt File 7 (FDR), Franklin D. Roosevelt Library and Museum website; version date 2009.

<sup>83</sup> Stephen Schwartz, “Unhappy Days: The Cure for the Great Depression was Addiction to Big Government,” *The Weekly Standard*, July 30, 2007. <http://www.weeklystandard.com>. (accessed March 14, 2015).

<sup>84</sup> Richard S. Kirkendall, “Franklin D. Roosevelt and the Service Intellectual,” 456.

University, Harvard and other Ivy League institutions.<sup>85</sup> This group of scholars was Roosevelt's informal cabinet that provided him with all sorts of ideas about social and economic policy. He used these intellectuals to devise political strategies, write campaign and presidential speeches, and establish programs that could assist the American people.<sup>86</sup> Moreover, all of them came from prestigious universities and had a proven track record as scholars in their own right.

It was during this period that Roosevelt began to battle Hoover and the emphasis that he placed upon American Individualism. Determined to avoid the mistakes of his Democratic predecessor, Roosevelt turned outward. He used more public efforts to combat the economic crisis. His Brains Trust, like Hoover, saw the virtue of cooperation, planning, and long-term solutions, but government intervention in both individual welfare and the market was to become central to the New Deal.

Roosevelt did not forget that ordinary Americans had provided him with the legal authorization to serve as governor in New York State.<sup>87</sup> He realized that with the political and economic support of "the forgotten men", he could change social conditions in the United States.<sup>88</sup> Roosevelt and the Brains Trust developed an extensive public agenda that included unemployment compensation and retirement insurance, agricultural regulation and conservation efforts, a balanced budget, strong currency and the voiding of prohibition

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<sup>85</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 19-20; Charles W. Hurd, "Roosevelt Is Host to Raymond Moley," *New York Times*, February 27, 1935; Jim Theologos, "Raymond Moley, Roosevelt Aid, Dies," *New York Times*, February 19, 1975; "Richberg Decries Brain Trust Myth," *New York Times*, April 11, 1934.

<sup>86</sup> "J.I. Straus Praises The Brain Trust," *New York Times*, June 23, 1933; "Calls Socialism Brain Trust Aim," *New York Times*, May 31, 1933. In 1933, some Republican Senatorial campaign members such as Senator Hatfield argued that the Brains Trust had socialist and communist ambitions. The Republican party, following the 1932 presidential election, was critical of the Brains Trust scholars; Delbert Clark Washington, "Dramatic Fade-Out of the Brain Trust," *New York Times*, March 24, 1935; To avoid Republican criticism, the Brains Trust was dissolved gradually and the members of the Roosevelt administration began to assume greater duties.

<sup>87</sup> Stephen Kemp Bailey, *Roosevelt and His New Deal*, 18.

<sup>88</sup> Philip A. Grant Jr., "The Presidential Election of 1932 in Michigan," 89.

laws.<sup>89</sup> When Roosevelt accepted the presidential nomination for the Democratic party, he asserted that he would create a New Deal for his national constituents. This period had been tough for all Americans, but he envisioned an American people who would be “called to arms in a war against economic despair.”<sup>90</sup>

Former Harvard professor and administrator, Stephen Kemp Bailey points out that sometimes, politicians make pledges that they cannot carry out. Americans probably wondered if Roosevelt could deliver, because of the enormity of the Stock Market Crash in 1929 and Great Depression, but he had a strong mind. He used his experiences and achievements as a New York governor and applied them to the presidential campaign. In the beginning, he may have favored a balanced budget approach to the public sector but he realized that the national economy was in shambles. He had to act proactively to resolve the crisis and get Americans back on their economic footing. Roosevelt’s pledges appealed to the American people, because he argued for economic justice for all of his constituents. The principles behind American Individualism in its focus on economic freedom and the power of entrepreneurship no longer functioned in the United States.<sup>91</sup> A new path had to be taken.<sup>92</sup> As a progressive reformer, Roosevelt sought to establish a national economy that was a mixture between a laissez-faire approach and highly centralized government planning and regulation.<sup>93</sup>

In 1932, many Democrats praised Roosevelt’s political, social and economic qualities. They believed that he was the right person for the presidency. An active

<sup>89</sup> Stephen Kemp Bailey, *Roosevelt and His New Deal*, 18.

<sup>90</sup> Samuel I. Rosenman, *The Public Papers and Addresses of Franklin D. Roosevelt Volume I*, 659.

<sup>91</sup> Donald R. Richberg, “Progress under the National Industrial Recovery Act,” 396.

<sup>92</sup> Leverett S. Lynn and C.L. Dearing, “The Recovery Law,” *American Journal of Sociology* 39, no. 6 (May 1934): 759.

<sup>93</sup> David Keith Adams, *Franklin Delano Roosevelt and the New Deal*, 5.

participant in the political arena, FDR would not just stand by and watch the national economy and ordinary American citizens fail or fall by the wayside. He was determined to act and to act now to improve economic conditions. When Roosevelt began to serve as the governor of New York State, in 1929, the Democratic party watched him closely to discover how he responded to economic, political or social crises.<sup>94</sup> Viewed as a dynamic leader, he had a sound temperament and sought proactively to address the crisis. Senators William J. Harris of Georgia, Josiah W. Bailey of North Carolina, William H. King of Utah, Alben Barkley of Kentucky, Kenneth McKellar of Tennessee and Robert Bulkley of Ohio, all believed that Roosevelt could win the presidential election of 1932. The political stage had been set. The political battle would be between New York State Governor Franklin Delano Roosevelt and the Presidential incumbent Herbert Hoover.

The presidential campaign of 1932 between Hoover and Roosevelt illustrated the political impasse between both candidates and a segment of the country. Both candidates had worked together in prior administrations, and they understood each other's political attributes, but this campaign became bitter and grave. Both felt that American lives were at stake and they maintained different political approaches and ideologies. Thus, Hoover continued to use the principle of American Individualism to promote his metallic standard and dollar appreciation in the private sector as a solution to the crisis during the Presidential Election of 1932, and Roosevelt promoted government action more strongly.<sup>95</sup> Hoover believed that a strong dollar and a metallic standard were fundamental toward

<sup>94</sup> Jordan A. Schwarz, *The Interregnum of Despair*, 180-83.

<sup>95</sup> Herbert Hoover: "Address at the Coliseum in Des Moines, Iowa," October 4, 1932. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.uscb.edu/ws/?pid=23269>. (accessed March 2, 2015).

maintaining a thriving national economy.<sup>96</sup> The absence of a metallic standard, in his opinion, hampered the economic recovery.

Communications professor, Martin Carcasson argued that Hoover during the campaign gave many presidential campaign speeches about American Individualism and his Republican ideals. Hoover ran his campaign with the goal of explaining to the voters how the Great Depression started. He argued that tight credit and a metallic standard were important sources for distress but also provided strength. Hoover urged that internationalism and interdependence were key sources of the economic crisis as well.<sup>97</sup> Hoover realized that he was vulnerable to attack, because of the economic principles that he espoused, and the performance of the failing economy. He knew that some voters blamed him and said that he was responsible for the Great Depression.<sup>98</sup> Even worse, he was blamed for doing nothing to mitigate troubling economic conditions.<sup>99</sup> Hoover argued that he supported indirect relief, but this was not good enough for his opponent. Roosevelt attacked him from all fronts, angles and viewpoints. In July 1932, Mrs. Hoover attempted to defend her husband's good name. She argued that Herbert Hoover became president because he wanted to help the American people. He was determined to do his duty. He

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<sup>96</sup> Herbert Hoover, "Speech on the Consequences of the Proposed New Deal," October 31, 1932, Teachingamericanhistory.org, Ashbrook Center at Ashland University, <http://www.teachingamericanhistory.org/library/document/speech-on-the-consequences-of-the-proposed-new-deal/> (accessed March 10, 2015).

<sup>97</sup> Special, "Text of President Hoover's Address to American Legion," *Chicago Tribune*, September 31, 1931. In this address, Hoover acknowledges that the Great Depression may have started in Europe first, but all in all, he contended that the economic downturn was an international crisis.

<sup>98</sup> Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 68; "Herbert Hoover's Tragic Presidency." <http://www.austincc.edu/lpatrick/his2341/tragic.html>. (accessed February 17, 2013).

<sup>99</sup> Amity Shlaes, "How Presidential Administrations Cheat at Monopoly," *USA Today Magazine*, January 2011. <http://www.usatodaymagazine.net>. (accessed March 14, 2015). Amity Shlaes refuted some critics of Hoover and mentioned that he was a pro-active president during the Great Depression; R.L. Duffus, "Herbert Hoover: One-Man Task Force," *New York Times*, August 8, 1954.

believed in helping what she described as the “little people,” which was similar to how Roosevelt envisioned the common man.<sup>100</sup>

Radio was used extensively during the presidential campaign of 1932. It enabled ordinary citizens to establish political connections with the candidates, and elected policymakers.<sup>101</sup> Broadcast radio stations strove to provide the candidates and their rivals with air time to enumerate their political agendas, policies and other initiatives. In *Fireside Politics*, Douglas B. Craig argued that David Sarnoff, who served as General Manager of RCA, wanted to make the radio a household tool similar to a record player or a piano.<sup>102</sup> By the Great Crash of 1929, this goal had been reached. Between 1929 and 1936, there were approximately six hundred radio stations in the United States and Americans became more willing to use this medium to receive information about political, social and economic events.<sup>103</sup>

By 1932, over 12 million American households could tune in and listen to the political news, and speeches.<sup>104</sup> For the 1932 presidential campaign, NBC broadcast both

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<sup>100</sup> Transcript, Lou Henry Hoover, July 1973, “Mrs. Hoover Comments on her Husband’s Career and Public Service during the Campaign of 1932,” Lou Henry Hoover Papers, 1874-1973, Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>101</sup> Douglas B. Craig, *Fireside Politics: Radio and Political Culture in the United States, 1920-1940* (Baltimore: The Johns Hopkins University Press, 2000), 113.

<sup>102</sup> Douglas B. Craig, *Fireside Politics*, 8.

<sup>103</sup> *Ibid*, 9.

<sup>104</sup> Martin Carcasson, “Herbert Hoover and the Presidential Campaign of 1932: The Failure of Apologia,” *Presidential Studies Quarterly* 28, no. 2 (Spring 1998): 349; Philip A. Grant Jr., “The Presidential Election of 1932 in Michigan,” 83; Andrew E. Busch, “Democracy on the Edge,” *World and I*, June 2004. <http://www.worldandi.com>. (accessed March 14, 2015); Yu (Jenny) Lumeng, “The Great Communicator: How FDR’s Radio Speeches Shaped American History,” *The History Teacher*, November 2005. Lumeng argued in her essay that Roosevelt throughout his presidency used effectively the radio and the media to inform the American public about his political agendas; Hendrik Hertzberg, “Recession Election,” *The New Yorker*, November 1, 2010. <http://www.newyorker.com>. (accessed March 14, 2015); Gene Smiley, The U.S. Economy in the 1920s, Economic History Services, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013). This article illustrates that by the 1930s, most Americans had radios in their residences and it became a major form of entertainment for the American people; Hendrik Hertzberg, “Recession Election,” *The New Yorker*, November 1, 2010. Hertzberg argued

Republican and Democratic conventions and covered 46 hours combined of speeches, and political statements. This exclusive coverage cost NBC \$596,000 in advertising and caused the cancellation of 37 programs that would have generated substantial revenue for the company.<sup>105</sup> Most Americans listened to the presidential debates and speeches through the use of this modern technology. They listened to the campaign messages of Hoover and Roosevelt.

In broadcast speeches, Roosevelt attacked Hoover from the standpoint that the Great Depression was a domestic crisis that occurred originally in the United States and spread to other countries. This stance enabled Roosevelt to maintain that the economic crisis occurred, because of Hoover's misdirection and poor policymaking skills. In a campaign speech on August 20, 1932, Roosevelt asserted that:

The records of the civilized nations of the world prove two facts: first, that the economic structure of other nations was affected by our own tide of speculation and the curtailment of our lending helped to bring on their distress; second, that the bubble burst first in the land of its origin—the United States.<sup>106</sup>

In campaign speeches from July to October 1932, Roosevelt went on the attack against Hoover's tariff policies.<sup>107</sup> Roosevelt contended that tariffs brought about the Great Depression, because they forced European nations off the gold standard that required them to ship gold to the United States in payment for their imports. Hoover's argument for

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that Roosevelt had a melodious voice that was perfect for the radio, and he used this quality to the best of his ability.

<sup>105</sup> Douglas B. Craig, *Fireside Politics*, 122.

<sup>106</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 242.

<sup>107</sup> "Who's For Free Trade," *Washington Post*, November 23, 1982. American tariff policies and constrictive European policies to protect their national economies caused an economic slowdown and downturn.

nominal government intervention did include strong tariffs.<sup>108</sup> Instead, Hoover sought to financially augment banks, railroads and multinational corporations and promote public works projects.<sup>109</sup> Hoover continued to preach that the government dole caused economic hardship, because it reduced public confidence that everyday Americans can pull themselves up and become viable citizens.

Hoover's campaign was hurt by the fact that he was not a proficient public speaker. He lacked sound oratorical skills, and it hampered his public image.<sup>110</sup> Americans felt that he was shy and inarticulate with an explosive personality.<sup>111</sup> He did not instill confidence into the American consciousness. Martin Carcasson has contended further that Hoover did not believe that speechmaking was an essential tool for communicating with the general public.<sup>112</sup> This stance proved detrimental to his campaign, because with the use of the radio, the American people could listen to his speeches and realize that he was not the best spokesperson for the country during the economic crisis. Hoover went from embodying the image of the golden boy that specialized in global relief to a politician that could not resolve the Depression. The Great Crash had damaged his image only to be compounded by a presidential election that did not enumerate his positive administrative qualities.

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<sup>108</sup> "Hoover in Newark, Greeted by 75, 000," *New York Times*, November 1, 1932; Herbert Hoover, "Principles and Ideals of the United States Government," October 22, 1928, Miller Center, the University of Virginia, <http://www.millercenter.org/president/speeches/speech-6000>. (accessed March 10, 2015).

<sup>109</sup> William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 13, 2015).

<sup>110</sup> Donald A. Ritchie, *Electing FDR*, 138-140; William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 13, 2015).

<sup>111</sup> Martin Carcasson, "Herbert Hoover and the Presidential Campaign of 1932," 351; Amity Shlaes, interview by Nick Gillespie, "Remembering the Forgotten Man," *Reason*, January 2008, 34. <http://www.reason.com>. (accessed March 12, 2015); Ronald Radosh, "Herbert Hoover: Forgotten Progressive. By Joan Hoff Wilson," *New York Times*, August 17, 1975. In this article, Radosh argued that Hoover's personality and mental framework were rehabilitated in Joan Hoff Wilson's Hoover biography.

<sup>112</sup> Robert M. Eisinger, "Gauging Public Opinion in the Hoover White House," 655.



Hoover could not recover from the long-standing Depression that hurt most Americans and caused the national economy to become a shambles.

In his speeches, Roosevelt incorporated common sense ideas into his public policy stances. His speechmaking was an art form that he attempted to utilize for the benefit of the American people. Moreover, when he spoke to the American people, he seemed to sympathize with their problems and devise solutions for their betterment. He promised Americans a New Deal that would resolve the industrial and economic crisis in which the United States found itself mired.<sup>113</sup> Communications historian Martin Carcasson argued that “Hoover faced a campaign in 1932 in which he was blamed by many for the worst depression in history, vilified by most of the country as incompetent, uncaring, and reactionary, and overmatched in rhetorical skills.”<sup>114</sup>

From the perspective of some historians like Amity Shlaes, he seemed to have the interests of the people in mind, but he felt that ordinary citizens did not understand complex political issues. They required political direction. However, Hoover’s emphasis on internationalism came to the surface during a period when lower-to-middle class citizens were suffering from unemployment, deprivation, and destitution. They did not want to hear from Hoover that the Great Depression was about global concerns.<sup>115</sup> They wanted to know what Hoover would do for the American people. Hoover insisted on a more global approach to policymaking, which alienated those voters who thought about America first.

<sup>113</sup> Eric Arnesen, “Stock Market Crash,” *Cobblestone*, May-June 2010, 32.

<sup>114</sup> Martin Carcasson, “Herbert Hoover and the Presidential Campaign of 1932,” 352; Cary Nelson, “The Depression in the United States—An Overview,” *Modern American Poetry*, <http://www.english.illinois.edu/maps/depression/overview.htm>. (accessed February 17, 2013).

<sup>115</sup> Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964), 12.

By examining the campaign speeches of Hoover and Roosevelt, scholars and lay persons can see the differences in their oratorical approaches. On September 29, 1932, for example, Roosevelt accused Hoover of becoming a big spender and without common sense solutions to mitigate the Great Depression in a campaign speech in Sioux City, Iowa. Roosevelt argued that Hoover had spent large amounts of money to resolve this economic crisis, but that none of his solutions worked. The national and global economic systems were broken and needed fixing. Tax payer resources had been wasted, but Hoover continued to spend away to rectify the situation. Roosevelt stated that:

I accuse the present administration of being the greatest spending administration in peace times in all our history. It is an administration that has piled bureau on bureau, commission on commission, and has failed to anticipate the dire needs and the reduced earning power of the people.<sup>116</sup>

Roosevelt understood in this speech, both the poignant need for action and that expanding the bureaucracy alone was not the appropriate solution.<sup>117</sup> Roosevelt argued that Hoover did not resolve the economic crisis. Tax payer dollars were not used carefully. Hoover had spent taxpayers' money during peace time for solutions that favored business projects over individual welfare.<sup>118</sup> Roosevelt accused Hoover of driving the National debt higher and creating a massive federal deficit. Hoover's own preference for a balanced budget could only be fulfilled if he increased the tax base and taxation rates.<sup>119</sup> Because

<sup>116</sup> Timothy Walch & Dwight M. Miller, eds. *Herbert Hoover & Franklin Delano Roosevelt: A Documentary History* (Westport: Greenwood Press, 1998), 55.

<sup>117</sup> Franklin D. Roosevelt, "Campaign Speech," October 24, 1932, Teachingamericanhistory.org., Ashbrook Center, Ashland University, <http://www.teachingamericanhistory.org/library/document/campaign-speech/>. (accessed March 10, 2015).

<sup>118</sup> Geoffrey C. Ward, "1932: A New Deal is Struck," *Smithsonian*, October 2004, 60. <http://www.smithsonian.com>. (accessed March 14, 2015).

<sup>119</sup> Jordan A. Schwarz, *The New Dealers*, 48.

Hoover sought to balance the federal budget, he viewed any efforts to the contrary as a problem. Hoover felt that balancing the budget was a step in the right direction, because it meant that the federal government was solvent and was using taxpayer dollars in the appropriate manner.

As the campaign dragged on, Roosevelt continued to pound away at Hoover's belief in American Individualism and his belief that the Crash of 1929 and the Great Depression were global problems, not domestic. He argued that Hoover was assigning the blame for the Great Depression to his European and global counterparts,<sup>120</sup> and was not taking responsibility for what had really happened. But could Roosevelt blame Hoover for causing the Great Depression? Herbert Hoover would have fought against this assertion vehemently.

In a speech, on October 19, 1932, Roosevelt asserted that the American people did not seek to blame foreign governments. But the question became...was Hoover blaming foreign countries for American problems? The American people were looking for results and answers to their economic problems. They desired action and Hoover failed to comply with their everyday needs. Did Hoover blame others, because he did not have sound resolutions to the Great Depression? Roosevelt stated that:

No, we need not look abroad for scapegoats. We had ventured into the economic stratosphere—which is a long way up—on the wings of President Hoover's novel, radical, and unorthodox economic theories of 1928, the complete collapse of which brought the real crash in 1931.<sup>121</sup>

<sup>120</sup> Edgar Eugene Robinson and Vaughn Davis Bornet, *Herbert Hoover*, 250.

<sup>121</sup> Timothy Walch & Dwight M. Miller, eds. *Herbert Hoover & Franklin Delano Roosevelt*, 56.

The heart of Roosevelt's argument was that Hoover, his economic outlook, and his policies had contributed to these economic problems.

Hoover fought back with a vengeance. He asserted that he did not want to enter a blame game, but he wanted to inform the American people of the facts regarding these major events. He argued that he had accomplished a great deal for the American people. He had negotiated various agreements with foreign countries, and many American businesses were economically solvent, because of his foreign and domestic policies. Hoover stressed that:

He (Roosevelt) ignores the fact that today real wages in the United States are higher than at any other depression period, higher in purchasing power than in any other country in the world. And above all, he dismisses the healing effect of that great agreement by which this country has been kept free from industrial strife and class conflicts.<sup>122</sup>

Following the Great Crash of 1929, Hoover said that he had appealed to the nation's governors including Roosevelt, and corporate executives from American industrial sectors for answers to these crises.<sup>123</sup> He sought to prevent the governors in the United States from reducing or limiting wages or employment levels and to have them support public construction programs.<sup>124</sup> But his work with his fellow policymakers and corporate executives was to no avail.

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<sup>122</sup> Timothy Walch & Dwight M. Miller, eds. *Herbert Hoover & Franklin Delano Roosevelt*, 57.

<sup>123</sup> Telegram Inviting Industry and Labor Leaders to Conferences at the White House, The Public Papers of the Presidents of the United States, Volume 1: Herbert Hoover, November 20, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa; William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009). <http://www.americanheritage.com>. (accessed March 13, 2015).

<sup>124</sup> Steven Horwitz, "Herbert Hoover (not FDR) is the Real Father of the New Deal," *USA Today Magazine*, March 2012. <http://www.usatodaymagazine.net>. (accessed March 13, 2015); Amity Shlaes, interview by Nick Gillespie, "Remembering the Forgotten Man," *Reason*, January 2008, 3. <http://www.reason.com>. (accessed March 13, 2015); Telegrams to Governors Urging Stimulation of Public Works to Aid the Economy, The Public Papers of the Presidents of the United States, Volume 1, November 23, 1929, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa.

Hoover, further, argued that Roosevelt did not possess much foreign policy experiences. Roosevelt had ignored and disregarded the German moratorium, and the creation of the Reconstruction Finance Corporation with two billion dollars in assets to benefit the American people. Hoover went on the attack to defend his policies and fight for reelection. Hoover believed that Roosevelt and his progressive principles were eroding the tenets of American Individualism.<sup>125</sup> He contended in response to Roosevelt's campaign that American civilization was under attack from liberal and progressive politicians like Roosevelt and his Democratic allies.

In his books, and in his campaign speeches, Hoover emphasized the principles of voluntarism and self-help. He promoted equal opportunity for all American workers. In contrast, Roosevelt sought to help Americans who could not help themselves.<sup>126</sup> This is where Hoover differed from Roosevelt. Hoover did not want to allocate funds to the private sector for families so that citizens could get on the "dole." Roosevelt argued publicly that sometimes Americans needed help, if they were destitute, due to no fault of their own. Hoover lost some public strength, but he would not stop giving his message that the Great Depression was a global issue that required global solutions. On the last day of the campaign, Hoover gave five speeches in California before he settled into his home on Stanford University to await the election results.<sup>127</sup>

<sup>125</sup> John Spargo, "Hoover: The New Phase," *The North American Review* 231, no. 4 (April 1931): 293-296.

<sup>126</sup> John Spargo, "Hoover: The New Phase," 295.

<sup>127</sup> Rear Platform and other Informal Remarks in California, *The Public Papers of the President of the United States*, Volume 4, November 8, 1932, Herbert Hoover Papers, Herbert Hoover Presidential Library website, West Branch, IA.

On November 8, 1932, Franklin D. Roosevelt won 22.8 million votes versus 15.8 million for Herbert Hoover.<sup>128</sup> Roosevelt had won 472 electoral votes while Hoover gathered 59 electoral votes.<sup>129</sup> Hoover had lost the Presidential Election of 1932. Franklin Delano Roosevelt celebrated, because he had won the Presidential Election of 1932 and had convinced the American people that they should place their confidence in him.<sup>130</sup> Scholars contend that the Presidential Election results from 1932 signaled a resounding defeat for the Republican party.<sup>131</sup> It was their worst defeat in American history.

This presidential campaign had been bitter, but the American people had spoken.<sup>132</sup> As a lame-duck, Hoover understood that his job would not end until March 4, 1933, but his ability to act was limited. On the evening of November 8, 1932, Hoover contacted Roosevelt, and congratulated him on a hard-fought and difficult presidential campaign.<sup>133</sup> Hoover now recognized that he had to work with Roosevelt in the remaining months of his presidency. He knew that the transfer and transition of presidential power would be difficult.

<sup>128</sup> Howard F. Bremer, ed., *Franklin Delano Roosevelt*, 20; Donald A. Ritchie, *Electing FDR*, 157-160; Jean Edward Smith, *FDR* (New York: Random House, 2007), 287; Cary Nelson, "The Depression in the United States—An Overview," <http://www.english.illinois.edu/maps/depression/overview.htm>. (accessed February 17, 2013); Richard Polenberg, *The Era of Franklin D. Roosevelt*, 8.

<sup>129</sup> Geoffrey C. Ward, "1932: A New Deal is Struck," *Smithsonian*, October 2004, 60. <http://www.smithsonian.com> (accessed March 13, 2015); Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw-Hill Book Company, 1980); 274; Alan Brinkley, "Roosevelt, Franklin Delano," American National Biography Online, <http://www.anb.org/articles/06/06-00567.html>. (accessed April 1, 2013).

<sup>130</sup> Bill Hrutkay, "Black Tuesday Anniversary," *Grit*, October 2004, 8. <http://www.grit.com>. (accessed March 13, 2015).

<sup>131</sup> William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 13, 2015).

<sup>132</sup> Ted Morgan, *FDR: A Biography* (New York: Simon and Schuster, 1985), 373.

<sup>133</sup> Message Congratulating Franklin D. Roosevelt on his Victory in the Presidential Election, The Public Papers of the President of the United States, Volume 4: Herbert Hoover, November 8, 1932, Herbert Hoover Papers, Herbert Hoover Presidential Library website, West Branch, IA; Telegram, Herbert Hoover to Franklin D. Roosevelt, November 7, 1932, Franklin D. Roosevelt 7 (FDR-7), Franklin D. Roosevelt Library and Museum Website; version date 2009.

Great Britain and France had been following the presidential election as well. They were determined to resolve their economic problems and wanted to negotiate with Hoover and Roosevelt in an effort to make a smooth transition between both administrations. The British and French governments were aware of the importance of this presidential election, and they wanted to have Hoover and Roosevelt excuse or renegotiate their foreign debts. Thus, Roosevelt had to make some tough decisions, but he could wait out the British and French governments. Roosevelt thought that it would be best to select his cabinet and work on building stable coalitions so that his administration could implement policies once he assumed the presidency.

In conclusion, following the Presidential Election of 1932 Hoover and Roosevelt remained at an impasse. Both politicians continued to disagree, and Hoover did not espouse the New Deal policies of Roosevelt. Hoover felt that Roosevelt would take the United States along a difficult path and the Americans would suffer from Roosevelt's decision-making processes.<sup>134</sup> Even in the mid-to-late 1930s, Hoover continued to argue against the New Deal. The presidential election of 1932 was still in his heart and soul. He would not forget his defeat and would not admit that he had caused the Great Depression.

The presidential campaign of 1932 benefited Roosevelt immensely, because of his strategic planning and powerful speechmaking abilities. Hoover, who began his career in global relief especially in Belgium, was a powerful politician and engineer but the Stock Market Crash and Great Depression proved to be his undoing. Roosevelt, on the other

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<sup>134</sup> William Henry Chamberlin, "Crusade to Freedom," *Wall Street Journal*, September 12, 1952. Years after Roosevelt's death, Dwight D. Eisenhower asserted that the United States government had become collectivist and that limited government was no longer practiced by policymakers. Eisenhower embraced "individualism, instead of collectivism." But can policymakers and scholars contribute to this trend of Democratic ideas as postulated by Roosevelt in the 1930s and 1940s; William A. Schambra, "Cuomo's Sense of Community is a Political Hand-Me-Down," *Wall Street Journal*, July 24, 1984.

hand, started as a state senator from New York State only to emerge as a dynamic speaker and prolific policymaker as governor and president. He surrounded himself with individuals that enhanced his communication and administrative skills, and his networking abilities proved to be formidable. But could Roosevelt deliver? This became an interesting question for which American people had to ponder during an economic crisis that seemed to be unending.



## Chapter 5: Hoover, The Economic Crisis and the Interregnum of 1932-1933

In his book, *The F.D.R. Memoirs*, Bernard Asbell painted a devastating picture of the early stages of the Great Depression from 1929 to 1933. Using various sources (letters, memoirs, memos), he argued that these years represented a turning point in American history because of FDR's presidential election victory. When Franklin Delano Roosevelt had secured the Presidency on November 8, 1932, most Americans believed that he would lead the nation in a positive direction. As Iowa State professor emeritus George McJimsey wrote, "Roosevelt carried every state south and west of Pennsylvania and received 57 percent of the popular vote; the electoral vote was 472 to 59."<sup>1</sup> The electoral shift brought the Democratic party to power, as Americans attempted to reconstruct their financial and social lives and improve their prospects. The years between 1929 and 1933, however, were difficult for American citizens, even as President Hoover and the President-Elect Roosevelt sought to discover solutions to the economic crises and mitigate citizen concerns.

Historian Jordan A. Schwarz has argued that Herbert Hoover had established a reputation as a man who handled economic crises, but the Great Depression proved to be his undoing.<sup>2</sup> Why did Hoover fail? Hoover's prior experiences as Food Administrator gave many Americans confidence that he could address the concerns of ordinary people. In response to the Depression, however, Hoover's philosophy de-emphasized addressing poverty. Instead, he sought indirect aid for the unemployed. By the second year of his

<sup>1</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt* (Lawrence: University Press of Kansas, 2000), 26.

<sup>2</sup> Jordan A. Schwarz, *The New Dealers: Hoover, Congress and the Depression* (Urbana: University of Illinois Press, 1970), 43.

Presidency, many felt that Hoover was in the employ of big business, not ordinary American citizens. Jordan A. Schwarz argues, that Hoover during the initial stages of the Great Depression was not “a do-nothing President,” but neither was the president suited for the modern welfare state.<sup>3</sup> Hoover did not repudiate the gold standard or the principles of American Individualism and limited government. He held fast to these traditional beliefs even though they no longer worked. Thus, Hoover held numerous conferences to address the economic situation of 1929-1930 and discussed issues with voluntary or private charities; but he did not commit the federal government to financial or material relief. He saw federal intervention as “pork barrel” politics and did not want to promote a centralized planning system or an expanded federal government.<sup>4</sup> Because he did not directly address the concerns of ordinary citizens, Hoover could not earn the confidence of the American people; and he lost the Presidential Election of 1932 by a landslide.

This chapter will describe the period of Hoover’s administration and the months between the 1932 election and FDR’s Presidential Inauguration. U.S. citizens struggled immensely to make sense of this economic crisis while policymakers fought to develop sound economic and fiscal strategies to resolve high unemployment. First, we will discuss social conditions in the Midwest and along the eastern seaboard, as Americans attempted to make ends meet during the first years of the Depression. Second, we will examine the

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<sup>3</sup> Jordan A. Schwarz, *The New Dealers*, 47; Robert H. Zieger, “Labor, Progressivism, and Herbert Hoover in the 1920s,” *The Wisconsin Magazine of History* 58, no. 3 (Spring 1975): 198; Steven Horwitz, “Herbert Hoover (not FDR) is the Real Father of the New Deal,” *USA Today Magazine*, March 2012. <http://www.usatodaymagazine.net>. (accessed March 12, 2015); Justus D. Docnecke, “Hoover to Hiroshima,” *Books & Culture*, November-December 2004. <http://www.booksandculture.com/articles/2004/novdec/15.24.html>. (accessed March 12, 2015); William E. Leuchtenburg, “The Wrong Man at the Wrong Time,” *American Heritage*, Summer 2009). <http://www.americanheritage.com>. (accessed March 12, 2015).

<sup>4</sup> It is important to mention that in this modern era that the issues of pork barrel, budget items/funds continue to be a controversial one. Many policymakers believe that it is positive for the states in which they represent, but no one wants to be viewed as a political figure that uses the government’s resources in an irresponsible fashion.

banking crises of the early 1930s as a context for exploring the political environment and the conflict of ideas between Hoover and the incoming President Roosevelt. I also examine how the bank crisis affected Detroit and the responses from Henry Ford, James Couzens, and Alfred P. Sloan Jr, and their reaction to the growing crisis. I will discuss the relationship between Hoover and Roosevelt before the Inauguration of March 4, 1933. This changing of the guard was important, because it meant that Americans witnessed a peaceful transfer of power during a difficult and conflict-filled period in United States' history.

During the autumn months of 1932, *Fortune* magazine estimated that 34 million men, women, and children were members of families that had full-time income.<sup>5</sup> Between thirteen and seventeen million Americans were unemployed in the United States during the same time period.<sup>6</sup> Asbell specifies that this figure did not include farmers, because the numbers would have been higher. Production in the manufacturing sector had been reduced by fifty percent; and fourteen million Americans remained unemployed during the winter of 1932 and 1933.<sup>7</sup>

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<sup>5</sup> Bernard Asbell, *The F.D.R. Memoirs*, 63; F.L.W. Wood, "The New Deal in the United States," *The Australian Quarterly* 5, no. 20 (December 1933): 42. In this article, the author stated that in the winter of 1932-1933, between 13 to 15 million wage-earners became unemployed. His figures are somewhat different from Asbell's statistics; William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 14, 2015).

<sup>6</sup> Loskow and Ambrose, "The End of the NRA Codes," *Historic Opinions of the United States Supreme Court* (1935): 486; Gene Smiley, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); John B. Rae, *The American Automobile Industry*, 73; Jonathan Alter, "The Fireside Chat that Roosevelt Threw Away," *Washington Monthly*, June 2006. <http://www.washingtonmonthly.com>. (accessed March 13, 2015). Alter argued that the unemployment rate in the United States during the Great Depression stood between 25 to 37 percent; "Herbert Hoover's Tragic Presidency." <http://www.austincc.edu/lpatrick/his2341/tragic.html>. (accessed February 17, 2013); Joseph Boskin, *Opposition Politics: the Anti-New Deal Tradition* (Beverly Hills: The Glencoe Press, 1970), 25.

<sup>7</sup> Joseph P. Lash, *Dealers and Dreamers*, 116; Jonathan Alter, "Letter: I Never Got Any Letter, Herbert," *Newsweek*, December 1, 2008. <http://www.newsweek.com>. (accessed March 14, 2015); U.S. Department of Labor, Chapter 3: The Department in the New Deal and World War II, 1933-1945, <http://www.dol.gov/dol/aboutdol/history/dolchp03.htm>. (accessed September 15, 2013).

Some Americans had experienced unemployment and poverty in the late 1920s, but the Crash in 1929 made the situation more serious. The decade of the 1920s had experienced deflation, but ordinary citizens handled these problems with precision.<sup>8</sup> The Great Depression intensified the crisis conditions. In major urban centers in the United States, homeless people established shantytowns, because families had lost their homes.<sup>9</sup> Others, in an effort to avoid starvation, searched and scavenged for food. They examined garbage cans in order to find food that had been thrown away.<sup>10</sup>

In Chicago during the early months of the Great Depression, principals told teachers to ask their students if they had eaten, before they punished student behavior.<sup>11</sup> After 1931, Chicago teachers like educators in other cities had not received their wages for months; but they still felt obligated to feed hungry children in their classes.<sup>12</sup> Former Australian lawyer and politician Ronald William Gordon Mackay reported that 14,000 Chicago teachers had not been paid for over nine months.<sup>13</sup> They did not have sufficient

<sup>8</sup> Jordan A. Schwarz, *The New Dealers*, 33.

<sup>9</sup> Donald A. Ritchie, *Electing FDR*, 38; Bill Hrutky, "Black Tuesday Anniversary," *Grit*, October 2004.

<http://www.grit.com>. (accessed March 13, 2015), "The Great Depression,"

<http://www.westga.edu/~hgoodson/the%20great%depression.htm>. (accessed February 17, 2013; Alexandra Shimo, "U.S. Markets Fall, Tent Cities Rise," *Maclean's*, October 6, 2008, 51. <http://www.macleans.com>. (accessed March 13, 2015; Eric Arnesen, "And the Market Crashes," *Cobblestone*, April 2006, 32; William E. Leuchtenburg, "The Wrong Man at the Wrong Time," *American Heritage*, Summer 2009. <http://www.americanheritage.com>. (accessed March 14, 2015); Victor Gold, "Black October," *Washingtonian*, November 2002, 150.

<http://www.washingtonian.com>. (accessed March 13, 2015); James R. Chiles, "Bang, Went the Doors of Every Bank in America," *Smithsonian*, April 1997, 120. <http://www.smithsonian.com>. (accessed March 13, 2015).

<sup>10</sup> Cary Nelson, "The Depression in the United States—An Overview," *Modern American Poetry*,

<http://www.english.illinois.edu/maps/depression/overview.htm>. (accessed February 17, 2013).

<sup>11</sup> Bernard Asbell, *The FDR Memoirs*, 64.

<sup>12</sup> Iwan Morgan, "Fort Wayne and the Great Depression: The Early Years, 1929-1933," *Indiana Magazine of History* 80, no. 2 (June 1984): 137. This article revealed that teachers in Fort Wayne, Indiana, suffered the same fate as their other counterparties throughout the Middle West and along the Eastern Seaboard.

<sup>13</sup> Ronald William Gordon Mackay, "America 1933 and the Industrial Recovery Act," *The Australian Quarterly* 5, no. 19 (September 1933): 20. Mackay was an Australian politician and lawyer who was member of the Labor party, the parliamentary assembly of the Council of Europe. John Goldring, *Australian Dictionary of Biography*, Volume 15, 2000, <http://wwwadb.anu.au/biography/mackay-ronald-william-gordon-kim-10981>. (accessed on February 27, 2014)

monetary resources, but this did not matter. In 1933, one quarter of Chicago residents were receiving federal, state and local assistance, such as food and clothing. During the summer months, Chicago superintendents asked the Federal government to step in to ensure that no child was hungry during the summer when school was in recess. In New York, teachers had many of the similar experiences. Feeding hungry children became the calling of teachers. Public school teachers contributed \$260,000 in a given month, so that students could be fed on school grounds.<sup>14</sup> Even as teachers fed students, the federal government did not step in to relieve this crisis before 1933. Providing relief was the responsibility of the private sector, not policymakers. New York residents, who were lucky enough to be employed, donated one percent of their salaries, so that police officers could purchase food to feed their families. This money did not come from high-ranking government officials, but from low-ranking public servants from New York neighborhoods who just wanted to help.<sup>15</sup>

With the emergence of the Great Depression, many Americans suffered from economic deprivation. Unemployment levels increased and many American corporations began to cut work hours and lower wages among pre-existing employees. Hiring came to a halt. Those workers with seniority were overworked while those who were unemployed could not find new jobs. Wages also declined. For example, Ford Motor Company increased wages to seven dollars per day for hourly workers in 1929, but by 1931, this figure was cut to six dollars per day.<sup>16</sup> Wages at Ford Motor did not rebound until 1935.

<sup>14</sup> Bernard Asbell, *The F.D.R. Memoirs*, 64.

<sup>15</sup> Ibid.

<sup>16</sup> Special, "Ford Raises Workers' Pay to \$6 a Day," *Chicago Daily Tribune*, May 22, 1935. In 1932, wages decreased at Ford Motor Company to four dollars per day but in March 1934, they increased to five dollars per day. In 1935, they were raised again to six dollars per day.

Workers earned less and worked longer hours, and employers faced with declining consumer demand worried about profits and the costs of production, as they worked to strengthen their balance sheets.<sup>17</sup> There were no guarantees that Americans would or could purchase cars. Despite this decline, corporate executives often felt that improved wages were not the answers to economic decay. Most Americans were not accustomed to federal intervention,<sup>18</sup> and corporate executives did not want the federal government to tell them how to run business operations. Self-help organizations such as the Allen County Unemployment Association (ACUA) formed, instead, to provide relief to ordinary citizens.<sup>19</sup>

During the Great Depression, state and local authorities continued to fund public schools, but the resources had to come from somewhere. Students could not be left behind.<sup>20</sup> Some young people continued to receive training in post-secondary educational facilities, because they were unemployed after high school graduation.<sup>21</sup> Children who might have left early continued to attend school during the crisis, in part, because there were few jobs. Graduation rates began to increase for elementary and secondary schools.<sup>22</sup> Colleges and universities also began to have budgeting problems. Institutions of higher learning decided to decrease the wages of faculty, and curtail promotions.<sup>23</sup> They did not replace retired faculty members from 1930 to 1934, because of declining enrollment and

<sup>17</sup> Ronald William Gordon Mackay, "America 1933 and the Industrial Recovery Act," 28.

<sup>18</sup> Iwan Morgan, "Fort Wayne and the Great Depression," 122, 132, 142

<sup>19</sup> Ibid, 142.

<sup>20</sup> Alfred P. Sloan Jr., "Business has an Interest and Duty to help them," 18-19.

<sup>21</sup> William Dow Boutwell, "Schools Aid the Unemployed," *New York Times*, July 3, 1932.

<sup>22</sup> David Leonhardt, "Half a Degree," *New York Times Magazine*, May 9, 2010. <http://www.nytimes.com>. (accessed March 13, 2015).

<sup>23</sup> Winifred D. Wandersee, *Women's Work and Family Values, 1920-1940* (Cambridge: Harvard University Press, 1981), 21, 32. From 1928 onward, Yale University faculty and staff, on most cases, struggled to make ends meet, according to Wandersee. Their salaries ranged from average to substantial, but faculty and staff had families to raise and had to provide their children with consumer goods, even though the costs of living during the Depression had declined.

nominal state support.<sup>24</sup> Colleges and universities struggled to decrease their expenditures because of funding issues. One thousand, three hundred and eighteen educational facilities were closed in Georgia; and, in Akron, Ohio, teachers had unpaid wages of \$330,000.<sup>25</sup> State and local authorities, also, did not have the money to pay the salaries for public workers.

An example that illustrates the deepening financial crisis was the closing of public schools in Iowa. In Iowa, farmers paid taxes on their lands, which contributed to funding schools. During the Great Depression, farmers stopped paying taxes, because the prices of farm goods decreased exponentially causing farmers to lose money. Ninety-five percent of remaining farm income was utilized for paying taxes, and when this system collapsed, junior colleges and universities were closed.<sup>26</sup> Farmers suffered from declining farm income and their children lost the capacity to attend schools, because of a decreasing tax base. Total farm income in the United States declined from \$12 billion in 1929 to \$5 billion.<sup>27</sup> Equally significant, the average farm family that produced cash crops and other agricultural goods earned about \$273 annually in 1929.<sup>28</sup>

During the early Depression, Americans spent a majority of their time just attempting to make ends meet.<sup>29</sup> They continued to mend their clothing and did not purchase new outerwear or apparel.<sup>30</sup> Children ate less substantial meals. Some men were no longer the sole breadwinners for their families while their women and children looked

<sup>24</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 4-5; Charles A. Beard and George H.E. Smith, *The Future Comes*, 10; Ellen Schrecker, "The Bad Old Days," *Chronicle of Higher Education*, June 26, 2009.

<sup>25</sup> Bernard Asbell, *The F.D.R. Memoirs*, 67.

<sup>26</sup> Bernard Asbell, *The F.D.R. Memoirs*, 67.

<sup>27</sup> "The Great Depression," University of West Georgia, <http://www.westga.edu>, (accessed January 24, 2015).

<sup>28</sup> Lynette Boone, "The Dust Bowl and the Great Depression," University of Oregon, <https://www.library.uoregon.edu>, (accessed January 24, 2015).

<sup>29</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 2.

<sup>30</sup> Sam Moore, "Remembering the Depression," *Farm Collector*, November 2011, 12.

for work. In *The Hungry Years*, Tom H. Watkins argued that some Americans became apple vendors on a full-time basis.<sup>31</sup> But Census Bureau viewed apple sellers as employed full-time, because they generated revenue from the sale of primary goods.<sup>32</sup> When selling apples did not work, some citizens committed acts of violence or other criminal activities to avoid starvation and deprivation. Increased violence and theft occurred in many cities in February 1933.

In Detroit, residents who suffered from high unemployment levels targeted grocery stores, and stole food for themselves and their families. Many did not believe that their acts were unjustified. According to the Census Bureau, 13.3 percent of the workforce, or 76,018 workers, had been unemployed in Detroit.<sup>33</sup> Detroit had one of the highest unemployment rates among larger cities in the United States during the 1930s. Asbell argued that, before Roosevelt's inauguration, there were many hunger riots in which mobs formed and citizens attempted to press for social and economic change.<sup>34</sup> They pressured the federal, state and local authorities to act on their behalf, and to improve social conditions in Detroit and other major cities.

Other examples of desperation occurred. In Iowa, unemployed residents who had worked for the utility companies stole gas and electrical power. In difficult financial situations, they were trying to keep their families warm and nurtured. Coal miners who had lost their jobs used stolen coal, so that they could heat their homes and keep their

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<sup>31</sup> Tom H. Watkins, *The Hungry Years: A Narrative History of the Great Depression in America* (New York: Henry Holt and Company, 1999), 76; Detroit News, "How the Great Depression Changed Detroit," <http://apps.detnews.com/apps/history/index.php?id=49>. (accessed February 18, 2013).

<sup>32</sup> Tom H. Watkins, *The Hungry Years*, 76, 80, 87, 99, Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 195.

<sup>33</sup> Beth Tompkins Bates, *The Making of Black Detroit in the Age of Henry Ford* (Chapel Hill: The University of North Carolina Press, 2012), 120, Benson Research Center, The Henry Ford.

<sup>34</sup> Bernard Asbell, *The F.D.R. Memoirs*, 66.



children warm in the cold winter months. Moreover, in Minnesota, Iowa and Nebraska, farmers got together and inhibited the sale of foreclosed farms.<sup>35</sup> They were enormously successful, even though farmers had lost their lands because of tax liens. Asbell cites the case of the John Hanzel farm in Pennsylvania. His lands were auctioned off to the highest bidder. But bidders were very clever and crafty. They decided to only sell the property for a nominal amount. Thus, local farmers purchased the property for a few dollars during the auction, and Hanzel was persuaded to accept this property back in the form of a rental contract.<sup>36</sup> Lastly, if there was an oversupply of some crops, then farmers destroyed produce and livestock in an effort to increase the demand and price of those goods.<sup>37</sup> Most farmers during the Great Depression could not make ends meet. They used different strategies, such as the destruction of crops or auctions, to turn difficult economic conditions around.

In an effort to address poverty, some citizens established private charities and foundations. In New York State, a *Committee on Unemployment and Relief for Chemists and Chemical Engineers* was created.<sup>38</sup> Members of this organization had, in the past, been gainfully employed but some had become destitute. They had worked for high-scale corporations; but now slept in railway cars. Another group, *The Association of Unemployed College Alumni*, was established in New York City. It consisted of university graduates from

<sup>35</sup> Sam Moore, "Remembering the Depression," *Farm Collector*, November 2011, 12. <http://www.farmcollector.com>. (accessed March 14, 2015); Lois Spear, "Hard Times," *America*, June 8-15, 2009, 24; James R. Chiles, "Bang, Went the Doors of Every Bank in America," *Smithsonian*, April 1997, 120; Special, "Farm Tax Sales Doubled in 1932," *New York Times*, January 17, 1933; Although farmers, on the whole, understood how to bargain for their foreclosed lands, the number of farm sales increased dramatically during the early stages of the Great Depression. Farmers were not always successful in holding on to their lands.

<sup>36</sup> Bernard Asbell, *The F.D.R. Memoirs*, 66; Charles A. Beard and George H.E. Smith, *The Future Comes*, 8; Harold F. Breimyer, "Agricultural Philosophies and Policies in the New Deal," *Minnesota Law Review* 68, no. 2 (January 1984): 341; Gene Smiley, *Rethinking the Great Depression*, 24.

<sup>37</sup> Gina DeAngelis, "Baked Out and Broke," *Cobblestone*, March 2008, 30.

<sup>38</sup> Bernard Asbell, *The F.D.R. Memoirs*, 65.

schools such as Harvard and Columbia. Many of them had become dependent upon government assistance and had been unemployed for a long period of time even though they had earned college diplomas. Many also relied on relatives for financial support, because most college graduates, that lived along the eastern seaboard, encountered some difficulty finding employment.<sup>39</sup>

Private charities began to play a dynamic role in relieving the American low-and-middle income classes from economic insolvency. McJimsey stated that, as early as 1930, private charities began to raise money during their fundraising campaigns to assist with relief programs. The state public sector began to provide residents with financial assistance. New York City, to use only one example, increased its relief expenditures, from \$13.6 million in 1930 to \$79 million in 1932.<sup>40</sup> Although Hoover and other conservatives believed in private efforts to address the crisis, the public sector had the resources to contribute to everyday Americans. Only state and local institutions stepped in prior to 1933; but they could not keep pace with demand, because of the declining tax revenue. Americans had been paying taxes to finance relief programs, but as unemployment rose and the money dried up, residents could not fall back on institutions that they had financed years earlier. McJimsey confirmed that the situation had become so dismal and dire that relief workers could not provide financial and material assistance to families, unless they had exhausted all of their sources of income. Private and public relief programs both were poorly funded. This may have been the reason for the lack of local and state assistance to families in need. Most citizens, however, did not believe in using private or public charities

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<sup>39</sup> Ibid.

<sup>40</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 4.

until they were completely destitute, without shelter and employment.<sup>41</sup> The number of families that turned to state and local relief is all the more telling, since many saw charity as humiliating.

As domestic conditions deteriorated, there was a bank crisis in the United States and worldwide that President Hoover had to address. Approximately, twenty-two states established bank holidays, and the various governors closed down all of their banks.<sup>42</sup> Detroit, in 1933, as Amos Kiewe pointed out, faced difficult economic conditions, poverty, and a bank crisis affected the city.<sup>43</sup> Hoover, faced with these conditions, was uncertain as to what type of response was satisfactory. He discussed the situation with Secretary of Commerce, Roy D. Chapin, and Treasury Undersecretary, Arthur A. Ballantine.<sup>44</sup> They were sent to Detroit in February of 1933 to have a meeting with Henry Ford at his Fairlane residence. They understood that Henry Ford had the capital and industrial know-how. They believed that Henry Ford could provide the banks with capital and other financial resources if needed.

Both policymakers tried to secure a loan of \$7.5 million from Ford Motor Company for the Detroit Union Guardian Trust Company and the Detroit Bankers Group.<sup>45</sup> Just prior

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<sup>41</sup> Special, "Purdy Says Peak of Need is Ahead," *New York Times*, August 30, 1931. Lawson Purdy of Charity Organization Society of New York stated that per capita allocations of relief ranged from \$3.37 in Detroit to 50 cents in Norfolk, Virginia. Only 17 cities spent over one dollar and 21 cities spent below fifty cents. Diane Rice, "Private Philanthropies work to Bridge the Gap in Relief," *New York Times*, November 11, 1934, Special, "President Urges Aid for Charities," *New York Times*, October 23, 1934, Joseph M. Proskauer, "Test of Private Philanthropy is Seen in Federation Drive," *New York Times*, October 16, 1932.

<sup>42</sup> John Kenneth Galbraith, ed., *Recollections of the New Deal: When the People Mattered* (Boston: Northeastern University Press, 1992), 32.

<sup>43</sup> Iwan Morgan, "Fort Wayne and the Great Depression," 123, 144; Donald A. Ritchie, *Electing FDR*, 170; Philip A. Grant Jr., "The Presidential Election of 1932 in Michigan," 93.

<sup>44</sup> Amos Kiewe, *FDR's First Fireside Chat*, 38; Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 231.

<sup>45</sup> Amos Kiewe, *FDR's First Fireside Chat*, 38; James L. Butkiewicz, "The Reconstruction Finance Corporation, the Gold Standard and the Banking Panic of 1933," 283; Francis Gloyd Awalt, "Recollections of the Banking Crisis in 1933," 350-352.

to this, Detroit Union Guardian Trust Company had secured two loans from the Reconstruction Finance Corporation but the bank remained economically insolvent, and the RFC had other banks to address.<sup>46</sup> This loan would have revitalized these banks. Ford Motor Company owned and operated both banks while James Couzens was the founder of Highland Park State Bank and Bank of Detroit. Both of the latter two banks had merged into one and became the Guardian Union National Bank of Commerce.<sup>47</sup> The Federal government wanted to enlist economic support from Ford Motor Company, which had been performing fairly well during this crisis.

Henry Ford poured many millions of dollars into his banks, but the Detroit Union Guardian Trust company owed about 14 million dollars to its creditors in late 1932. It had no more than six million dollars in convertible assets against deposit liabilities and borrowings of approximately twenty million dollars, a shortage of at least fourteen million dollars.<sup>48</sup> In January 1933, the RFC started the application process for the trust company in an effort to approve a 65 million dollar loan, but the bank only had 37 million dollars in collateral. The loan was not approved. At this time, President Herbert Hoover sought to obtain the financial support of Henry Ford and James Couzens. Neither Henry Ford nor Senator James Couzens of Michigan thought that the crisis could be abated. They refused to extend their assistance to prevent the bank from failing. Henry Ford stated vehemently to

<sup>46</sup> Reuben Cahn, "The Detroit Bank Affair: Couzens' Role in Bank Tragedy," *Chicago Daily Tribune*, October 28, 1934, Special, "Recovery Felt on Anniversary of Bank Holiday," *Chicago Daily Tribune*, February 14, 1934.

<sup>47</sup> Harry Barnard, *Independent Man: The Life of Senator James Couzens* (Detroit: Wayne State University Press, 2002), 215.

<sup>48</sup> Harry Barnard, *Independent Man*, 217.

federal policymakers Arthur A. Ballantine and Roy D. Chapin that neither he nor James Couzens could not resolve this banking crisis singlehandedly.<sup>49</sup>

Henry Ford contributed to the banks' instability, because he threatened to withdraw his funds if the bank executives did not open for business. This was a legitimate threat. Henry Ford had 7.5 million dollars in the trust company, 32 million dollars in the Guardian National Bank of Commerce, and 20 million dollars in the First National Bank of Detroit.<sup>50</sup> If Henry Ford withdrew his funds from all three banks, then the banks would lose millions of dollars in capital and liquid assets. It was even more important, because during the banking crisis, liquidity was problematic, and banknotes and gold were in short supply. In order to prevent Ford from carrying out his threat, F. Gloyd Awalt, who served as acting Comptroller of the Currency, declared a bank holiday.<sup>51</sup> Michigan Governor William Comstock on February 14, 1933, also instituted a ten day statewide bank holiday.<sup>52</sup>

The role of Henry Ford in the bank crisis of 1933 has continued to attract attention. Clarence J. Huddleston, who was aligned with James Couzens and Henry Ford during the Great Depression, provided readers with some insight about their roles regarding the banking crisis in an interview on February 12, 1968.<sup>53</sup> Detroit Union Guardian Trust

<sup>49</sup> Harry Barnard, *Independent Man*, 229; James L. Butkiewicz, "The Reconstruction Finance Corporation: The Gold Standard, and the Banking Panic of 1933," *Southern Economic Journal* 66, no. 2 (October 1999): 283; Francis Gloyd Awalt, "Recollections of the Banking Crisis in 1933," 353; Reuben Cahn, "The Detroit Bank Affair: Couzens' Role in Bank Tragedy," *Chicago Daily Tribune*, October 28, 1934.

<sup>50</sup> Harry Barnard, *Independent Man*, 230; Donald F. Davis, "The Price of Conspicuous Production," 40.

<sup>51</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 7; Charles A. Beard and George H.E. Smith, *The Future Comes*, 1; James L. Butkiewicz, "The Reconstruction Finance Corporation," 286.

<sup>52</sup> Arlena Sawyers, "Even during the Depression, GM Managed to make Money," *Automotive News*, September 15, 2008. <http://www.autonews.com>. (accessed March 12, 2015); Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw-Hill Book Company, 1980); 272-273; Alan Brinkley, "Roosevelt, Franklin Delano," <http://www.anb.org/articles/06/06-0567.html>. (accessed April 1, 2013); Special, "Recovery Felt on Anniversary of Bank Holiday," *Chicago Daily Tribune*, February 14, 1934; Melvin I. Urofsky, *A March of Liberty: A Constitutional History of the United States* (New York: Alfred A. Knopf, 1988), 662.

<sup>53</sup> Clarence J. Huddleston, interview by Dr. Robert M. Warner, Detroit, Michigan, February 12, 1968, Bentley Historical Library, University of Michigan.

Company was a Ford Bank. Ford Motor Company played a dynamic role in the daily operations of this bank, but why did Ford choose not to provide the bank with financing during the crisis if this was the case? Moreover, was Henry Ford a stockholder in this bank, because Huddleston affirmed that Ford and Couzens owned other banks such as Highland Park State Bank.<sup>54</sup> Initially, Henry Ford had been a stockholder at Highland Park State Bank, but Huddleston stated that Henry Ford got out immediately and Couzens stayed on to conduct its public business.

Although Henry Ford and his Ford Motor Company suffered from the slow effects of the Bank Crisis and the Great Depression, Henry Ford attempted to maintain wages and work hours for all of his employees regardless of the crisis. Moreover, the Model A, which was the second mass-produced car offered by the company, was reduced in price in an effort to make it more affordable.<sup>55</sup> Henry and Edsel Ford believed that it was important to reduce the prices of their vehicles, not their quality or value. They were determined to offer a low-priced vehicle that was competitive with the other American cars. Henry and Edsel Ford were adamant that work shifts were not to be reduced nor should workers be subjected to massive lay-offs. Ford Motor Company, in an effort to make his vehicles more affordable, established a payment plan that enabled Americans to pay for their cars over time or gradually. General Motors already had instituted a similar program, but Edsel Ford thought that this plan would work wonders toward eliminating the Great Depression.<sup>56</sup>

<sup>54</sup> Clarence J. Huddleston, interview by Dr. Robert M. Wagner, Detroit, Michigan, February 12, 1968, Bentley Historical Library, University of Michigan.

<sup>55</sup> Douglas Brinkley, *Wheels for the World: Henry Ford, His Company and a Century of Progress, 1903-2003* (New York: Viking Penguin, 2003), 381.

<sup>56</sup> Robert Asher and Ronald Edsforth, ed., *Autowork* (Albany: State University of New York Press, 1995), 6.

During the Great Depression, Ford Motor Company started out paying its workers between five to seven dollars per day.<sup>57</sup> Clearly, this promoted social mobility during a period of economic distress; at the same time, the company also cut its workforce. Employment at Ford Motor Company dropped dramatically during the beginning of the 1930s. In March 1929, the number of employed workers at Ford was 122,680 but this statistic declined to 100,500 by December 1929.<sup>58</sup>

On March 7, 1932, Communist organizers headed by John Schmies and Albert Goetz in Detroit held a rally called the Ford Hunger March<sup>59</sup>. Between three to five thousand demonstrators walked from downtown Detroit to the Rouge plant in Dearborn, and they had a long list of demands.<sup>60</sup> Most notably, they stressed that all laid-off employees should be rehired. They demanded fifty percent of their full wages, a seven hour day without a decrease in their take-home pay; and they wanted to eliminate the speed-up of the assembly line. Per shift, demonstrators suggested that workers should receive two fifteen minute breaks, an end to racial discrimination in hiring, and an end to foreclosures on the

<sup>57</sup> Special, "Ford's Indicated 1932 Loss \$74,861,644," *Wall Street Journal*, June 24, 1933. By 1933, Ford workers earned four dollars per day and it was still believed that these wages were the highest in the automotive sector. In 1932, Ford paid \$122,224,000 in wages to its employees.

<sup>58</sup> Beth Tompkins Bates, *The Making of Black Detroit in the Age of Henry Ford* (Chapel Hill: University of North Carolina Press, 2012), 121, Benson Research Center, The Henry Ford.

<sup>59</sup> Douglas Brinkley, *Wheels for the World*, 390; Gene Smiley, *Rethinking the Great Depression*, 23; Spark, "Ford Hunger, 1932: The Workers' Counterattack Begins," <http://the-spark.net/np676604.html>. (accessed February 18, 2013); Detroit News, "How the Great Depression Changed Detroit," <http://apps.detnews.com/apps/history/index.php?id=49>. (accessed February 18, 2013); "Detroit Tastes Blood and Lead: Ford Plant Mobbed by 3,000 Idle," *The Progressive*, December 2009. <http://www.law-journal-books.viex.com> (accessed March 12, 2015); Upton Sinclair, *The Flivver King: A Story of Ford-America* (Emaus, PA: Rodale Press, 1937), 185-189; Stephen Norwood, *Striking and Intimidation* (Chapel Hill: University of North Carolina Press, 2002), 180-181, 185.

<sup>60</sup>"Hunger and Blood," *Automotive News*, June 15, 2003. <http://www.autonews.com> (accessed March 14, 2015); Robert Dunn Collection, Box 2, folder entitled Bloody Monday at Ford's, Archives of labor and Urban Affairs, Wayne State University.

homes of former Ford employees' property.<sup>61</sup> Lastly, they wanted to curtail the use of the security forces at Ford Motor Company. The march was a watershed in American industrial history, because workers fought for social change and mobility. But the event turned violent and deadly. Five men, including Joe York, Joe Russell, Joe DeBlasio, Coleman Leny and Curtis Williams were killed by Dearborn and Detroit police as well the Ford Security guards that were involved in suppressing the demonstration.<sup>62</sup> Days afterward, more than seventy thousand former Ford employees participated in the funeral march to celebrate the lives of the fallen, and Joe Rushing, Chairman of the Young Communist League and others demanded punishment for those responsible for the violence.<sup>63</sup>

Many former Ford employees and Communist sympathizers felt that Hoover and Roosevelt had let them down. Other unemployed Americans were determined and continued to lobby for the Workers Unemployment and Social Insurance Bill H.R. 7598. This act would have provided financial compensation equal to the average weekly wages and give families ten dollars per dependent each week. But the Ford Hunger March somewhat damaged the international status of the Ford family, because of the use of security forces at the Rouge to quiet labor discontent. Many Americans suffered from the

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<sup>61</sup> Pennsylvania Federation Brotherhood of Maintenance of Way Employees Division--IBT, *The 1932 Ford Hunger March Massacre: The Unemployed get Bullets, not Bread*, <http://www.pennfedbmew.org>. (accessed February 18, 2013); Alex Baskin, "The Ford Hunger March—1932," *Labor History* 13, no. 3 (Summer 1972): 331-360.

<sup>62</sup> *The Ford Worker*, The Mary Van Kleeck Papers, Box 33, Folder A66, Archives of Labor and Urban Affairs, Wayne State University. More than sixteen million people had been unemployed in the United States, and millions more were working part-time; "The New Force", Samuel M. Levin Papers, Box 6, Folder 3, Archives of Labor and Urban Affairs, Wayne State University. This paper mentioned that since the Great Crash of 1929, unemployment levels in Detroit were highly elevated, which caused the demonstration. More than fifty men and women were held for forty-eight hours without being charged or experiencing due process after the march. There had been more than one hundred and fifty police officials called from Dearborn and Detroit to handle the crisis.

<sup>63</sup> Direct Wire from the Young Communist League, March 10, 1932, Box #288, Accession # 6, Edsel B. Ford Office Papers, Personal Files, 1932-X,Y, Z, Benson Research Center, The Henry Ford. Direct Wire from the Young Communist League, March 11, 1932, Box #288, Accession # 6, Edsel B. Ford Office Papers, Personal Files, 1932-X,Y,Z, Benson Research Center, The Henry Ford.



Great Depression but Ford Motor Company took some necessary steps to alleviate the worst effects of the economic crisis. Henry and Edsel Ford traveled to Washington, D.C., along with other American industrial leaders to confer with President Herbert Hoover and discuss ways to end the Great Depression. They were not successful, because of conflicting viewpoints, but some applauded these corporate executives for making any effort to discuss the issues of manufacturing in the United States and the plight of the American worker.

In Detroit, General Motors experienced financial and industrial decline with the Great Crash of 1929 and the onset of Great Depression. It had to close some plants and lower its corporate stock values.<sup>64</sup> At that time, Sloan had been president for over five years. He had the intellectual know-how to produce vehicles that improved upon GM's market-share and earn a substantial profit from car sales.<sup>65</sup> Sloan eventually built an automotive empire at General Motors Corporation. He was noted as an industrial icon, who had worked his way into the higher echelons of the company and served as president and chairman from 1923 to 1956.<sup>66</sup> Sloan incorporated some aspects of Fordism to reform GM's industrial capacity, such as the use of interchangeable parts. General Motors had just surpassed Ford Motor Company in 1927 in terms of market-share.<sup>67</sup> Its Chevy line up won the favor of American consumers. The Chevy was an inexpensive vehicle, but it had solid

<sup>64</sup> Arlena Sawyers, "Even during the Depression, GM Managed to make Money," *Automotive News*, September 15, 2008. <http://www.autonews.com>. (accessed March 12, 2015).

<sup>65</sup> Arlena Sawyers, "Even during the Great Depression, GM Managed to make Money," *Automotive News*, September 15, 2008. <http://www.autonews.com>. (accessed March 12, 2015)

<sup>66</sup> "Big has always been the Rule at General Motors," *Automotive News*, April 29, 1996. <http://www.autonews.com>. (accessed March 12, 2015).

<sup>67</sup> Joseph B. White, "How Detroit Automakers Went from Kings of the Road to Roadkill," *USA Today Magazine*, May 2009. <http://www.freerepublic.com/focus/news/2204046.posts>. (accessed March 12, 2015); Special, "G.M.'s Prices Up: Ford Unchanged," *Wall Street Journal*, April 4, 1934. By 1934, the Big Three controlled 90 percent of the industry's market share.

features that appealed to ordinary Americans who looked to acquire a new standard of living for their families.

Despite his success at GM, Sloan did not predict the Great Crash of 1929, as historian David Farber argues. Both Sloan and his company were unprepared for the economic event. Sloan did not sell any of his personal stock holdings in GM nor any of his other companies before or after the crisis.<sup>68</sup> Farber writes that Sloan's reactions to the crisis were not recorded, and scholars do not know or understand his motivations regarding Wall Street during this period. Those who had a greater stake in Wall Street experienced a sharp decline in disposable income, and their standards of living were hampered for the short term. Whether Sloan had personal losses because of the Great Crash of 1929 is unknown.<sup>69</sup>

After 1929, Sloan began to examine sales projections and other key indicators to determine market demand. He did not want to experience the same corporate failure as William Durant did, in 1920, when he was forced to resign, because of his stock market speculations. By contrast, Sloan has been described by many as a calculated risk taker. He ensured that he did his research, and the data drove his decision-making.<sup>70</sup> While Ford handled the Stock Market crisis by reducing his car prices so that sales volumes increased, Sloan knew that increased sales did not always mean profitability. The data told GM executives where to place their money. With all of the statistical analysis, GM still

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<sup>68</sup> David Farber, *Sloan Rules: Alfred P. Sloan and the Triumph of General Motors* (Chicago: The University of Chicago Press, 2002), 131-132.

<sup>69</sup> David Farber, *Sloan Rules*, 130-132; When the Crash occurred, Sloan believed that the business principles behind this event were economically sound. He may have been attempting to put on a brave face in the midst of the economic crisis. But, in terms of personal comments about his income and how it was affected by the crisis, these statements have not been recorded.

<sup>70</sup> Special, "G.M.'s Prices Up: Ford Unchanged," *Wall Street Journal*, April 5, 1934. By 1934, Sloan examined the statistics and decided that it was within General Motors Corporation's interests to increase the prices for their vehicles to combat production costs and to improve wages by 10 percent.

produced too many vehicles that the market could not absorb. Sales were down.<sup>71</sup> While sales were disheartening to Sloan,<sup>72</sup> small automotive companies fared worse than GM and Ford Motor Company. They could not compete with these two economic giants, and they were forced from the automobile market by the crisis. By 1929, the Big Three already controlled more than 75 percent of the industry's market-share.<sup>73</sup> The Great Depression further consolidated car companies, and Big Three became dominant in years after the Great Crash. Only twelve other smaller firms remained in the market by the end of the 1930s, and they slowly lost ground.<sup>74</sup>

By the early 1930s, GM sales were increasingly strong and rebounding. Policymakers on Capitol Hill attempted to increase excise gasoline taxation to improve upon its revenue base and tap into the resources of automobile owners. Much of GM's workforce had been laid-off because of the economic downturn.<sup>75</sup> During this period, the tax bases in many states had declined. Additional revenue was needed to sponsor increased government expenditures. Sloan had been a member of the National Automobile Chamber of Commerce (NACC), and he served on the taxation committee.<sup>76</sup> Sloan opposed

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<sup>71</sup> David Farber, *Sloan Rules*, 134.

<sup>72</sup> Allan Nevins and Frank Ernest Hill, *Ford: Expansion and Challenge, 1915-1933*, Volume II (New York: Charles Scribner's Sons, 1957), 571, Benson Research Center, The Henry Ford. According to both scholars, General Motors profits dropped to \$116,740,000, and this was a decline of \$149,000,000. Clearly, General Motors and Ford Motor Company in 1930 experienced cuts in revenue.

<sup>73</sup> Gene Smiley, "The U.S. Economy in the 1920s," Economic History Services, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013). Smiley contended in this article that by 1929, there were only 44 car companies that were manufacturing automobiles. The Big Three emerged during this period.

<sup>74</sup> Allan Nevins and Frank Ernest Hill, *Ford: Expansion and Challenge, 1915-1933*, Volume II (New York: Charles Scribner's Sons, 1957), 571, Benson Research Center, The Henry Ford. According to these scholars, in 1929, nine independent firms in the automobile sector experienced cuts in their profits by about \$35 million.

<sup>75</sup> Albert U. Romasco, *The Poverty of Abundance*, 139.

<sup>76</sup> David Farber, *Sloan Rules*, 146-147; Hal Foust, "Auto Executives Help Wage War on Tax Eaters," *Chicago Daily Tribune*, July 21, 1932. This article illustrates that, in 1932, Sloan, B.E. Hutchinson from Chrysler and others fought against increased taxation because they felt that it would hurt the consumer and thus, the market for cars. Auto corporate executives such as Sloan believed that centralization of local governments would save the State of

increases in gasoline taxes. He felt that the federal government was penalizing the automotive industry for performing fairly well in the private sector. Edsel Ford, who served as president of the Lincoln division, was against the tax bill. He did not join Sloan and other industry leaders in fighting the tax bill. Consequently, Congress approved the Revenue Act in early 1932.<sup>77</sup> This new act was proposed to generate revenue to finance the construction of new roads and streets, and employ road crews. The federal government earned one cent in taxation for every gallon of gasoline that consumers purchased.<sup>78</sup> Scholars have remained divided about the impact of the new act. Did it led to highway construction and better road conditions or higher employment? This issue has not been examined thoroughly to decide the effectiveness of this law.

In speeches throughout 1932, Alfred P. Sloan, Jr. argued that there was a lack of confidence among American consumers since the crash. The Bank Crisis of 1931-1933 also loomed large in public speeches. In a press release dated July 19, 1932, Sloan asserted that production figures for GM were down. Prices for GM vehicles and other industry products had decreased before 1934 as there was an oversupply of automobiles and a slower market.<sup>79</sup> Sloan argued that tax cuts were the answer for all Americans, because it would put more disposable income in their pockets. Sloan's proposition that tax cuts were necessary in 1932 has resonance among conservative policymakers in more contemporary

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Michigan money and improve upon their balance sheets. Consolidation would lead to centralization of many local government entities.

<sup>77</sup> Gene Smiley, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); Gene Smiley, *Rethinking the Great Depression*, 22; Debra Reschke, "National Petroleum News' 100<sup>th</sup> Anniversary, *National Petroleum News*, March 2009.

<sup>78</sup> Debra Reschke, "National Petroleum 100<sup>th</sup> Anniversary, *National Petroleum News*, March 2009.

<sup>79</sup> Press Release by Alfred P. Sloan Jr, July 19, 1932, Department of Public Relations for General Motors Corporation, The Collections of the General Motors Heritage Center; F.G. Donner, "General Motors Budgetary Control," 23. General Motors rebounded, but it took some time before this occurred. During this period, General Motors began to surpass Ford Motor Company, and GM became the most dominant automobile corporation in the global marketplace.

times, but it was economic orthodoxy in 1932. In the 1930s, policymakers and corporate executives in American industries argued for a reduction in the tax rate, because they argued that it created more jobs in the private sector. But what about social programs and public expenditures? If Americans could not work, then should they receive financial support from the public sector? During Hoover's presidency, public assistance was not the dominant practice in the United States.<sup>80</sup>

Along with Detroit and other Midwestern cities, New York, the financial haven for Wall Street, experienced similar financial difficulties. The Bank of the United States, which had over \$200 million in deposits and other monetary assets, collapsed; and the New York clearing houses would not step in to increase its liquidity.<sup>81</sup> Hoover, in his memoirs, contended that the American banking system already was weakened by the late 1920s. There were too many banks in the United States and many did not belong to the Federal Reserve System. Only about one-third belonged to the Federal Reserve. As Hoover wrote, "in 1929, there were about 25,000 commercial banks, trust companies and savings banks entrusted with the people's deposits. Of the commercial banks, 7,500 were national banks and 14,300 state banks."<sup>82</sup> These banks lacked sufficient monetary resources to conduct their day-to-day operations. Hoover argued that "more than 3,500 had less than \$100,000 capital and of these, some 1,500 had less than \$25,000 capital."<sup>83</sup> There was not enough capital held in banks for depositors. For that reason, after the Crash of 1929, citizens had a

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<sup>80</sup> "Herbert Hoover on the Great Depression, 1931-1933," The Gilder Lehrman Institute of American History, <http://www.gilderlehrman.org>, (accessed January 24, 2015); Herbert Hoover and the Depression," Digital History, University of Houston, <http://www.digitalhistory.uh.edu>, (accessed January 24, 2015).

<sup>81</sup> Elliot A. Rosen, *Hoover, Roosevelt and the Brains Trust*, 279. The Bank of the United States also served as our central bank during the early 19<sup>th</sup> century until its relationship with the federal government was dissolved by President Andrew Jackson in 1836.

<sup>82</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 22.

<sup>83</sup> *Ibid.*

strong inclination to hoard cash. They did not believe that their assets were safe and secure in private banks.<sup>84</sup>

The Federal government's approach toward resolving this bank crisis under Hoover was not sufficient. Members of the Hoover administration, such as Treasury Secretary Mellon, believed that the federal government should not become involved or try to create fixes to the national economy. Mellon believed that the only way to save the banks was to let them collapse.<sup>85</sup> Further, Mellon believed the crisis would purge and eliminate the "rottenness" from the national economy. He was, however, countered by Undersecretary of the Treasury Mills, Governor Young of the Reserve Board, Secretary of Commerce Lamont, and Agriculture Secretary Hyde. Along with President Hoover, these men believed that the Federal government should act to resolve the crisis. Even so, the Federal government acted only indirectly. It did not provide relief to everyday citizens under Hoover, but rather it sought to strengthen financial and commercial institutions in an effort to promote job growth. In his memoirs, Hoover defended his choices for defined indirect versus direct relief. He stated that:

At the outset, I must clarify a distinction between direct relief and indirect relief. Direct relief means relief given directly to individuals or families through charitable, local, county, municipal or state action. Indirect relief comprises Federal and state public works, together with stimulation of private construction, the spreading of work, restriction of immigration, government financial measures to support private employment and act in the foreign field.<sup>86</sup>

Hoover added that indirect relief consisted of federally-funded public works projects, such as construction work. He called one form of indirect relief non-productive public works,

<sup>84</sup> Special, "President's Speech to Bankers and that of Reynolds," *New York Times*, October 25, 1934. In a speech, Roosevelt illustrated that the banking crisis and economic instability occurred, because there was a lack of confidence in banks, which caused citizens to withdraw their cash and keep it in their homes.

<sup>85</sup> Albert U. Romasco, *The Poverty of Abundance*, 24-25.

<sup>86</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 42.

which consisted of roads, buildings, and harbor modifications. The second form of indirect relief was “productive works” that were financed by the public and private sectors. Private businesses, for example, received government loans to begin the hiring process at their firms and improve upon employment. Still due to the extent of the crisis, Hoover sent aid in the form of 85,000,000 bushels of wheat and 500,000 bales of cotton to the Red Cross for distribution to deprived families during the Bank Crisis of the early 1930s.<sup>87</sup>

In his memoirs, Hoover recalled that he contacted the nation’s governors and mayors to ask them to expand upon their public works programs. Thus, Hoover did act; but many citizens viewed him coldly, because he did not provide the direct relief or support to the low-to-middle classes. Rather, Hoover held conferences in Washington, D.C., with labor leaders and private relief organizations from throughout the country.<sup>88</sup> In line with his belief in cooperative labor relations, he sought to eliminate strikes, to sustain wages, and to get employers to provide relief to their workers and work-sharing. His policies supported relief, financed by the private sector, not by federal institutions. Hoover promoted instead local and state relief. Control over federal funds for relief was to be transferred to state and local entities. The question that policymakers had to ask themselves was whether the federal government should allocate resources directly to the low-to-middle classes rather than local and state governments? Hoover felt that local and state institutions had better information about its residents and understood their needs. However, Hoover argued that individual and family relief was not the issue, but the organization of resources and assistance was the subject of discussion among American policymakers. Thus, Hoover decided that federal institutions should be called upon for

<sup>87</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 152.

<sup>88</sup> Special, “None Must Hunger this Winter, He Tells Conference,” *The Washington Post*, September 16, 1932.

assistance only after exhausting all of the resources from local and state entities. The states and its various cities understood the needs of its citizens.<sup>89</sup>

As Hoover fought to address the economic crisis with domestic and international policies, ordinary Americans looked for stronger leadership from the office of the presidency. Some scholars argue that Hoover did not fill this void, and Americans began to look toward Governor Roosevelt of New York State, the Democratic party candidate, as the answers to their prayers. On November 8, 1932, Roosevelt won the presidency in a landslide victory over Hoover. Roosevelt did not, however, assume the Office of the Presidency until March 4, 1933.<sup>90</sup> In the interim, Hoover was determined to obtain the assistance and advice of Roosevelt. Hoover sought to bring Roosevelt up-to-date on domestic and foreign policy issues. He was determined to provide Roosevelt with the necessary slant on the major concerns to promote a smooth transition of power. However, Hoover realized that Roosevelt's time was limited. Roosevelt was still the Governor for the State of New York and had to fulfill his duties until March 4, 1933. Moreover, Hoover knew that Roosevelt had public opinion on his side, because of his overwhelming electoral victory in the 1932 Presidential Election. Roosevelt carried the popular vote as well. But he worried about aligning himself closely with the Hoover administration.

After the Presidential Election of 1932, Hoover sought to assist Great Britain with its economic woes.<sup>91</sup> Great Britain wanted to remain financially solvent, but it did not want to return to a metallic standard. In November 1932, Hoover received notification from

<sup>89</sup> Hebert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 152-153.

<sup>90</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 26; Special, "London Hears of Accord with U.S.," *Wall Street Journal*, June 25, 1932. Great Britain agreed to the German moratorium if the United States agreed to their war debts reduction or abolishment.

<sup>91</sup> Herbert Hoover, "Hoover Telegram Inviting Roosevelt to Conference," *The Washington Post*, November 14, 1932. On December 15, 1932, the British were expected to make a payment of 95 million dollars.



debtors in Europe that foreign policymakers sought to defer their loan payments until December 15, 1932.<sup>92</sup> Hoover telegraphed Roosevelt to see if he wanted to become a part of the policymaking discussions.<sup>93</sup> In order to simplify this debt crisis, Hoover sought to tie the British debt resolution to a re-establishment of a metallic standard in that country.<sup>94</sup> Roosevelt issued a statement that concluded that each debtor nation should be examined individually, because each nation was distinct and could not be treated the same.<sup>95</sup> Roosevelt's statement was unsettling to Hoover, who sought linkages among the European debtor nations. He saw Roosevelt's distancing as a problem. On two occasions only Roosevelt's team decided to make visits to the White House to confer with Hoover.

By this time, Hoover sought to have Roosevelt make a link between the maintenance of a metallic standard and debt payment from Europe.<sup>96</sup> In response, Roosevelt argued that metallic standards and the debt crisis in Europe should not be linked.<sup>97</sup> Hoover conflicted with Roosevelt's approach to economic policy, because he argued that the European crisis

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<sup>92</sup> Special Meeting to the Congress on Intergovernmental Debts and International Economic Conditions, The Public Papers of the Presidents of the United States, Volume 4: Herbert Hoover, the Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa. In this statement, Hoover contended that Czechoslovakia, Finland, Great Britain, Italy, Latvia and Lithuania had paid over ninety-eight million out of the over one hundred and twenty-five million owed. Austria, Belgium, Estonia, France, Greece, Hungary, and Poland had not made payments on their intergovernmental loans; Washington Bureau, "War Debts Must Await Elections," *Wall Street Journal*, June 14, 1932; American policymakers believed that war debt discussions between the United States and Great Britain had to be postponed until the Presidential elections in November 1932 took place; Special, "Reynolds On War Debts," *Wall Street Journal*, April 19, 1932; Special, "Text of U.S. Reply to Second British Note," *Wall Street Journal*, December 9, 1932.

<sup>93</sup> Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 216; Special, "War Debts and Depression," *Wall Street Journal*, November 15, 1932; Herbert Hoover, "Text of President Hoover's Note to Congress on War Debt Crisis," *The Washington Post*, December 20, 1932.

<sup>94</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 26.

<sup>95</sup> Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, 183.

<sup>96</sup> Justus D. Doenecke, "Hoover to Hiroshima," *Books & Culture*, November-December 2004.

<http://www.booksandculture.com/articles/2004/novdec/15.24.html>. (accessed March 12, 2015); Andrew E. Busch, "Democracy on the Edge," *World and I*, June 2004. <http://www.worldandischool.com>. (accessed March 12, 2015); Telegram to President-Elect Franklin D. Roosevelt about Intergovernmental Debts, The Public Papers of the Presidents of the United States, Volume 4: Hebert Hoover, November 13, 1932, the Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>97</sup> Arthur Krock, "Roosevelt Will Inherit Budget Responsibility," *New York Times*, January 1, 1933.

created economic instability at home. Thus, two meetings were scheduled for November 22, 1932 and January 20, 1933 to discuss the economic situation in Europe.<sup>98</sup> Economist Raymond Moley and Norman Davis, who served as a delegate of the Geneva Disarmament Conference, along with Roosevelt met with Hoover on both occasions. They refused to cater to Hoover's demands to link foreign and domestic economic policies. Hoover further wanted Roosevelt to assist him in the establishment of a special delegation.<sup>99</sup> He had an inclination to press Roosevelt to choose individuals who could negotiate with European nations, especially Great Britain, who wanted its debts excused.<sup>100</sup> Both Hoover and Roosevelt were internationalists, but President-Elect Roosevelt sought to examine domestic conditions and propagate national, not foreign policies.

In the interregnum, according to Amos Kiewe, Hoover sought to prevent Roosevelt from abandoning a metallic standard and devaluing the greenback, because it increased domestic prices for primary and manufactured goods.<sup>101</sup> Hoover further gave high priority to monetary policy and exchange rates, because they served as the life-blood for his economic and fiscal strategies internationally.<sup>102</sup> This is, perhaps, where the conflict

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<sup>98</sup> White House Statement About a Meeting with President-Elect Roosevelt, The Public Papers of the Presidents of the United States, Volume 4, November 17, 1932, the Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa; Special, "Roosevelt Studies Debt Parley Plans," *The Washington Post*, November 16, 1932, Ashtabala Star-Beacon, "Hoover Awaits Roosevelt: President and Successor to discuss Debts," November 22, 1932, Accession #6, Box #288, Edsel B. Ford Office Papers, Personal Files, 1933-AR-AZ, Benson Research Center, The Henry Ford.

<sup>99</sup> Herbert Hoover, "Hoover Telegram Inviting Roosevelt to Conference," *The Washington Post*, November 14, 1932; Special, "Gov. Roosevelt Denies Refusal to Aid on Debts," *The Washington Post*, December 23, 1932.

<sup>100</sup> Jonathan Alter, "Letter: I Never Got Any Letter, Herbert," *Newsweek*, December 1, 2008.

<http://www.newsweek.com>; (accessed March 14, 2015); Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964), 20. Hoover convinced Roosevelt that he should meet with his future British counterparts, but Roosevelt refused to link a metallic standard with the war debt crisis.

<sup>101</sup> Amos Kiewe, *FDR's First Fireside Chat*, 29.

<sup>102</sup> J.B. McDonnell, "President Answers Plans of Cancelling Debts or Softening Tariffs," *The Washington Post*, May 5, 1931. Hoover did not believe that the war debts were the central cause for the Depression and this filtered into his foreign economic policies.

between the President and President-Elect was most heated.<sup>103</sup> Hoover wanted to maintain a metallic standard, while Roosevelt sought to eliminate gold as the principal medium of exchange and legal tender.<sup>104</sup> Hoover believed that a return to a metallic standard in Europe could occur if Great Britain and France paid their debts.<sup>105</sup> He believed that a metallic standard contributed to sound monetary and fiscal policies. Roosevelt took a different approach. He did not link debt repayment with a metallic standard, but he sought to establish domestic policies that put America first.

After the first meeting on November 22, 1932, Roosevelt issued a public statement. Although Hoover was aware of the statement, he also issued a press release announcing that the meeting had taken place.<sup>106</sup> In Roosevelt's message, he thanked Hoover and his staff for their hospitality and kindness; but he disagreed with Hoover on the steps that should have been taken regarding foreign debts. Roosevelt believed that a creditor nation should make the effort to maintain regular contact with its debtors. Both Hoover and Roosevelt were convinced that the Western European countries were intent upon paying their debts, and that nothing should deter them from accomplishing this goal.<sup>107</sup> However, Roosevelt felt that Congress could not impede him from establishing relations and signing

<sup>103</sup> Special, "Hoover Will Face Vexing Problems For Years to Come," *The Washington Post*, February 14, 1932. The debate was also heated, because Hoover did not want to link the curtailment of German reparations with war debt forgiveness; Harold J.T. Horan, "President to Push Debt Negotiations," *The Washington Post*, December 21, 1932.

<sup>104</sup> Edwin L. James, "The Week in Europe: War-Debts Revisions," *New York Times*, November 13, 1932. Hoover also believed that if German reparations had been excused, then the European debt crisis would improve. This may have been the reason behind Hoover's German moratorium.

<sup>105</sup> Herbert Hoover, "Text of President Hoover's Note to Congress on War Debt Crisis," *The Washington Post*, December 20, 1932. Hoover, also, believed that the European debts should not be cancelled, because this would hurt the American people and cause many nations to depreciate their currencies.

<sup>106</sup> White House Statement about a Meeting with President-Elect Roosevelt, *The Public Papers of the Presidents of the United States*, Volume 4: Herbert Hoover, the Herbert Hoover Papers; The Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>107</sup> Statement on Intergovernmental Debts, *The Public Papers of the Presidents of the United States*, Volume 4: Herbert Hoover, the Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa; Harold J.T. Horan, "Hoover-Roosevelt Parley Dims Hopes for Delay on Debts," *The Washington Post*, November 23, 1932.

financial treaties with other nations, including those who defaulted on loan payments.

Thus, Roosevelt asserted publically that:

No action by the Congress has limited or can limit the constitutionality of the President to carry on diplomatic contacts or conversations with foreign governments. The advantage of this method of maintaining contacts with foreign governments is that any one of the debtor nations may at any time bring to the attention of the government of the United States new conditions and facts affecting any phase of its indebtedness. It is equally true that existing debt agreements are unalterable saved by Congressional action.<sup>108</sup>

Roosevelt and Hoover accepted treaties. Once treaties have been negotiated and signed, they could not be altered without Congressional approval. In the context of the ongoing crisis, Great Britain and France wanted to change some of the provisions of their loans. But these provisions first had to be approved by their own governing bodies. In contrast to Hoover, Roosevelt had a sophisticated understanding of the political dynamics.

In terms of establishing his impact on foreign policy as President-Elect, Roosevelt would not comply or act further. He argued that he would not become president until March 4, 1933.<sup>109</sup> His status allowed him political cover to refuse to endorse Hoover's policies. Hoover defended the maintenance of a metallic standard and the importance of balancing the budget as essential for economic independence.<sup>110</sup> This political impasse proved difficult to resolve and led them to endorse different policies.

In February of 1933, just a month before FDR's inauguration, the bank situation grew worse. Large quantities of gold and greenbacks had been withdrawn from banks in the United States.<sup>111</sup> As historian Amos Kiewe asserted, "the Federal Reserve Branch in

<sup>108</sup> Timothy Walch & Dwight M. Miller, *Herbert Hoover & Franklin D. Roosevelt*, 78.

<sup>109</sup> Statement on the Conduct of Foreign Relations, The Public Papers of the Presidents of the United States, Volume 4: Herbert Hoover, December 22, 1932, the Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, Iowa.

<sup>110</sup> Amos Kiewe, *FDR's First Fireside Chat*, 34-35.

<sup>111</sup> It is important to note that the hoarding of coinage and currency began in February 1932. Hoover, in his memoirs, argued that more than one billion dollars, much of it gold had been withdrawal from American banks.

New York saw its gold reserves reaching the low level of nearly 22 percent. On February 24, 1933, William Woodin, the Treasury Secretary-Elect, was clearly worried over the run on the banks.”<sup>112</sup> Hoover responded differently to this economic crisis. He attempted to use his political power to convince the incoming president Roosevelt to change his public stance and endorse preexisting policies. Roosevelt did not want to espouse Hoover’s insistence on maintaining gold standard and appeared uncertain about how to handle the European debt crisis and the German moratorium. This caused him to select members of his cabinet that could advise him on foreign policy such as Cordell Hull who became his Secretary of State.

On February 27, 1933, Roosevelt sent Woodin to confer with President Hoover and Secretary of the Treasury Mills.<sup>113</sup> At this time, Roosevelt had refused to issue a policy statement. It became Woodin’s job to listen to the discussions and to suggest policy solutions. Thomas Lamont of J.P. Morgan believed that Roosevelt’s approach was not enough. He urged the president-elect to do more and issue a statement. Roosevelt finally did in March 1933. Roosevelt stated publicly that, once in office, he would cut the budget by 25 percent, balance the federal budget and cut government expenditures as president.<sup>114</sup> Hoover sent Mills another memo on March 1, 1933, in an effort to have him persuade Roosevelt to issue more public statements about the bank crisis, but only if Roosevelt supported Hoover’s policies. Hoover did not want the national economy to destabilize, but he was concerned about Roosevelt’s aims. This political and economic impasse between Hoover and Roosevelt was not resolved. Roosevelt also did not want to

<sup>112</sup> Amos Kiewe, *FDR’s First Fireside Chat*, 40.

<sup>113</sup> Donald A. Ritchie, *Electing FDR*, 162.

<sup>114</sup> Amos Kiewe, *FDR’s First Fireside Chat*, 41.

lose creditability by becoming a spokesperson for Republican policies with which he did not agree and which failed to achieve their end.<sup>115</sup>

Until inauguration day, Hoover and Roosevelt continued to correspond, but there was no consensus on foreign economic policy between both individuals. Europe still faced dire economic circumstances. Roosevelt would not become involved and he focused on selecting his cabinet. He wanted an administrative team in place that could address the growing bank crisis and other American economic emergencies once in office. Roosevelt worked toward a smooth transition of Presidential and administrative power. He felt that it was necessary to select a team that would enhance his policymaking decisions and augment his political agenda. In terms of Roosevelt's cabinet, the President-Elect sought to establish links with both liberal and conservative Democrats and also progressive Republicans. He appointed both Democrats and Republicans to serve in his cabinet. He further sought to select individuals who were respectable and had garnered some support among colleagues. As historian George McJimsey writes, for Secretary of Agriculture, he chose Henry A. Wallace, who was a key figure that specialized in agricultural economic policy.<sup>116</sup> Despite his Republican background, Wallace examined but did not support the farm policies of Hoover, even though Wallace's father had had sound political connections and had served in the Harding and Coolidge administrations. Roosevelt was familiar with his politics and felt that Wallace would make sound political decisions and support his farm policies.

<sup>115</sup> Jonathan Alter, "Letter: I Never Got Any Letter, Herbert," *Newsweek*, December 1, 2008, 24. <http://www.newsweek.com>. (accessed March 14, 2015).

<sup>116</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 29; Edward L. Schapsmeier and Frederick H. Schapsmeier, "Henry A. Wallace: Agrarian Idealist or Agricultural Realist," *Agricultural History* 41, no. 2 (April 1967): 127.

More importantly, Roosevelt made an unprecedented move by selecting a colleague that he worked with during his years as Governor of New York State: Frances Perkins.<sup>117</sup> Perkins became the Secretary of Labor, which was an increasingly important administrative position, especially during the crisis of unemployment. Perkins was instrumental in the creation and implementation of the NIRA in May and June of 1933. She became the first female to serve as a member of a presidential cabinet.<sup>118</sup> Mary Dewson, who served as the Chairwoman of the Democratic Woman's Committee persuaded Roosevelt and supported the decision to make this crucial selection.<sup>119</sup> Perkins came highly qualified and she had worked with Roosevelt in New York as an Industrial Commissioner, so he understood her credentials.<sup>120</sup>

Similarly, Roosevelt selected Senator Carter Glass of Virginia to become the Secretary of the Treasury in an effort to satisfy Bernard Baruch, a member of Roosevelt's Brains Trust. Baruch was conservative, and the selection of Glass appeased the conservative section of the Democratic party. Glass was a proponent of bank reforms and the gold standard. He agreed to take the position only if Roosevelt promised to remain on the gold standard. This selection proved unworkable, because Roosevelt would not commit

<sup>117</sup> Frances M. Seeber, "Eleanor Roosevelt and Women in the New Deal: A Network of Friends," *Presidential Studies Quarterly* 20, no. 4 (Fall 1990): 708, 710; Lillian Holmen Mohr, *Frances Perkins: That Woman in FDR's Cabinet* (United States of America: North River Press, 1979), 115, 117; Frances Perkins, *The Roosevelt I Knew*, 150-152; Teaching Eleanor Roosevelt Glossary, "Franklin Delano Roosevelt 91882-1945)," <http://www.gwu.edu/> (accessed November 2, 2012); Gene Smiley, *Rethinking the Great Depression*, 73.

<sup>118</sup> Frances Perkins, Spartacus Educational, <http://www.spartacus.schoolnet.co.uk/usarperkins.htm>. (accessed April 5, 2013); U.S. Department of Labor, Chapter 3: The Department in the New Deal and World War II, 1933-1945, <http://www.dol.gov/aboutdol/history/dolchp03.htm>. (accessed September 15, 2013); William H. Chafe, ed., *The Achievement of American Liberalism: The New Deal and its Legacies* (New York: Columbia University Press, 2003), 17; Special, "Hail Miss Perkins for Public Service," *New York Times*, March 25, 1933.

<sup>119</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 29-30.

<sup>120</sup> Naomi Pasachoff, *Frances Perkins: Champion of the New Deal* (New York: Oxford University Press, 1999), 9-10, 12; Special, "Back Miss Perkins for Cabinet Post," *New York Times*, December 14, 1932. Harold Fields of the National League for American Citizenship was selected to head a committee that presented to Roosevelt the many reasons for the selection of Frances Perkins as Labor Secretary; Special, "Miss Perkins to Head State Labor Department; Roosevelt Picks Social Worker for Cabinet," *New York Times*, December 25, 1928.

himself toward remaining on any metallic standard. Roosevelt chose, instead, William H. Woodin who had substantial knowledge and experience with international commerce and the railroad sector. Woodin was committed to Roosevelt, and Roosevelt felt reassured that Woodin would not let him down. This also satisfied conservative Democrats, because Woodin had been a Republican businessman and served as president of American Car and Foundry Company.<sup>121</sup> He also supported Roosevelt as Governor and during his Presidential campaign in 1932.

Roosevelt chose Cordell Hull, who served as a United States Senator from Tennessee, as his Secretary of the State.<sup>122</sup> Hull had considerable foreign policy experience, and sound political and diplomatic background. Roosevelt felt his appointment was necessary to achieve his foreign policy goals.<sup>123</sup> Further, Hull believed in transparency and accountability at the State Department.<sup>124</sup> United States Senator Claude Swanson of Virginia became his Secretary of the Navy. This selection really benefited the Roosevelt administration because, as Swanson left the Senate to become Secretary of the Navy, Senator Key Pittman of Nevada became the Chair of the Foreign Relations committee. This selection enabled Roosevelt to work on foreign policy and to avoid the policy mistakes of the Hoover administration.

<sup>121</sup> Special, "Woodin Advocate of Sound Money," *New York Times*, February 22, 1933.

<sup>122</sup> Samuel Flagg Bemis, "The Memoirs of Cordell Hull," *The Journal of Modern History* 21, no. 4 (December 1949): 317-318; Arthur P. Whitaker, "The Memoirs of Cordell Hull," *The Hispanic American Historical Review* 29, no. 1 (February 1949): 81; Cordell Hull, *The Memoirs of Cordell Hull*, Volume I (New York: The Macmillan Company, 1948), 155-163; Jean Edward Smith, *FDR*, 292-295.

<sup>123</sup> Robert Dallek, *Franklin Delano Roosevelt and American Foreign Policy, 1932-1945* (New York: Oxford University Press, 1995), 33. Hull also believed in the principles behind Roosevelt's Internationalism and devotion to solving the ills of national and international problems.

<sup>124</sup> Ulric Bell, "The Democratic Diplomacy of Secretary Hull," *The Public Opinion Quarterly* 2, no. 1 (January 1938): 37, 40.



For the Departments of the Interior and Justice, Roosevelt had been determined to select progressive Republicans, but they were difficult positions to fill. For the Interior, Roosevelt was inclined toward Senator Bronson Cutting of New Mexico. Roosevelt wanted Cutting, as George McJimsey writes, because:

Cutting had supported Roosevelt in the election, had a long and consistent progressive voting record, shared Roosevelt's Groton and Harvard background, and was his fourth cousin. The senator had sponsored public works legislation, and Roosevelt intended to give the Interior authority over public works projects.<sup>125</sup>

Cutting, however, refused to accept the position, and so did Roosevelt's next choice, Senator Hiram Johnson of California; but Johnson recommended Harold Ickes, because he had supported Theodore Roosevelt's "Third-party bid in 1912."<sup>126</sup> Ickes had considerable knowledge of administrative budgeting and practiced financial frugality in government.

Next, Roosevelt selected the head of the Justice department. For Attorney General, he considered many individuals as possible candidates. Philip LaFollette, who had served as a Governor of Wisconsin, was an obvious choice. He was the son of Robert M. LaFollette, a Governor, Senator and progressive candidate for the presidency. Roosevelt felt, however, that he had to reward the Democratic United States Senator Thomas J. Walsh of Montana with the position. Walsh had worked under the Harding administration, served as a member of Roosevelt's Presidential campaign and had worked at the Chicago Democratic convention. Walsh passed away before Inauguration Day. Thus, Roosevelt appointed Homer S. Cummings Attorney General. The Commerce position went to Daniel Roper of

<sup>125</sup> George McJimsey, *The Presidency of Franklin Delano Roosevelt*, 30.

<sup>126</sup> Donald C. Swain, "Harold Ickes, Horace Albright and the Hundred Days: A Study in Conservation Administration," *Pacific Historical Review* 34, no. 4 (November 1965): 455, 457.

California; George Dern of Utah became the Secretary of War, and James A. Farley became the Postmaster General. Roosevelt made cabinet selections that displayed his bipartisanship and confidence. He was determined to avoid the mistakes of the Hoover administration and felt that his cabinet could advise him on domestic and foreign policies necessary to turn the country around. Similarly, Roosevelt's Brains Trust played an important part in decision-making. He realized that he needed them and his cabinet members to devise sound policy measures.

While Roosevelt assembled his cabinet selections, he continued to correspond with Hoover. Their relationship had become very cold. On March 3, 1933, Herbert Hoover performed one of his last presidential acts when he had a news conference with the media.<sup>127</sup> He thanked them for their support and service. He believed that they had attempted to keep the American people informed about his public policies and presidential policy agendas. He admitted that he did not always agree with the tactics that the media used in order to bring political news to the forefront, but he believed that their efforts had benefited the American people. During this public meeting, Hoover wanted to tell them that he appreciated their service.<sup>128</sup>

By Inauguration Day, however, Hoover and Roosevelt were not speaking to one another. Franklin Delano Roosevelt and his wife Eleanor made it to the White House at 11 am on March 4, 1933.<sup>129</sup> They did speak with the Hoovers, but the conversation was basically polite. There was enormous tension between Roosevelt and Hoover. They both

<sup>127</sup> The President's News Conference, The Public Papers of the President of the United States, Volume 4: Herbert Hoover, March 3, 1933, Herbert Hoover Papers; Herbert Hoover Presidential Library website, West Branch, IA.

<sup>128</sup> Ibid.

<sup>129</sup> Martin L. Fausold, *The Presidency of Herbert C. Hoover*, 235-236. Joint Congressional Committee on Inaugural Ceremonies, "President's Swearing-In Ceremony," <http://www.inaugural.senate.gov/> (accessed November 2, 2012); Joint Congressional Committee on Inaugural Ceremonies, "Departure of the Outgoing President," <http://www.inaugural.senate.gov/> (accessed November 2, 2012).

had their own policy aims, and they seemed to move in opposite directions. Hoover felt that Roosevelt was taking the American people down the wrong path, but there was nothing that he could do. Roosevelt sought to avoid the mistakes of his predecessor. He believed that Hoover had forgotten about ordinary Americans. It was too late for Hoover and Roosevelt to change their political framework. “After the swearing-in ceremony, Roosevelt gave his first presidential speech to the American people.”<sup>130</sup> He began his inaugural address by assuring his audience that the “nation will endure as it has endured, will revive and prosper.” In his first assertion, Roosevelt confirmed that “the only thing we have to fear is fear itself.”

In his Inauguration speech, Roosevelt asserted that the United States had experienced much turmoil; but it would endure as it had done throughout its history.<sup>131</sup> As Cordell Hull recalled, Roosevelt realized that high unemployment levels were problematic and that he would be foolish to not recognize the difficult times that this country was witnessing.<sup>132</sup> Citizens had lost confidence in federal, state, and local authorities, and Roosevelt sought to change their political and economic outlook. In a break with tradition, Roosevelt believed that traditional forms of monetary policy that American and foreign bankers practiced, misused public credit. Massive foreign loans, not stock market speculation, were the reasons for the emergence of the Great Crash of 1929 and the Great

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<sup>130</sup> Joint Congressional Committee on Inaugural Ceremonies, “President’s Swearing-In Ceremony,” <http://www.inaugural.senate.gov/> (accessed November 2, 2012); Joint Congressional Committee on Inaugural Ceremonies, “Departure of the Outgoing President,” <http://www.inaugural.senate.gov/> (accessed November 2, 2012). Inaugural Address, Franklin D. Roosevelt, March 4, 1933, Franklin D. Roosevelt File (FDR 9), Franklin D. Roosevelt Library and Museum Website; version date 2009.

<sup>131</sup> History Matters: The U.S. Survey Course on the Web, “The Only Thing We have to Fear is Fear Itself: FDR’s First Inaugural Address.” <http://historymatters.gmu.edu/d/5057> (accessed November 2, 2012); Franklin Delano Roosevelt: First Inaugural Address, <http://www.xroads.virginia.edu>. (accessed November 2, 2012); Howard F. Bremer, *Franklin Delano Roosevelt*, 108-111.

<sup>132</sup> Cordell Hull, *The Memoirs of Cordell Hull*, 167.

Depression.<sup>133</sup> He believed that the only way to restore confidence in American financial institutions and businesses in the public and private sectors was to get people back to work. Wages had to be augmented, and work hours shortened.<sup>134</sup> The purchasing power of Americans had to be increased, so that the national economy became consumer based or oriented. Stretching American purchasing power also enabled consumers to acquire more manufactured goods, because their banknotes had more value in the national economy. Further, cut-throat competition among multinational corporations had to be curtailed, because as the prices of manufactured goods decreased, wages and benefits were weakened and workers suffered.<sup>135</sup>

Roosevelt's election victory and Inauguration were watersheds in American history as well as a turning point in contemporary politics. Roosevelt believed in his New Deal for all Americans. Roosevelt would not commit himself to a metallic standard. He sought to inflate the greenback, but he did so because he felt that this would strengthen foreign trade. Roosevelt sought to work with foreign governments, but he would not commit himself to Hoover's policies as a President-Elect. Moreover, Roosevelt believed in a substantial amount of government planning and intervention for the national economy. By contrast, Hoover argued for self-help and self-reliance. While Hoover did not evolve his social policies as the Depression kicked into high gear, Roosevelt focused on ordinary Americans and was determined to fight for their financial, social and political rights.

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<sup>133</sup> Samuel I. Rosenman, *The Public Papers and Addresses of Franklin D. Roosevelt, Volume II* (New York: Random House, 1938), 12.

<sup>134</sup> Dexter M. Keezer, "The Consumer under the National Recovery Administration," *Annals of the American Academy of the Political and Social Science* 172 (March 1934): 89-91.

<sup>135</sup> *Ibid*, 91-93.

## CHAPTER 6: ECONOMIC CHANGE IN THE UNITED STATES: THE DEVELOPMENT AND PASSAGE OF THE AAA AND THE NIRA DURING THE ONE HUNDRED DAYS

In March of 1933, Franklin Delano Roosevelt assumed the Oval Office, and he was prepared for the crisis that befell him. The national economy was in turmoil, and the industrial sectors of the United States experienced stagnant growth.<sup>1</sup> Roosevelt remained optimistic. He realized that American citizens should not fear for the future but must embrace it. As indicated earlier, the nation faced difficult economic and industrial conditions. But could Roosevelt deliver? Could he turn the nation's economic troubles around for the betterment of American and global citizens? Many citizens who had become destitute, because of the Crash of 1929 and experienced deprivation looked to the new president for answers. It did not take long for Roosevelt to respond, and he responded in a positive way. Throughout Roosevelt's first One Hundred Days, he was a man with a purpose.<sup>2</sup> He handled the Bank Crisis and passed the Agricultural Adjustment Act and the National Industrial Recovery Act. This chapter seeks to examine these important laws and illustrate how they transformed the United States into a powerful nation.

The chapter will analyze two specific laws: the Agricultural Adjustment Act and the National Industrial Recovery Act. I will discuss at length the components of both laws and how they altered the American landscape. This chapter will not examine the congressional hearings that paved the way for both laws, but will argue that each act was devised to

<sup>1</sup> John E. Semonche, "The U.S. Supreme Court and Roosevelt's New Deal," <http://www.dit.nessm.edu/lmtm/docs/newdeal/script.pdf>. (accessed September 29, 2013).

<sup>2</sup> W. Jett Lauck, "Labor," *American Journal of Sociology* 39, no. 6 (May 1934): 776; Ted Morgan, *FDR: A Biography* (New York: Simon and Schuster, 1985), 377.

address an economic emergency in the farm and industrial sectors in the United States.<sup>3</sup> Neither law was perfect, but they were unprecedented in their approach to address the complex problems of a modern capitalist economy.

Americans lacked confidence in the political process as the bank crisis loomed following the Great Crash of 1929. Roosevelt understood that he had to provide Americans with answers to their financial problems, and resolving the bank crisis was the first step in that direction.<sup>4</sup> This led Roosevelt to speak early on to the American people and let them know that he had not forgotten about the common man. President Franklin Delano Roosevelt gave his famous radio address on March 12, 1933, at 10 pm.<sup>5</sup> He explained that the bank crisis started, because of a lack of confidence in the financial sector and the absence of liquidity.<sup>6</sup> These fears of bank failures led ordinary Americans to withdraw gold and currency from banks and secure it in their homes.<sup>7</sup> Roosevelt contended that many governors had established bank holidays, but it had become necessary to issue a national bank holiday so that the liquidity of banks, in terms of their reserve requirements, could be tested and the public reassured.<sup>8</sup> Roosevelt argued that there was bipartisan support for the bank holiday. Once it ended, there would be business as usual at all American banks.

<sup>3</sup> House of Representatives Ways and Means Committee, National Industrial Recovery Act of 1933, 73<sup>rd</sup> Congress, 1<sup>st</sup> Session, 1933, H.R. 5755; United States Senate Committee on Finance, National Industrial Recovery Act of 1933, 73<sup>rd</sup> Congress, 1<sup>st</sup> Session, 1933, S. 1712 and H.R. 5755.

<sup>4</sup> Special Report, "Roosevelt Sums Up Task to Governors," *New York Times*, March 7, 1933.

<sup>5</sup> Amos Kiewe, *FDR's First Fireside Chat*, 1; Stamford Parker, *The Words that Reshaped America: FDR* (New York: Quill, 2000), 44-50; William E. Leuchtenburg, "Banks Take a Holiday," *American Heritage*, Winter 2010. <http://www.americanheritage.com>. (accessed March 13, 2015).

<sup>6</sup> Special, "President's Speech to Bankers and that of Reynolds," *New York Times*, October 25, 1934.

<sup>7</sup> Special Report, "Ready to Call Congress," *New York Times*, March 5, 1933.

<sup>8</sup> Charles Scaliger, "The Great Depression," *The New American*, June 23, 2008. <http://www.thenewamerican.com>. (accessed March 13, 2015); Franklin Delano Roosevelt: "Proclamation 2040," March 9, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14485>. (accessed March 24, 2013).

Moreover, Roosevelt asserted that this extraordinary measure was a necessary step to put American banks on sound financial ground.

With this in mind, Congress enacted new two laws, the Emergency Banking Act and the Bank Conservation Act, to give Federal Reserve banks and their counterparts the opportunity to issue currency after the acceptance of collateral and other financial assets from consumers and to reopen banks throughout the United States.<sup>9</sup> State and national banks would reopen after the Federal government conducted stress tests to determine their assets and other monetary resources.<sup>10</sup> As part of the process, the modern dollar came into existence. With these new laws, the dollar became legal tender in the United States and in global system. Roosevelt continued to stress that banks would reopen following the bank holiday, but all banks would not open for business at the same time. He wanted to ensure that when the banks opened, they would be economically solvent. Some banks reopened in a later period, after they had been reorganized and more stress tests had been performed.<sup>11</sup> If Americans were still uncertain about the bank situation in the United States, then they could withdraw their currency or gold: and banks would have the financial capacity to meet their needs. Roosevelt stressed that banks would be ready

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<sup>9</sup> Arthur B. Adams, *Our Economic Revolution: Solving Our Depression Problems Through Public Control of Industry* (Norman: University of Oklahoma Press, 1934), 28-32; Francis Gloyd Awalt, "Recollections of the Banking Crisis in 1933," *The Business History Review* 43, no. 3 (Autumn 1969): 363-364 ; Jean Edward Smith, *FDR*, 305-306; William E. Leuchtenburg, "Banks Take a Holiday," *American Heritage*, Winter 2010. <http://www.americanheritage.com>. (accessed March 14, 2015); Kyle D. Palmer, "Recovery Drive Speeded Under Vast New Deal," *Los Angeles Times*, June 18, 1933.

<sup>10</sup> Barrie A. Wigmore, "Was the Bank Holiday of 1933 Caused by a Run on the Dollar," 750; Special, "Roosevelt and Aides Sift New Recovery Schemes," *Los Angeles Times*, September 25, 1933.

<sup>11</sup> Samuel I. Rosenman, *The Public Papers and Addresses of Franklin D. Roosevelt, Volume II* (New York: Random House, 1938), 64.

following the bank holiday and that Americans should be reassured that their hard-earned money would be safe, whatever decision that they made.<sup>12</sup>

Additionally, on March 10, 1933, Roosevelt issued executive order 6073, which enabled banks that were members of the Federal Reserve System and independent institutions to re-open and conduct business transactions.<sup>13</sup> The executive order allowed banks to open for business, but corporate bank officials could not conduct transactions that allowed gold to change hands. Banks no longer had the capacity to trade gold or exchange dollars for gold.<sup>14</sup> This shift was an important step toward the devaluation of the dollar, because the United States no longer used the gold standard under which specie could flow in and out of the country on a regular basis based upon the volume of banknotes in circulation.<sup>15</sup> Paper currency and gold were no longer linked, and members of U.S. banks had to operate under these new conditions. Further, the Federal Reserve System was given a greater role as a bank regulator, and American banks had to follow the stipulations of the executive order, which was enforced by the Federal Reserve System.<sup>16</sup>

With his executive orders, first fireside chat, and other communications, Roosevelt reassured the American people that the Great Depression could be handled.<sup>17</sup> Public

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<sup>12</sup> Franklin Delano Roosevelt: "Message to Congress on Resumption of Banking," March 9, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14474>. (accessed March 24, 2013).

<sup>13</sup> Franklin D. Roosevelt: "Executive Order 6073—Reopening Banks," March 10, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14507>.

<sup>14</sup> Franklin Delano Roosevelt: "Executive Order 6073—Reopening Banks," March 10, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14507>. (accessed March 24, 2013).

<sup>15</sup> Barrie A. Wigmore, "Was the Bank Holiday of 1933 Caused by a Run on the Dollar," 743-744.

<sup>16</sup> "The Structure of the Federal Reserve System," The Federal Reserve System, <http://www.federalreserveeducation.org>. (accessed March 27, 2015); "Banking Regulation," The Federal Reserve System, <http://www.federalreserveeducation.org>. (accessed March 27, 2015).

<sup>17</sup> "New Deal Is Host To A Housewife, 29," *New York Times*, September 2, 1936.



confidence in the Presidency was restored.<sup>18</sup> Citizens began to write Roosevelt to offer their support and sometimes to question his political motivations. The Franklin D. Roosevelt Presidential library preserved some 15 million letters from constituents and millions more are on file at the National Archives.<sup>19</sup> These letters provide some measure of the president's effectiveness at getting his message across about the New Deal. Many Americans were listening to the President give speeches via the radio. At the beginning of Roosevelt's Presidency, 62 percent of households had a radio: and this number increased to 90 percent by the end of his Presidency. With technology, Roosevelt spoke to Americans in their living rooms and provided them with useful information about public policy initiatives.<sup>20</sup>

Roosevelt's first fireside chat comforted Americans regarding the bank crisis. Runs on banks persuaded many Americans to have assets at home for tough times. Viola Hazelberger from Minneapolis, Minnesota, wrote that, after hearing Roosevelt's address on the radio, she decided not to withdraw her funds from the bank.<sup>21</sup> Roosevelt had earned her confidence even though she was not certain that her money was still safe in the bank. In addition, she mentioned that, as a high school student, she was concerned with the

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<sup>18</sup> Barrie A. Wigmore, "Was the Banking Holiday of 1933 Caused by a Run on the Dollar," 751; Joseph Boskin, *Opposition Politics: the Anti-New Deal Tradition* (Beverly Hills: The Glencoe Press, 1970), 30. Boskin argued that Roosevelt was the first president to use the radio as a prominent method of transmitting information to the general public.

<sup>19</sup> Lawrence W. Levine and Cornelia R. Levine. *The People and the President: America's Conversation with FDR* (Boston: Beacon Press, 2002), ix; Arthur Schlesinger, Jr., "The Roosevelt They Knew," *New York Times*, June 24, 1951; Richard H. Parke, "Roosevelt Papers Opened to the World at Hyde Park," *New York Times*, March 18, 1950.

<sup>20</sup> Lawrence W. Levine and Cornelia R. Levine, *The People and the President*, xi; Douglas B. Craig, *Fireside Politics: Radio and Political Culture in the United States, 1920-1940* (Baltimore: John Hopkins University, 2003), 8-9.

<sup>21</sup> Lawrence W. Levine and Cornelia R. Levine, *The People and the President*, 41.

national economy, because she expected to join the ranks of workers. Like other Americans, she found the president's message reassuring.<sup>22</sup>

For most of the 19<sup>th</sup> and 20<sup>th</sup> centuries, ordinary Americans believed that their money was safer in their hands and not anyone else's.<sup>23</sup> Given the instability of banks, this was not unreasonable. There was a lack of trust and confidence in bankers and policymakers. By the 1920s, many Americans had turned to banks to save and manage their assets. The banking crisis of the 1930s, however, seemed to confirm their earlier fears. The changing political and economic environment of the emerging New Deal altered these perceptions.<sup>24</sup> Political columnist Jonathan Alter contended that, after March 10, 1933, thousands of ordinary Americans had returned their banknotes and specie to banks. More than 300 million dollars in gold and gold certificates were now deposited in banks for safekeeping.<sup>25</sup> Frances I. Hundley, from Brooklyn, New York, wrote to President Roosevelt on March 21, 1933.<sup>26</sup> He mentioned that everyday Americans were with Roosevelt and his political and economic reforms, but the struggle to have his ideas placed on the policy agenda would be difficult. Other elected officials may not necessarily agree with him, and there would be many struggles ahead. Hundley wrote that Roosevelt should be able to weather this political storm, because of the enormous support of the American people.<sup>27</sup>

<sup>22</sup> "Franklin D. Roosevelt: Fireside Chat 1: On the Banking Crisis (March 12, 1933), The Miller Center at University of Virginia, <http://www.millercenter.org/president/fdroosevelt/speeches/speech-3298>. (accessed March 27, 2015).

<sup>23</sup> Special Report, "Hoarding Increase Huge in February," *New York Times*, March 10, 1933; "Hoarding," *New York Times*, April 16, 1933.

<sup>24</sup> Archibald Oboler et al., "Tributes to the Late President," *New York Times*, April 17, 1945

<sup>25</sup> Jonathan Alter, "The Fireside Chat that Roosevelt Threw Away," *Washington Monthly*, June 2006, 26. <http://www.washingtonmonthly.com>. (accessed March 13, 2015).

<sup>26</sup> Lawrence W. Levine and Cornelia R. Levine, *The People and the President*, 57-58.

<sup>27</sup> Ibid.

Political leaders, such as the Justice of the New York Supreme Court Frank J. Cregg, also addressed letters to President Roosevelt. In an effort to hear Roosevelt's views about the Bank Crisis and the Great Depression, Justice Cregg mentioned that he happened to listen to Roosevelt's fire fireside chat to the American people. He and his colleagues wondered if Roosevelt would be able to instill confidence in the American people, especially after the Crash. Cregg remained unsure as to what the American response to Roosevelt would be, but he was satisfied with the speech, which he viewed as masterful, worthwhile, and insightful. Cregg asked whether the President would "make good" on his political and economic claims or would he disappoint the American people? In the past, he wrote, Americans had listened to their presidents and found that the people's interests were not always taken into consideration. Roosevelt's speech had mesmerized the American people, because they had been unaccustomed to a president who spoke directly to them and not over their heads. Cregg affirmed that, after the speech, he and his colleagues argued that "we were saved!"<sup>28</sup> Roosevelt had convinced them that he would lead them out of the crisis.

Many corporate executives and professionals from the business community were satisfied with Roosevelt and his plans toward ending the bank crisis. Some business executives even wrote to Roosevelt to congratulate him on his bank holiday speech. For example, J.E. Fehsenfeld from Indianapolis wrote to Roosevelt on March 15, 1933.<sup>29</sup> He called Roosevelt's bank policy "constructive," and he felt that the speech built up the

<sup>28</sup> David Goodman, "Reviewed Work: The People and the President—America's Conversation with FDR by Lawrence W. Levine and Cornelia R. Levine," *Australasian Journal of American Studies* 24, no. 1 (July 2005): 98-101; Geoffrey Storm, "FDR and WGY: The Origins of the Fireside Chats," *New York History* 88, no. 2 (Spring 2007): 177-178. With each fireside chat, Americans rushed to send correspondence to Roosevelt in support for his ideas and policies. Many felt that Roosevelt was the savior for the American people. Storm argues that his fireside chats were a way for Roosevelt to win support for his policies and to reconnect with the American people.

<sup>29</sup> Lawrence W. and Cornelia R. Levine, *The People and the President*, 53.

confidence of the American people. Fehsenfeld expressed his personal gratitude for the President's actions. He now believed that the nation was on the right track for political and economic success. The fireside chat changed the psychological response to the crisis, because Roosevelt incorporated tangible plans written or expressed in a language that citizens could understand. Public opinion was restored through the successful and masterful oratorical skills of Roosevelt. Similarly, on March 14, 1933, K.R. Kingsbury, who was president of Standard Oil Company of California, expressed his gratitude to the President. He respected the ways in which Roosevelt had handled the Bank Crisis and the economic crisis. He had been concerned, initially, regarding Roosevelt, because he was not sure if he would be able to earn the confidence of the American people. But FDR's speech was in step with American views and sentiments. Kingsbury was now comforted and was sure that Roosevelt had sound political solutions to this national and global economic crisis.<sup>30</sup>

As part of Roosevelt's plan, the 1933 Emergency Bank Act helped to resolve the bank crisis, because it added two billion in currency to the private sector.<sup>31</sup> Historian Eric Rauchway has argued that this move ended American dependence on a metallic standard in terms of gold and silver bars and coinage until 1934. The Emergency Bank Act raised the prices for manufactured and primary goods, and stabilized wages for lower-to-middle class Americans. Rauchway argued that the Act established a more systematic and reliable method toward regulating greenbacks. Although the United States did not maintain a gold

<sup>30</sup> Lawrence W. and Cornelia R. Levine, *The People and the President*, 40.

<sup>31</sup> William E. Leuchtenburg, "1933: Banks Take a Holiday," *American Heritage*, Winter 2010. <http://www.americanheritage.com>. (accessed March 12, 2015).

or silver standard from March 1933 to January 1934, the dollar was still an internationalized currency, and sustained considerable economic weight and value.<sup>32</sup>

Once the banking crisis had been handled, the Roosevelt administration began to work on the farm communities and enact reforms to the agricultural sector. Before the emergence of the AAA, farm policies in the United States struggled to return to normalcy following the end of the Great War in 1918. In 1929, Chester Davis, a contemporary commentator, wrote, that “Washington, D.C., offered farmers the McNary-Haugen bill, the Agricultural Marketing Act<sup>33</sup> and the Federal Farm Board.”<sup>34</sup> The McNary-Haugen bill was devised to stabilize farm prices, so that they could reach parity with pre-war levels. This act promoted more export-led growth in the farming sector through the use of import tariffs to prevent dumping and other foreign trade problems.<sup>35</sup> President Calvin Coolidge, however, vetoed the bill each time that the measure appeared on his desk. He felt that the bill would raise the prices for farm goods, causing a decrease in domestic consumption.<sup>36</sup> The bill did not pass Congress and receive the President’s signature until 1927.<sup>37</sup> The Agricultural Marketing Act of June 15, 1929, was established to provide farmers with the financial capacity to determine the prices of their primary goods through the creation of a

<sup>32</sup> Michael D. Bordo, “The Gold Standard,” *The Concise Encyclopedia of Economics*, <http://www.econlib.org>. (accessed March 27, 2015); Gary Richardson, Alejandro Komai and Michael Gou, “Roosevelt’s Gold Program,” *The Federal Reserve System*, <http://federalreservehistory.org>. (accessed March 27, 2015).

<sup>33</sup> Barbara Deckard Sinclair, “Party Realignment and the Transformation of the Political Agenda,” 946.

<sup>34</sup> Chester C. Davis, “The Program of Agricultural Adjustment,” 89.

<sup>35</sup> Harold F. Breimyer, “Agricultural Philosophies and Policies in the New Deal,” 337; Edward L. Schapsmeier and Frederick H. Schapsmeier, “Henry A. Wallace,” 129; J. Samuel Walker, “Henry Wallace as Agrarian Isolationist 1921-1930,” *Agricultural History* 49, no. 3 (July 1975): 538-540, 543.

<sup>36</sup> Gene Smiley, *Rethinking the Great Depression*, 13; Gene Smiley, “The U.S. Economy in the 1920s,” *Economic History Services*, <http://www.eh.net/encyclopedia/article/smiley.1920s.final>. (accessed April 5, 2013); Special, “Text of Presidential Message Vetoing McNary-Haugen Farm Bill,” *Chicago Daily Tribune*, February 26, 1927; C. Fred Williams, “William M. Jardine and the Foundations for Republican Farm Policy, 1925-1929,” *Agricultural History* 70, no. 2 (Spring 1996): 222-223, 229, 231.

<sup>37</sup> Melvin I. Urofsky, *A March of Liberty: A Constitutional History of the United States* (New York: Alfred A. Knopf, 1988), 664.

Federal Farm Board headed by Alexander Legge.<sup>38</sup> Farmers were given more control over prices, and price supports were established in cases when the surpluses of primary goods increased at an exponential rate.<sup>39</sup>

These two policies enabled farmers to obtain new loans and use cooperative associations to market their agricultural goods. Although these measures were not wholly satisfactory, they were important steps. Farmers began to view the government as a means to maintaining fair prices for their crops. These economic measures failed, however, because farmers received no guarantees that, if they planted smaller amounts of crops, then they would receive adequate compensation in terms of improved prices and subsidies. Farmers wanted to produce agricultural goods; they did not want to curtail the production process. The Board was designed to reduce the agricultural surplus, but the system became unworkable. Farmers were not given reassurances, and they became disenchanted with the system.<sup>40</sup>

Before Henry A. Wallace became the Agriculture Secretary under Roosevelt, he espoused the views of the Montana Farm economist Milburn L. Wilson. Both men recommended cuts to farm production and the emergence of a processing tax for the purposes of paying farmers who produced a limited supply of crops.<sup>41</sup> These principles, which were later incorporated into the AAA, were not new when Roosevelt came to office. They had been discussed since the late 1920s. Historian Gilbert Fite contends, however, that the most significant principle of the AAA was the acreage reduction contracts that paid

<sup>38</sup> Harold F. Breimyer, "Agricultural Philosophies and Policies in the New Deal," 339; E. G. Nourse, "Fundamental Significance of the Agricultural Adjustment Concept," *Journal of Farm Economics* 18, no. 2 (May 1936): 247.

<sup>39</sup> Gilbert C. Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," *The Mississippi Valley Historical Review* 48, no. 4 (March 1962): 657.

<sup>40</sup> Theodore Saloutos, "New Deal Agricultural Policy: An Evaluation," *The Journal of American History* 61, no. 2 (September 1974): 399.

<sup>41</sup> Kyle D. Palmer, "Recovery Drive Speeded Under Vast New Deal," *Los Angeles Times*, June 18, 1933.

farmers to produce smaller amounts of primary goods.<sup>42</sup> Production was to balance consumption or to reach parity between the two variables.

At the beginning of the farm debates and discussions from 1932 to 1933, Agriculture Secretaries William M. Jardine and Arthur M. Hyde attempted to persuade farmers to cut crop production, but they failed miserably. Farmers actually increased production to the detriment of the agricultural industry. Farm prices were not sustained. Rather, they dropped in value. Because of these practices, some farmers faced bankruptcy and deprivation. They could not make ends meet, because the increased acreage under production caused the prices of their goods to decrease exponentially.<sup>43</sup>

As the AAA was debated in Congress, many farmers expressed their complete confidence in the Agriculture Secretary Wallace. His father, Henry C. Wallace, had been well-respected in his role as Agriculture Secretary during the 1920s. Henry A. Wallace hoped to follow in his father's footsteps. Initially, farmers were vocal in declaring their support for both Wallaces. They were determined to cut the production of American crops to stabilize prices. Fite quoted, "a North Dakota farmer wrote that he thought that the production of cotton, corn, and wheat should be reduced 50 percent, and that the president should have the power to obtain the supplies or goods necessary to make the plan work."<sup>44</sup>

Some farmers, however, did not favor parity prices. They wanted the prices for their crops to be determined on a cost-of-production basis. The Farmers' Union, the Farm Holiday Association and the Missouri Farmers' Association expressed their dissenting views. These three organizations disagreed with Wallace, but they understood that some

<sup>42</sup> Gilbert Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," 689.

<sup>43</sup> "The Depression Diary of Mrs. Clara Ackerman," University of Northern Iowa, <http://www.uni.edu>. (accessed March 27, 2015).

<sup>44</sup> Gilbert Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," 659.

legislation was necessary to regulate and support the farming industry. Wallace, however, did garner the support of Milo Reno of the Farm Holiday Association and William A. Hirth, head of the Missouri Farmers Association.<sup>45</sup>

At the Senate Agriculture Committee, Wallace advocated the proposed parity price plan and the acreage reduction policy, while president of the Farmers' Union Simpson expressed his support for the cost-of-production plan.<sup>46</sup> Simpson had enormous support from farmers as well, because his plan was easy to understand and promoted economic justice for farmers. Thus, farmers asserted that:

Producers of food and fiber should not be expected to take less than what it cost to produce a commodity. Farmers' Union officials recommended that the plan be put in effect by having the federal government license buyers of agricultural products and making it illegal to pay less than the established minimum price. As a method of raising farm prices, this seemed like the epitome of simplicity and directness.<sup>47</sup>

Because of the seriousness of these two proposals, Wallace and Roosevelt were flooded with letters from American farmers. Some farmers expressed support for both approaches in their letters, while others were more militant in their demands for economic justice and fair pricing for their commodities. Members of the Farmers' Union and the Farm Holiday Association believed that the members of the Roosevelt administration were making decisions that benefited the farming industry. By 1933, 203,000 farmers and their families were met with crisis conditions, because the prices for commodities such as cotton and wheat had declined precipitously. Farmers faced desperate conditions as a bundle of cotton was worth five cents, while wheat was valued at twenty-five cents a bushel,

<sup>45</sup> R.L. Duffus, "Future of the AAA is Now in Balance," *New York Times*, April 7, 1935; "What the Average Farmer As the New Deal Develops," *New York Times*, October 29, 1933; William Hirth, "What the Farmer is Thinking," *New York Times*, September 4, 1932. Hirth argued that farmers needed an increase in purchasing power and that overproduction was the cause of their plight. Under-consumption was the reason for the instability in the agriculture sector; Louis LaCoss, "Pendergast Faces Revolt in Primary," *New York Times*, January 12, 1936.

<sup>46</sup> Oklahoma Historical Society, "Agricultural Adjustment Act," *Encyclopedia of Oklahoma History & Culture*, <http://www.digital.library.okstate.edu/encyclopedia/entries/a/ag002.html>. (accessed September 23, 2013).

<sup>47</sup> Gilbert Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," 660.



especially in Oklahoma.<sup>48</sup> Farmers began to look toward the White House and Congress for direction, and they found that this new president listened to their concerns.

One problem that threatened farmers was that, if they did not produce surplus crops, then domestic consumption habits were affected negatively.<sup>49</sup> If farmers did not produce, would Americans living in the major cities suffer from deprivation? Would retail store shelves remain empty? Would commodities become too expensive, because of a lack of supply?<sup>50</sup> Moreover, controlling production worried farmers, because they did not have the capacity to regulate the weather or produce the right conditions.<sup>51</sup> American farmers argued that they needed God on their side to make sound farm and weather predictions, and create a viable farm policy for the United States.<sup>52</sup> Nothing in the farming industry was crafted in stone. At the same time, as Fite reports, a “Texas farmer wrote that destruction of crops was contrary to nature and common sense; it was illogical, absurd and ridiculous.”<sup>53</sup>

Another problem with getting farmers to support the AAA was its unequal reach. Farmers argued that only large land owners had the financial resources to let their lands lie fallow and generate a profit from producing less. Farmers did not generate the same amount of money from crop sales, but the size and scope of production mattered. Farmers were different and maintained distinct farming techniques. Variations in crop, region,

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<sup>48</sup> Oklahoma Historical Society, “Agricultural Adjustment Act,” *Encyclopedia of Oklahoma’s History & Culture*, <http://www.digital.library.okstate.edu/encyclopedia/entries/a/ag002.html>. (accessed September 23, 2013).

<sup>49</sup> Gilbert Fite, “Farmer Opinion and the Agricultural Adjustment Act, 1933,” 665.

<sup>50</sup> Jim Powell, “How FDR’s New Deal Harmed Millions of Poor People,” <http://www.cato.org>. (accessed September 23, 2013). In this article, Powell takes issue with the AAA, because he argued that it raised the prices of farm goods and reduced the purchasing power of consumers.

<sup>51</sup> Asher Hobson, “International Aspects of the Agricultural Adjustment Program,” *Journal of Farm Economics* 16, no. 3 (July 1934): 378-379.

<sup>52</sup> J. Samuel Walker, “Henry Wallace as Agrarian Isolationist, 1921-1930,” *Agricultural History* 49, no. 3 (July 1975): 547.

<sup>53</sup> Gilbert Fite, “Farmer Opinion and the Agricultural Adjustment Act, 1933,” 666.

acreage, and technique meant income levels for farmers were different. Farmers, who made less money in crop sales, argued that they needed to produce more crops to improve upon their economic stations in life. Rich farmers could afford to let some lands lie fallow, because they possessed more resources. The more property that a farmer had, the less likely he would lose revenue from selling a smaller amount of crops. Roosevelt and Wallace may have understood this dilemma and attempted to devise proposals to rectify the bill's inequality. But were they successful before the emergence of the AAA? Many farmers during the Roosevelt administration felt that their economic lives were at stake, and they wanted to participate in the decision-making process.

During Roosevelt's first one hundred days, two major pieces of legislation, which were to change farming communities and industrial sectors in the United States, were passed. The Agricultural Adjustment Act (AAA) and the National Industrial Recovery Act (NIRA) were prominent laws that enabled the Roosevelt administration respond to the severe economic collapse in the United States.<sup>54</sup> Although they were temporary measures, the recovery acts were enacted, because the country faced deteriorating economic conditions, industrial overproduction of goods<sup>55</sup> and falling prices for agricultural and industrial products. The acts targeted the crippled farm and industrial sectors, and led to

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<sup>54</sup> Teaching Eleanor Roosevelt Glossary, "Franklin Delano Roosevelt (1882-1945)," <http://www.gwu.edu/> (accessed November 2, 2012); Robert J. Samuelson, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); Gene Smiley, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); John B. Rae, *The American Automobile Industry*, 79; William E. Leuchtenburg, "Showdown on the Court," *Smithsonian*, May 2005. <http://www.smithsonianmag.com>. (accessed March 12, 2015); Justus D. Doenecke, "Hoover to Hiroshima," *Books & Culture*, November-December 2004. <http://www.booksandculture.com/articles/2004/novdec/15.24.html>. (accessed March 12, 2015) The author stated that some scholars argued that the NIRA was an important law, but somewhat misguided. They believed that it prolonged the Great Depression and hampered the growth of the national economy; Charles Scaliger, "The Great Depression," *The New American*, June 23, 2008.

<sup>55</sup> Joseph Willits and John Dickinson, "Economics of Recovery Act," 85; North Carolina History Project, "Agricultural Adjustment Administration," John Locke Foundation, <http://www.northcarolinahistory.org/commentary/290/entry>. (accessed September 23, 2013).

economic modifications during this critical period.<sup>56</sup> On the advice of the Brains Trust, Roosevelt signed the bills into law, because he realized, along with the American public a government needed to respond to the massive crises.<sup>57</sup>

The Agricultural Adjustment Act was an important act, because it addressed the farm crisis that had begun during the Hoover administration. Roosevelt and Secretary of Agriculture Wallace worked hand-in-hand to put together this bill. When the law was enacted, it changed the ways in which farmers conducted economic and industrial transactions. They began to use statistical analysis and technology to improve upon crop yields, and processing taxes enabled them to determine the prices for farm goods. Farmers attempted to gain greater control over what they produced. The AAA also established production quotas for dairy goods, wheat, corn, cotton, hogs, and rice. This elevated the prices that farmers charged for these items. Increased prices provided farmers with more revenue in the form of subsidies for limiting the supply of these goods in the open market place. Further, this allowed farmers to experience a higher income level for cash crops that were exported overseas.<sup>58</sup>

With the emergence of the AAA on May 12, 1933, the farming communities began to experience some economic changes.<sup>59</sup> The AAA established the Agricultural Adjustment

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<sup>56</sup> J.W. Looney, "Agricultural Law and Policy: A Time for Advocates," *South Dakota Law Review* 30, no. 2 (Spring 1985): 193; Frances Perkins, *The Roosevelt I Knew*, 174.

<sup>57</sup> Sidney Hillman, "The NRA, Labor and Recovery," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 70.

<sup>58</sup> Texas State Historical Association, "Agricultural Adjustment Administration," Handbook of Texas Online, <http://www.tshaonline.org/handbook/online/article/nva02>. (accessed September 23, 2013); University of Nebraska-Lincoln, "Agricultural Adjustment Administration," Encyclopedia of the Great Plains, <http://www.plainshumanities.unl.edu/encyclopedia/doc/egp.ag.003>. (accessed September 23, 2013).

<sup>59</sup> Arthur B. Adams, *Our Economic Revolution*, 77; John W. Graff, "Agricultural Adjustment Administration," *Federal Bar Association* 3, no. 3 (1937-1939): 181; Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Interpretation in the Early New Deal," *Political Science Quarterly* 97, no. 2 (Summer 1982): 256; Ted Morgan, *FDR*, 383; Jean Edward Smith, *FDR*, 318..

Administration to be headed by George Peek, who was to work closely with Henry A. Wallace on matters pertaining to the farm communities in the United States.<sup>60</sup> In addition, the law introduced a processing tax that enabled the federal government to increase the amount of loans given to the general public and raise farm prices. Fewer crops were produced on American lands annually.<sup>61</sup> The processing tax supplemented the incomes of farmers and conditions improved gradually as did their purchasing power.<sup>62</sup> The AAA was an important law that regulated the farm industry in which hundreds to thousands of farmers competed to sell their primary goods.<sup>63</sup> It benefited small farmers in the wheat

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<sup>60</sup> Harold F. Breimyer, "Agricultural Philosophies and Policies in the New Deal," 343; Van L. Perkins, "The AAA and the Politics of Agriculture: Agricultural Policy Formulation in the Fall of 1933," *Agricultural History* 39, no. 4 (October 1965): 221, 228. Although most scholars argued that the AAA stimulated the prices of farm goods, by August 1933, policymakers from the Roosevelt Administration continued to worry about commodity prices. The situation was resolved with the resignation of George Peek, who had served as the chief administrator for the AAA in December 1933 and was replaced with Chester A. Davis, but the program may not have been solution to the problem of commodity prices that farmers experienced. Moreover, once farmers began to receive their subsidy checks, and more currency was in circulation, many argue that the plight of the farmers had been handled effectively. Paul L. Murphy, "The New Deal Agricultural Program and the Constitution," 162; John W. Graff, "Agricultural Adjustment Administration," *Federal Bar Association* 3, no. 3 (1937-1939): 181; Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," *Political Science Quarterly* 97, no. 2 (Summer 1982): 268.

<sup>61</sup> E.G. Nourse, "Fundamental Significance of the Agricultural Adjustment Concept," 248-249; Paul L. Murphy, "The New Deal Agricultural Program and the Constitution," *Agricultural History* 29, no. 4 (October 1955): 160; Asher Hobson, "International Aspects of the Agricultural Adjustment Program," *Journal of Farm Economics* 16, no. 3 (July 1934): 368; Joseph Stagg Lawrence, "The National Recovery Administration and Laissez-Faire Conceptions of Business Management," 10-11; Bill Hrutky, "Black Tuesday Anniversary," *Grit*, October 2004, 8. <http://www.grit.com>. (accessed March 13, 2015); Cary Nelson, "The Depression in the United States-An Overview," *Modern American Poetry*, <http://www.english.illinois.edu/maps/depression/overview.htm>. (accessed February 17, 2013).

<sup>62</sup> Franklin Delano Roosevelt: "Message to Congress on the Agricultural Adjustment Act," March 16, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14585>. (accessed March 24, 2013).

<sup>63</sup> J.W. Looney, "Agricultural Law and Policy: A Time for Advocates," *South Dakota Law Review* 30, no. 2 (Spring 1985): 193; Richard Godden, "Agricultural Adjustment, Revenants, Remnants, and Counter-Revolution in Faulkner's *The Fire and the Hearth*," *Faulkner Journal*, Spring 1997. The article argued that, with the emergence of the AAA, sharecroppers and other tenants benefited from this law, because they were afforded more rights. Traditionally, they had been bound to the land in a form of debt peonage, but with the AAA, they gained more social, and economic freedoms.

and cotton industries in the South, for example, because they reduced their production and received compensation for the crops that they decided not to produce.<sup>64</sup>

In May 1933, when the AAA was signed, the farming industry had been experiencing a twelve year decline in income. Farmers continued to produce primary goods on millions of acres of land, because this was the only way to supplement their incomes.<sup>65</sup> They also sought to produce more and sell their goods at acceptable prices. Yet the retail industry for farm goods suffered dramatically from poor sales and falling prices. Falling prices for agricultural goods also occurred because of new technology. The work of farmers became somewhat easier since they had automated some of their tasks to assist them with farm production. The agricultural industry, however, continued to show limited and gradual improvement.

Was the AAA a successful economic program? The main aspects of the AAA were to raise the prices of farm goods and the improvement of the lot of farmers. Chester C. Davis argued that certain provisions of the AAA led to economic growth, but he could not discount the fact that the devaluation of the dollar and the establishment of farm credit relief were important factors. Farmers experienced increased purchasing power after the passage of the AAA in the sense that the prices of primary goods were strengthened. Now farmers could buy industrial machines necessary for the purpose of making the production process easier and they were able to improve and make payments on their debts such as taxes and other fixed charges. New Deal contemporary Chester C. Davis argued that “by restoring farm prices more nearly to parity, the AAA helped to restore the rural-urban

<sup>64</sup> Chris Edwards, “Echoes of the Great Depression,” *USA Today Magazine*, November 2005, 31. <http://www.usatodaymagazine.net>. (accessed March 13, 2015); Alan Brinkley, “Roosevelt, Franklin Delano,” American National Biography Online, <http://www.anb.org/articles/06/06-0567.html>. (accessed April 1, 2013).

<sup>65</sup> Chester C. Davis, “The Program of Agricultural Adjustment,” 93.

circulation, enabled a reciprocal interchange to take place once more, and broke the economic deadlock.”<sup>66</sup> This shift enabled crops to make it to store shelves, but the prices of farm goods increased dramatically. There was, as well, a re-emergence of trade as price supports for farm goods enabled other industries to improve their prices. All consumer and farm goods and their prices stabilized. While before the AAA, the national economy was “individualistic, uncontrolled, and laissez-faire” that era was past. There were more government regulations and price supports built into the agriculture sector.

The National Industrial Recovery Act was proposed, devised, written and debate in the same model as the AAA. The AAA had focused on the economic interests of farmers, while the NIRA sought to establish the financial rules for stimulating the industrial sectors of the American economy.<sup>67</sup> Both laws contributed to the establishment of standards that assisted with price and wage determination, limited work hours, and production stipulations.<sup>68</sup> The NIRA was written, however, for the purposes of resolving an economic emergency in the United States and affected countries in the global system.<sup>69</sup> It was devised to target the Great Depression in a two-year span.<sup>70</sup>

The National Industrial Recovery Act of June 16, 1933, was at the time believed to be the crowning achievement for the Roosevelt Administration.<sup>71</sup> It was designed as a

<sup>66</sup> Chester C. Davis, “The Agricultural Adjustment Act and National Recovery,” 235.

<sup>67</sup> Gene Smiley, *Rethinking the Great Depression*, 82-86.

<sup>68</sup> C.C. Ludwig, “Cities and the National Government under the New Deal,” *The American Political Science Review* 29, no. 4 (August 1935): 640; “The 1930 Government Controls follow the of Normalcy,” *Coal Age*, August 2012.

<http://www.coalage.com>. (accessed March 13, 2015).

<sup>69</sup> John G. Hervey, “Some Constitutional Aspects of the National Industrial Recovery Act,” *Temple Law Review* 8, no. 1 (1933-1934): 4; Richard Lee Strout, “The New Deal and the Supreme Court,” *The North American Review* 236, no. 6 (December 1933): 487.

<sup>70</sup> George W. Robbins, “The NRA and Unfair Trade Practices,” *Annals of the American Academy of Political and Social Science* 178 (March 1935): 196.

<sup>71</sup> Harold L. Ickes, *The Secret Diary of Harold L. Ickes: The First Thousand Days, 1933-1936* (New York: Simon and Schuster, 1954), 53; W. Jett Lauck, “Labor,” 776, 779; Stamford Parker, *The Words that Reshaped America*, 63-73;

stimulus for job growth. It promoted price stability through the use of industry codes.<sup>72</sup> Workers were to receive better wages, hours and benefits.<sup>73</sup> American purchasing power was to be enhanced, and child labor eliminated from the workplace.<sup>74</sup> Corporate leaders saw considerable promise to the NRA. Marvin N. Olasky argued that even Pierre du Pont, a member of General Motors Corporation's Board of Directors, approved wholeheartedly of the emergence of the National Recovery Administration.<sup>75</sup> Many corporate executives were supportive of this new law, because it clarified their roles in interstate commerce.<sup>76</sup> The law was the first of its kind, since the War Industries Board, to centrally regulate the industrial sectors. Many wondered if it targeted effectively economic woes. Many Americans were so satisfied with the passage of the NIRA, however, that business owners

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Howard F. Bremer, ed., *Franklin Delano Roosevelt*, 26-27, 128-133; William J. Barber, *Designs within Disorder: Franklin D. Roosevelt, the Economists and the Shaping of American Economic Policy, 1933-1945* (Cambridge: Cambridge University Press, 1996), 29; Rexford G. Tugwell, *Revolution: The First Year—A Personal Perspective* (New York: Macmillan Publishing Co Inc., 1977), 79-80; Stephen Schwartz, "Unhappy Days: The Cure for the Great Depression was Addiction to Big Government," *The Weekly Standard*, July 30, 2007.

<http://www.theweeklystandard.com>. (accessed March 13, 2015); Franklin Delano Roosevelt: "Statement on the Signing the National Industrial Recovery Act," June 16, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14669>. (accessed March 24, 2013).

<sup>72</sup> Charles A. Beard and George H.E. Smith, *The Future Comes: A Study of the New Deal* (New York: The Macmillan Company, 1934), 144-146; Special Report, "Richberg's Statement at the Senate's Inquiry on the NRA," *The New York Times*, March 8, 1935; John D. Harkrider, "Lessons from the Great Depression," 7; Edward S. Mason, "The National Recovery Administration," 678; Sidney Hillman, "The NRA, Labor and Recovery," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 70.

<sup>73</sup> R.W.G. Mackay, "America 1933 and the Industrial Recovery Act," *The Australian Quarterly* 5, no. 19 (September 1933): 23; Dudley Cates, "A Current Appraisal of the National Recovery Administration," *Annals of the American Academy of Political and Social Science* 171 (March 1934): 130; F.L.W. Wood, "The New Deal in the United States," *The Australian Quarterly* 5, no. 2 (December 1933): 46; T.H. Watkins, "The Bird Did Its Part," *Smithsonian*, May 1999. <http://www.smithsonian.com>. (accessed March 14, 2015).

<sup>74</sup> Special, "Text of Richberg's Business Report to Roosevelt," *Wall Street Journal*, August 28, 1934.

<sup>75</sup> Marvin N. Olasky, "Scratching the First Teflon Presidency: Frank Kent versus Franklin Roosevelt" (paper presented at the annual meeting of the Association for Education in Journalism and Mass Communication, Norman, OK, August 3-6, 1986); Special, "NRA: The American Way," *New York Times*, March 6, 1934. Pierre S. DuPont even served as the chairman of Industry Advisory Board, which illustrated his support for the NIRA.

<sup>76</sup> John G. Hervey, "Some Constitutional Aspects of the National Industrial Recovery Act," 9.

sought licensing privileges inherent to the Blue Eagle seal, because it added economic and financial legitimacy to their corporate operations.<sup>77</sup>

Initially, corporate executives were so supportive of the NIRA that General Hugh Samuel Johnson was hired as the chief administrator for the agency. He prompted over 2.3 million employers to sign the universal and introductory blanket code of fair competition entitled the President's Re-employment Agreement or PRA.<sup>78</sup> The tentative PRA ended child labor in the United States, endorsed minimum wages for most Americans, and limited work hours for employees in American firms.<sup>79</sup> Sixteen million out of twenty-five million American workers were affected by the NIRA and the PRA. Some corporate executives worried, however, about the lack of enforcement of the NIRA and the PRA. Concerned that their employers would violate the law, workers wondered if the corporate executives would engage in price and production controls, but neglect to hire more workers or improve the conditions of their current employees.<sup>80</sup>

When the NIRA was first passed, the Roosevelt administration did not receive much negative criticism. Many newspapers such as the *New York Times*, the *New York Herald Tribune*, the *Chicago Tribune*, and the *Washington Post* did not run or harbor any negative

<sup>77</sup> William L. Anderson, "Risk and the National Industrial Recovery Act," 144; John D. Harkrider, "Lessons from the Great Depression," 7; Donald Richberg, *My Hero: The Indiscreet Memoirs of an Eventual but Unheroic Life* (New York: G.P. Putnam's Sons, 1954), 185. Richberg argued that the PRA put over 2.785 million people back to work. It eliminated child labor and established minimum wage and hours standards; Special, "Richberg's Address on Freedom and Security under NRA," *New York Times*, August 30, 1933.

<sup>78</sup> Joseph P. Lash, *Dealers and Dreamers*, 126-127; Donald R. Brand, *Corporatism and the Rule of Law: A Study of the National Recovery Administration* (Ithaca: Cornell University Press, 1988), 101; Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," 264; Gene Smiley, *Rethinking the Great Depression*, 98; T.H. Watkins, "The Bird Did Its Part," *Smithsonian*, May 1999. <http://www.smithsonian.com>. (accessed March 14, 2015); Special, "May Limit Trade to 40-Hour Week," *Wall Street Journal*, July 15, 1933.

<sup>79</sup> John D. Harkrider, "Lessons from the Great Depression," 7.

<sup>80</sup> "National Control Board For Industry Proposed," *Los Angeles Times*, May 3, 1933; "Curb Asked on Output," *Los Angeles Times*, July 8, 1933. Roosevelt and General Johnson worried that with the enactment of the NIRA, employers would increase production at the expense of improving employment levels to the detriment of workers with seniority; Staff Correspondent, "Early Control of Five Huge Industries Looms," *Los Angeles Times*, June 7, 1933.



commentary regarding the NIRA. It was accepted among the public commentators, business leaders, and the general public. Many reporters such as Howard Davis of the *Herald Tribune*, Walter Lippmann and others did not criticize the new law.<sup>81</sup>

Some industrial leaders supported the NIRA, because they sought to change the public images of their firms. It was good for business, especially as the Great Depression maintained its tight grip on the national economy. Corporate executives understood that any law that improved employment levels, and gave them some leeway in controlling market conditions essentially had the support of the American people, especially if it improved the interstate movement of consumer and producer goods.<sup>82</sup> The American people viewed excessive competition in the private sector as a destructive force. Chamber of Commerce chairman Julius Barnes told industry leaders in the automobile sector in April 1931 that citizens wanted them to act, because intense competition in the national economy had caused a series of industrial problems.<sup>83</sup> The complex and competitive nature of the industrial sectors was more than just destructive: it was disheartening. Competition to sell goods increased dramatically during the Hoover era, and many American corporations lowered the prices for their manufactured goods because of the initial overproduction. The industrial sectors were flooded with manufactured goods.

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<sup>81</sup> Geoffrey C. Ward, "1932: A New Deal is Struck," *Smithsonian*, October 2004. <http://www.smithsonian.com>. (accessed March 13, 2015); Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw-Hill Book Company, 1980); 273.

<sup>82</sup> Marvin N. Olasky, "Corporate Public Relations and the National Recovery Administration," paper presented at the annual meeting of the Association for Education in Journalism and Mass Communication, Norman, OK, August 3-6, 1986; William MacDonald, *The Menace of Recovery*, 168-169; Lester R. Korshak, "The NRA and the Interstate Commerce Clause," *Chicago-Kent Review* 12, no. 3 (June 1934): 173.

<sup>83</sup> Dexter M. Keezer, "The Consumer under the National Recovery Administration," 91; Special, "Lund and Harriman Back Recovery Act," *New York Times*, June 14, 1933.

Since the supply had increased, the market was driven by the consumer who negotiated with retailers.<sup>84</sup>

There was broad acceptance of the National Recovery Administration in 1933, and its suspension of anti-trust laws to promote economic recovery. The public also opposed yellow-dog contracts, which should have been eliminated with the passage of the NIRA.<sup>85</sup> Surprisingly, the National Association of Manufacturers President James Edgerton told industry leaders and the press that he could accept any initiative that reduced the cut throat competition in the private sector that had driven down both prices and employment.

After 1932, the new Chamber of Commerce president H.I. Harriman and Robert Lund of the National Association of Manufacturers had become anti-Hoover and did not support his public policies.<sup>86</sup> Harriman favored Roosevelt so much that he supported a constitutional amendment that provided Roosevelt with more power to control the private sector more tightly.<sup>87</sup> Like other corporate leaders, he believed that centralized planning improved economic conditions. He was determined to see that changes were made to the national economy that promoted a more regulated approach. Industry leaders appeared no longer fearful of government regulations in the private sector. A Republic Steel

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<sup>84</sup> Frederick C. Thayer, "Again, Overproduction," *New York Times*, April 15, 1938; Special Report, "Trainmen's Leaders Ask 6-Hour Day," *New York Times*, May 25, 1932. In this article, A.F. Whitney, president of the Brotherhood of Railroad Trainmen argued that under-consumption, not overproduction was the root cause of the Great Depression. Technological innovation improved the selection of consumer goods on retail shelves and the only way to combat the crisis was to improve purchasing power.

<sup>85</sup> W. Jett Lauck, "Labor," 778; Special, "Hours Cut Put Up To NRA Code Chiefs," *New York Times*, March 8, 1934. Johnson contended that yellow-dog contracts had been eliminated with the passage of the NIRA, but company unions were institutions that remained within the national economy. They were viewed as legal entities.

<sup>86</sup> Special, "Trade Group Says Recent NRA Rulings Retard Recovery," *Chicago Daily Tribune*, November 3, 1933. Robert Lund was the President of NAM, but he also served on the NRA Industrial Advisory Board. Over time, he became dissatisfied and disenchanted with the NRA and his political outlook became anti-New Deal during the latter months of 1933; Special, "Lund and Harriman Back Recovery Act," *New York Times*, June 14, 1933.

<sup>87</sup> Marvin N. Olasky, "Corporate Public Relations and the National Recovery Administration," paper presented at the annual meeting of the Association for Education in Journalism and Mass Communication, Norman, OK, August 3-6, 1986.

representative declared that Americans overall supported government regulations and intervention, if it eliminated industrial and worker inequality. Goodyear Tire and Rubber Company spokesman P.W. Litchfield and Link-Belt Company spokesman George Torrance asserted that their company and industrial colleagues favored creating an industrial czar who scrutinized prices for their commodities, examined wages and benefits for workers, and established production controls in the sector.<sup>88</sup>

Industry leaders, further, were supportive of the NIRA and the NRA. Hugh Samuel Johnson, and his NIRA colleagues—Alvin Brown, Robert Lea, Kenneth Simpson, Arthur D. Whiteside, and Clarence Williams were pro-business and had been working in the private sector before they joined part of the Roosevelt administration. Corporate leaders were ready and prepared for change. They understood that the laissez-faire economic system that promoted intense competition had to be modified.<sup>89</sup> Change was seen to be necessary for the future and longevity of American corporations. For example, Harvey Firestone approved of an industry code that eliminated price reductions for his products and established a method to determine how to tabulate prices for his goods. Higher prices, it was argued, led to higher wages for employees and reduced purchasing power for everyday Americans in the consumer-driven national economy.<sup>90</sup> The NIRA was so important to corporations that public relations spokesmen asked school-age children to

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<sup>88</sup> "Steel Industry Submits Code to Roosevelt," *Chicago Daily Tribune*, July 16, 1933. The Steel industry was also interested in exploring trade unionism by examining company unions and other forms of collective bargaining. With the establishment of this steel code it appears that the Iron and Steel Institute dropped their efforts at creating an industrial czar to management the steel sector.

<sup>89</sup> Donald R. Richberg, "Progress under the National Industrial Recovery Act," 398; Dexter M. Keezer, "The Consumer under the National Recovery Administration," 91.

<sup>90</sup> Dexter M. Keezer, "The Consumer under the National Recovery Administration," 89.

accept pledges from their neighbors to purchase products only with the Blue Eagle Seal.<sup>91</sup> These businesses were viewed as legal and approved institutions in the national economy, and corporate leaders were determined to win the support of their peers, colleagues and the American people.<sup>92</sup>

The NIRA had many practical functions. Each corporation within an American industry and trade unions were supposed to work hand-in-hand to carry out the main tenets of the NIRA, such as the enforcement of industry codes and the promotion of collective bargaining.<sup>93</sup> Both industry and trade unions were essential in the code-making process, and they were to seek public recognition for their proposals and industry codes. President Roosevelt, through executive orders, even had the capacity to create industry codes if there was indecision or a stalemate among American corporate leaders and trade unions.<sup>94</sup>

One of the key premises of the NIRA was to promote economic recovery through stronger benefits and better wages. The law relied on worker representation, trade unions or worker representation plans to pressure companies on these issues. Workers were represented by external individuals or groups from the labor movement on the issues of wages, benefits, hours and working conditions. Moreover, work-sharing was an essential part of the NRA, so that the weekly hours of workers were limited; and more could be hired

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<sup>91</sup> T.H. Watkins, "The Bird Did Its Part," *Smithsonian*, May 1999; Lewis Lord, "An Eagle That Didn't Take Off," *U.S. News & World Report*, August 18, 2003. Lord argued that the Blue Eagle seal was important, because firms that complied with the NIRA recognized and did business with one another.

<sup>92</sup> Ted Morgan, *FDR*, 401; Special, "Blue Eagle to Protect," *Los Angeles Times*, November 11, 1934; William H. Chafe, ed., *The Achievement of American Liberalism: The New Deal and its Legacies* (New York: Columbia University Press, 2003), 12.

<sup>93</sup> J.M. Clark, "Economics and the National Recovery Administration," *American Economic Review* 24, no. 1 (March 1934): 13.

<sup>94</sup> "Roosevelt Code Draws Varied Comment Here," *Chicago Daily Tribune*, July 22, 1933. Although Roosevelt could devise industrial codes, Americans either supported or opposed these efforts. The establishment of the PRA is one example of the use of executive orders to make industrial reforms.

to increase employment levels. Thirty-five hour weeks were thus one goal of the NRA. It followed that more people could be hired, and purchasing power improved, despite the emergence of higher prices, because more people had income. Further, the elimination of child labor in the American economy meant that more adults were trained and hired as a part of the labor force.<sup>95</sup> Now children spent more time acquiring a decent education and would not have to work. But did corporations in the United States hire more workers with the coming of the NIRA? Were wages increased? Hiring more workers increased production costs, and many businesses did not support this economic approach.<sup>96</sup>

Policymakers, the media, and everyday citizens viewed the NIRA positively at first, but its most salient and significant provisions were not immediately apparent. The provisions of this important law led to a serious debate in the United States, because many policymakers assumed that the NIRA was to benefit American workers. Others, however, saw it largely in industrial terms. NRA regulation would eliminate competition. The most important stipulations of the NIRA were three titles to the NIRA. It is necessary to enumerate what they were in order to evaluate NRA effectiveness. Title I dealt with the industrial recovery and the provisions to bring about economic and industrial change.<sup>97</sup> Title II handled an extensive federal infrastructure for public works, such as construction, transportation, and the development of natural resources.<sup>98</sup> Title III examined the financial aspects of the law. It established a sinking fund or trust with governmental securities or

<sup>95</sup> Sidney Hillman, "The NRA, Labor, and Recovery," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 71; Leo Wolman, "The Outlook for Unemployment Insurance in the Codes," *Proceedings of the Academy of Political Science* 15, no. 4 (January 1934): 4.

<sup>96</sup> Scrutator, "Unbalanced Production is Blamed for Depression," *Chicago Daily Tribune*, February 18, 1931; Scrutator, "Wages Affect Illinois Coal Market Loss," *Chicago Daily Tribune*, May 17, 1932.

<sup>97</sup> Donald R. Richberg, "Progress under the National Industrial Recovery Act," 393; Thomas E. Vadney, *The Wayward Liberal: A Political Biography of Donald Richberg* (Lexington: University Press of Kentucky, 1970), 118.

<sup>98</sup> Roger Biles, "Robert Wagner, Franklin D. Roosevelt, and Social Welfare Legislation in the New Deal," 143; Frances Perkins, *The Roosevelt I Knew*, 201-202.

liberty bonds to pay for the public works operations. Title III also dealt with appropriations, such as bonds and taxation. It enabled policymakers to finance the responsibilities listed in Title I and Title II of the NIRA.<sup>99</sup>

Title I, Section (I) of the NIRA was composed of a statement of purpose and the scope of the law. It declared that there existed an economic emergency in which unemployment levels were elevated and industries were disorganized, affecting interstate commerce and foreign trade.<sup>100</sup> The law aimed to eliminate trade restrictions that affected interstate commerce and promote the free-flow of global trade. Corporations were to be given an equal opportunity to succeed and to improve upon their economic situation with an increase in purchasing power and the emergence of a consumer-based economic structure.<sup>101</sup> The national economy was to become an efficient body capable of using its resources to promote growth and expansion.<sup>102</sup>

Section 2(a) established the NRA or the National Recovery Administration under the jurisdiction of the Executive branch, with the presidency given the ultimate decision-making powers for this agency.<sup>103</sup> Once the NRA was created, President Franklin D. Roosevelt selected General Hugh Samuel Johnson to serve as the chief administrator.<sup>104</sup>

<sup>99</sup> "Transcript of National Industrial Recovery Act (1933)," U.S. National Archives & Records Administration, <http://www.ourdocuments.gov/doc.php?66&page=transcript>. (accessed October 2, 2013).

<sup>100</sup> Charles L. Dearing and al., *The ABC of the NRA* (Washington D.C.: The Brookings Institution, 1934), 116; James D. Magee et al., *The National Recovery Program* (New York: F.S. Crofts & Co., 1933), 6; Oliver P. Field, "The Constitutional Theory of the National Industrial Recovery Act," *Minnesota Law Review* 18, no. 3 (February 1934): 270, 275; "National Industrial Recovery Act of 1933," The Social Welfare History Project, <http://www.socialwelfarehistory.com/eras/national-industrial-recovery-act-of-1933/>. (accessed April 1, 2013); Special, "Text of Richberg's Business Report to Roosevelt," *Wall Street Journal*, August 28, 1934; Louis Rich, "The New Recovery Act," *New York Times*, July 16, 1933.

<sup>101</sup> Arthur Schlesinger, Jr., "The Hundred Days of F.D.R.," *New York Times*, April 10, 1983.

<sup>102</sup> Bernhard Ostrolenk, "Far-Reaching Scope of the New Deal," *New York Times*, June 18, 1933.

<sup>103</sup> Charles L. Dearing et al., *The ABC of the NRA*, 116-117; , Thomas Hopkinson Eliot, *Recollections of the New Deal: When the People Mattered* (Boston: Northeastern University Press, 1992), 34.

<sup>104</sup> Malcolm P. Sharp, "Title I of the National Recovery Act," *The University of Chicago Law Review*, 1, no. 2 (November 1933): 324; Donald R. Brand, *Corporatism and the Rule of Law*, 99.

Deputy administrators were established to handle the discussions of the codes of fair competition and to negotiate with members of American corporations in various industries. Normally, members of the NRA boards were individuals from the industrial and manufacturing sectors, who understood the business operations of American corporations.<sup>105</sup> They maneuvered in the negotiation process and devised sound industrial codes of fair competition.

Within Section 2(a), advisory committees were established in an effort to protect the economic and labor interests of consumers, workers, and corporate executives. At times, their interests were divergent; but the NRA was designed with the intent to protect the interests of all parties. Next, staff divisions were created to work with the decision-making processes of the chief administrator and deputy administrators. It was the responsibility of the staff divisions to provide the chief administrators with the necessary information to propagate the industrial codes and they worked with industry leaders in the negotiation process.<sup>106</sup>

In addition, Section 2(a) gave the executive branch the power to hire the appropriate public officials to work within the NRA and coordinate their efforts with local and state authorities. Policymakers were to be compensated for their services, and their salaries were to be determined by the president and Congressional members. Section 2(b) equipped the presidency with the capacity to establish the functions of the NRA. He had the ability to appoint personnel to the NRA, determine their duties, and delegate the governmental authority within this agency. All power was vested in the Executive branch

<sup>105</sup> Special Report, "Business Leaders Picture Recovery but Hit New Deal," *New York Times*, May 1, 1935. Even though business leaders worked with the NRA, there were some criticisms to the agency. Many such as Judge C.B. Ames, and William P. Witherow, believed that the Roosevelt administration was hostile to business interests.

<sup>106</sup> Malcolm P. Sharp, "Title I of the National Recovery Act," 324.

for the purposes of ensuring that the provisions of the NIRA were carried out. Section 2(c) examined the length of the NIRA. The law was to cease to exist after a two-year period, but the NIRA could be renewed if the economic and industrial emergencies were not rectified.<sup>107</sup>

Section 3(a) established the codes of fair competition.<sup>108</sup> The Executive branch had the capacity to approve codes that did not promote monopolies or hurt small businesses. The codes were designed to improve wages, limit weekly work hours, and re-establish domestic consumption.<sup>109</sup> Businesses that had acceptable codes were viewed as licensed entities and received the approval of the federal government to conduct themselves in the domestic and global economies.<sup>110</sup> Corporations were not to establish discriminatory practices or damage the business operations of small businesses through collusion.<sup>111</sup> If codes of fair competition were approved, then industries were ideally poised to benefit workers in terms of their welfare, health, and safety. Power was vested in the Executive branch to prescribe and alter the codes in an effort to benefit and protect “consumers, competitors, employees, and others.”<sup>112</sup>

<sup>107</sup> “Transcript of National Industrial Recovery Act (1933),” U.S. National Archives & Records Administration, <http://www.ourdocuments.gov/doc.php?doc=66&page=transcript>. (accessed October 2, 2013).

<sup>108</sup> C.I. Menhennitt, “The Validity of the NRA Codes,” *Res Judicatae* 1, no. 1 (1935-1938): 51-55; John D. Harkrider, “Lessons from the Great Depression,” 6-7; Oliver P. Field, “The Constitutional Theory of the National Industrial Recovery Act,” 278; William L. Anderson, “Risk and the National Industrial Recovery Act,” 143; William J. Barber, *Designs within Disorder*, 29.

<sup>109</sup> Dexter M. Keezer, “The Consumer under the National Recovery Administration,” *Annals of the American Academy of Political and Social Science* 172 (March 1934): 90; F.L.W. Wood, “The New Deal in the United States,” 52.

<sup>110</sup> William MacDonald, *The Menace of Recovery: What the New Deal Means* (New York: Macmillan Company, 1934), 170-171.

<sup>111</sup> William H. Chafe, ed., *The Achievements of American Liberalism: The New Deal and its Legacies* (New York: Columbia University Press, 2003), 11.

<sup>112</sup> J.M. Clark, “Economics and the National Recovery Administration,” *The American Economic Review* 24, no. 1 (March 1934): 13.



In *The National Recovery Administration*, Edward S. Mason argued that code-making was essentially put into the hands of the central NRA office. It was the chief code-making agency. The NRA looked after the concerns and needs of the public and private sectors. On the other hand, Mason contended that the NRA acted in a pro-business manner and sought to appease corporate executives during the code-making process.<sup>113</sup> Mason, further, asserted that the primary function of the NRA was to reform the industrial sector, but members of the NRA often compromised with industry leaders in order to accomplish this task. In terms of reform and recovery, its designers believed, the way to improve upon industrial conditions was to strengthen wages. It became the main preoccupation of NRA officials to support the concerns of business leaders. If NRA officials had not compromised on the various codes of fair competition, then wages would have remained stagnant. Codes may not have been approved in the first place. Mason attributed wage increases after July 1933 to the compromises that had been made between industry leaders and the NRA officials in the negotiation process.<sup>114</sup> In the code-making process after July 1933, however, NRA officials spent little time examining the public interest. Industrial recovery was the focus.

Mason cited a book entitled, *NRA and the Trade Practice Problem*, in an effort to support his claims. Leverett S. Lyons had argued that the preparation of the codes of fair competition and the defining features of the codes as well as the meaning of “unfair competition” became “distorted” during the negotiation process between the NRA officials

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<sup>113</sup> Edward S. Mason, “The National Recovery Administration,” *The Quarterly Journal of Economics* 49, no. 4 (August 1935): 670.

<sup>114</sup> Edward S. Mason, “The National Recovery Administration,” 671-672.

and corporate executives.<sup>115</sup> The process of establishing the codes of fair competition and determining the public interest was lost. Mason argued that problems with monopoly and oligopoly also were ignored during the process of creating the codes of fair competition. Lastly, since the codes of fair competition were voluntary, there was a problem with NRA enforcement as well as the lack of any enforcement agency for the purposes of adjudging violations to the codes or collective bargaining provisions.<sup>116</sup> Violations of the codes were civil offenses, but evidence that the codes were ignored was not difficult to come by.

Section 3(b) dealt with the enforcement of the codes of fair competition in the sense that there should be no violations of these standards. The codes of fair competition were to avoid affecting negatively interstate commerce and foreign trade. Economic transactions were to remain fair, and violators had to be sanctioned. Section 3(c) vested enforcement powers in the federal judiciary if there were deviations from the standards or codes of fair competition. Section 3(d) provided the president with powers to establish new codes of fair competition if there was a complaint within a certain industry that had to be addressed or if an industry failed to create an industry code.<sup>117</sup> Codes could be used to better economic conditions depending upon the types of industry, and these codes were to have the force of law behind them.<sup>118</sup>

Section 3(e) was an important provision, because it dealt with the codes and how they were used in an international setting. If an American corporation had a code of fair competition to regulate its operations and also conducted business overseas, where foreign

<sup>115</sup> Edward S. Mason, "The National Recovery Administration," 674.

<sup>116</sup> Special Report, "Code Boards Held Not Fair to Labor," *New York Times*, February 14, 1935; Special Report, "Richberg's Statement at the Senate's Inquiry on the NRA," *New York Times*, March 8, 1935.

<sup>117</sup> Leverett S. Lyons and C.L. Dearing, "The Recovery Law," 760.

<sup>118</sup> "Transcript of National Industrial Recovery Act (1933)," U.S. National Archives & Records Administration, <http://www.ourdocuments.gov/doc.php?doc=66&page=transcript>. (accessed October 2, 2013).

competitors' operations were a detriment to its code, then the United States' Tariff Commission could conduct a federal investigation.<sup>119</sup> In specific cases, the policymakers could allow the import entry to the United States: but the foreign corporation had to pay extra expenses in an effort to comply with United States' economic and industrial policy. Moreover, the Tariff Commission published studies annually that dealt with how goods were priced domestically and internationally.<sup>120</sup> The Roosevelt administration wanted to ensure that American goods were priced competitively and that domestic prices did not destroy the relationships that businesses maintained nationwide and internationally. Lastly, Section 3(f) examined the various penalties for violating the codes of fair competition.<sup>121</sup>

For workers, and the labor movement, section 7(a) was one of the most salient provisions of the NIRA. It established the right to bargain collectively in the United States.<sup>122</sup> It became the necessity of employers to eliminate yellow dog contracts and to enable employees to seek representation outside of their firms.<sup>123</sup> Workers were given the capacity to organize and to fight for higher wages, limited work hours, and company

<sup>119</sup> Charles L. Dearing et al., *The ABC of the NRA*, 118; Edward S. Mason, "The National Recovery Administration," *The Quarterly Journal of Economics* 49, no. 4 (August 1935): 675.

<sup>120</sup> Dexter M. Keezer, "The Consumer under the National Recovery Administration," 95.

<sup>121</sup> "Transcript of National Industrial Recovery Act (1933)," U.S. National Archives & Records Administration, <http://www.ourdocuments.gov/doc.php?doc=66&page=transcript>. (accessed October 2, 2013).

<sup>122</sup> Donald R. Brand, *Corporatism and the Rule of Law*, 85; Sidney Hillman, "The NRA, Labor, and Recovery," 74; P.D.Q. "Labor Law, Strikes and Picketing as Affected by the National Industrial Recovery Act," *Virginia Law Review* 20, no. 5 (March 1934): 560-561; Rexford G. Tugwell, *Revolution*, 241; Alfred M. Bingham and Selden Rodman, eds., *Challenge to the New Deal* (New York: Falcon Press, 1934), 107; Melvin I. Urofsky, *A March of Liberty*, 666.

<sup>123</sup> Edwin E. White, "Background of the Labor Provisions of the National Industrial Recovery Act," *University of Chicago Law Review* 1, no. 4 (March 1934): 579; James D. Magee et al., *The National Recovery Program*, 9; William H. Spencer, *Collective Bargaining under Section 7(a) of the National Industrial Recovery Act* (Chicago: The University of Chicago Press, 1935), 1-6; Arthur B. Adams, *Our Economic Revolution*, 121-123; Frances Perkins, "A National Labor Policy," 2; W. Jett Lauck, "Labor," 780-782; Special, "Richberg's Address on Freedom and Security under NRA," *New York Times*, August 30, 1933.

benefits for themselves and their families.<sup>124</sup> Pre-existing trade unions now achieved economic and industrial legitimacy. Moreover, some corporations attempted to promote the rise of company unions to negotiate reforms with their employees. Company unions did have support from corporate management but they were wholly different from employee representatives that were selected by American workers. Section 7(c) established even more rights for workers in the sense that the president devised codes of fair competition to improve the collective bargaining tactics of workers, if the codes did not exist.<sup>125</sup> Pre-existing codes were strengthened, while if codes did not benefit workers, they were re-established and given weight by the Federal government.

Section 9(a) was somewhat controversial in the sense that it established a czar for the petroleum industry and increased the tax base.<sup>126</sup> During the Senate Finance committee hearings on the NIRA, there were many witnesses from the oil industry and the federal government, such as Secretary of the Interior Harold L. Ickes, who argued in favor of an oil czar for regulation purposes.<sup>127</sup> Some witnesses, however, contended that the oil industry was already over-regulated and did not require new rules or stipulations to better the system. Others affirmed the need for change, because they felt that the oil prices were too low. Many believed that the domestic oil supply was too extensive and the surplus artificially depressed prices. If the supply was reduced, then the price and demand for oil normally increased, and petroleum companies improved upon their profitability, wages,

<sup>124</sup> Charles L. Dearing, *The ABC of the NRA*, 121-122; Lewis L. Lorwin and Arthur Wurnig, *Labor Relations Boards: The Regulation of Collective Bargaining under the National Industrial Recovery Act* (Washington D.C.: The Brookings Institution, 1935), 45-46; Oliver P. Field, "The Constitutional Theory of the National Industrial Recovery Act, 289.

<sup>125</sup> Charles L. Dearing, *The ABC of the NRA*, 122.

<sup>126</sup> Donald R. Brand, *Corporatism and the Rule of Law*, 183; Special, "Text of Richberg's Business Report to Roosevelt," *Wall Street Journal*, August 28, 1934.

<sup>127</sup> Senate Committee on Finance, *The National Industrial Recovery Act of 1933*, 73<sup>rd</sup> Congress, First Session, 1933 S. 1712: 42-52.

and benefits. Leaders of the Petroleum industry did not want to increase taxation that affected their business operations, because it increased oil prices in domestic and foreign markets. Within the oil industry, anti-trust laws did apply. Holding companies were barred from establishing monopolies and had to charge a fair and competitive price for oil to vendors in the petroleum industry. Finally, storage levels for the oil industry were established, because it affected transportation costs and provided for limited increases in the final price for oil for domestic consumption purposes.<sup>128</sup>

Title II, sections 201(a)-204(g) and 205(a)-207(c), dealt with the emergence of the Federal Emergency Administration of Public Works.<sup>129</sup> The Executive branch was vested with the power to hire and fire personnel, and to create the agency for the purposes of road and building construction and the preservation of natural resources.<sup>130</sup> Congress appropriated \$400,000,000 for public works projects. The agency was supposed to reduce unemployment rates through the creation of construction projects throughout the country.<sup>131</sup> The Public Works agency supported projects in United States' territories such as Hawaii, Alaska, Puerto Rico and the Virgin Islands. Finally, the NIRA created a sinking fund or trust, and re-established Liberty bonds to finance its operations. Thus, the public debt was used along with taxation to pay for the various expenditures of the NRA.<sup>132</sup>

After the passage of the NIRA on June 16, 1933, many policymakers and analysts wondered if the measure was the appropriate remedy for the industrial and economic emergency that had taken place. John Dickinson wrote an article for *the Columbia Law*

<sup>128</sup> "Text of National Industrial Recovery Act," *Wall Street Journal*, June 16, 1933; "Text of Oil Regulations," *Wall Street Journal*, July 18, 1933.

<sup>129</sup> William MacDonal, *The Menace of Recovery*, 173-174.

<sup>130</sup> National Industrial Recovery Act of June 16, 1933, <http://www.ourdocuments.gov/>.

<sup>131</sup> Bernard Kilgore, "Recovery Act Aim," *Wall Street Journal*, June 19, 1933.

<sup>132</sup> Special Report, "Text of National Recovery Bill Sent to Congress by President Roosevelt," *New York Times*, May 18, 1933.

*Review* in which he questioned the provisions of the NIRA to discover whether the law was beneficial to the general populace. He argued that one of the main premises of the law was to regulate the industrial sector in an effort to promote economic expansion and growth.<sup>133</sup> Industrial competition was not eliminated completely from the private sector, but the system had some labor sanctions in place to improve the living conditions of low-to-middle class American citizens. It was the competitive nature of corporations that drove wages down, increased work hours, and eliminated employee benefits. Workers were fighting for pre-existing jobs during the early stages of the Great Depression, and it contributed to the undercutting of labor skills and wages.<sup>134</sup> Standards of living, thus, declined immensely as unemployed Americans competed for jobs in the private sector. It was the competitiveness of the market that inhibited worker development and lowered the price levels for goods without increasing purchasing power. Dickinson stated that:

The tests of unwholesome competition there indicated are that it is competition which is unfair, or which interferes with the full utilization of productive capacity; or decreases purchasing power and thereby restricts the consumption of the national product, or promotes unemployment or lowers labor standards.<sup>135</sup>

One problem with the NIRA was that there were few penalties for violating anti-trust laws and little enforcement. The use of the codes was voluntary.<sup>136</sup> The law, instead, relied on “interested parties” who might be persuaded to curtail unfair competition and the market dominance of monopolies. Consequently, workers who depended upon the NIRA

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<sup>133</sup> John Dickinson, “The Major Issues Presented by the Industrial Recovery Act,” *Columbia Law Review* 33, no. 7 (November 1933): 1096.

<sup>134</sup> Emanuel Stein, Carl Raushenbush and Lois MacDonald, *Labor and the New Deal* (New York: F.S. Crofts & Co, 1934), 10.

<sup>135</sup> John Dickinson, “The Major Issues Presented by the Industrial Recovery Act,” 1096.

<sup>136</sup> Edward S. Mason, “The National Recovery Administration,” 677.

used strikes to push for trade unions and collective bargaining, because of the lack of enforcement powers inherent in the NRA.<sup>137</sup> Lewis L. Lorwin asserted that “the Recovery Act was primarily a permissive, rather than a mandatory, statute.” Enforcement was problematic.<sup>138</sup> This was particularly true for the collective bargaining provisions of the act. Scholars such as George W. Robbins argued that the codes of fair competition that had been devised did not contain provisions that prevented the emergence of unfair trade and labor practices.<sup>139</sup>

In *Labor and the New Deal*, Emanuel Stein, Carl Raushenbush and Lois MacDonald argued that the NRA believed that it was the duty of industries to sanction the offenders.<sup>140</sup> The administration itself was not in charge of the enforcement of the law provisions. The scholars contend that, in the 1930s, there were few labor laws on the books in the United States, and federal mediation of labor disputes was fairly at a minimum even during World War I.<sup>141</sup> This hampered the enforcement capacity of policymakers and inhibited the federal judiciary from policing the NIRA, especially in labor conflicts. If there had been enormous legal precedence for the regulation of manufacturing sectors and federally supervised labor elections, then the NIRA industry code sections might not have been invalidated in 1935.

The problems that the NRA faced were that there was not much legal precedence that the federal judiciary could follow to enforce this law. Remember, the War Industries Board had been the first agency to regulate industry during World War I. But during the

<sup>137</sup> Lewis L. Lorwin, “Industrial Truce or Strife: The Labor Problem Analyzed,” *The New York Times*, November 4, 1934.

<sup>138</sup> Donald R. Brand, *Corporatism and the Rule of Law*, 103; Special Report, “Richberg’s Statement at the Senate’s Inquiry on the NRA,” *The New York Times*, March 8, 1935.

<sup>139</sup> George W. Robbins, “The NRA and Unfair Trade Practices,” 198.

<sup>140</sup> Emanuel Stein, Carl Raushenbush and Lois MacDonald, *Labor and the New Deal*, 11.

<sup>141</sup> Emanuel Stein, Carl Raushenbush and Lois MacDonald, *Labor and the New Deal*, 14.

interwar period, however, policymakers could not rely on pre-existing laws to enforce the NRA codes and guidelines. The major difference between the NRA and the WIB, moreover, was that the WIB was designed to provide American troops with the necessary supplies to wage war, and had the sanction of defense and security needs. The New Deal state sought to use “the moral equivalent of war” to sanction the NRA, but the economic crisis was not a war in the tradition sense.<sup>142</sup> Fighting unemployment was seen as patriotism. Lastly, the emergence of federal court cases that was sought to determine the constitutionality of the NIRA prevented policymakers from enforcing this law.<sup>143</sup>

Because the codes were voluntary, if businesses decided to adopt the codes, then corporate executives were at liberty to improve or neglect to change the lot of their workers.<sup>144</sup> Their business operations might have to change, and it may have been detrimental to company earnings. Intensive labor competition that had produced long work hours, insufficient wages, company unions and a lack of employee benefits had to be addressed. Corporations were sanctioned only punitively by the NRA if their codes were inadequate or if they violated the health and safety of employees. Labor unions, however, were more contested ground. Corporations may have been intimidated by the alleged legal authority of the Executive branch and the NRA, but did not take up union negotiations.<sup>145</sup>

In *The Annals of the American Academy of Political and Social Sciences*, labor leader John L. Lewis argued that trade unionism was promoted by the provisions of the NIRA, especially Section 7(a). He believed that the NIRA was comparable to the

<sup>142</sup> William Leuchtenburg, *The FDR Years: On Roosevelt and his Legacy* (New York: Columbia University Press, 2001), 35-39, 66.

<sup>143</sup> John B. Andrews, “Delegated Labor Legislation Unharmed by Recent Court Decisions,” *American Labor Legislation Review* 25, no. 2 (June 1935): 91.

<sup>144</sup> John Dickinson, “The Major Issues Presented by the Industrial Recovery Act,” 1097.

<sup>145</sup> John Dickinson, “The Major Issues Presented by the Industrial Recovery Act,” 1100.



Emancipation Proclamation, and it was considered as the Magna Carta of labor in terms of its political weight in the United States and the applicability of the law to industrial conditions.<sup>146</sup> He affirmed that there had been an economic emergency in the United States that had to be addressed and that Roosevelt's NIRA was the step in the right direction for workers. Further, Section 7(a) had been originally a part of the Davis-Kelly, or Coal Stabilization bill, in which anti-trust laws were nullified in the bituminous coal mining industry so that mine workers could bargain collectively with their employers.<sup>147</sup> Although the Coal Stabilization bill was never passed, policymakers used that proposal as a model for the NIRA.<sup>148</sup> This gave John L. Lewis an almost proprietary interest in organizing others under the NRA.

After the passage of the NIRA, Lewis like John Dickinson, contended that the act had not been enforced nor had the public sector established formal sanctions. Excessive work hours remained; the codes of fair competition and price and production controls had been ignored, and wages had not increased.<sup>149</sup> Lewis argued that employers were ignoring the entire Section 7 of the NIRA and did not negotiate with their employees to improve work conditions and benefits. In addition, he wrote that section 7(a) was a provision that policymakers assumed corporate executives would follow. It was a voluntary measure, but it was the moral responsibility of the public and private sectors to adhere to its rules and

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<sup>146</sup> William L. Anderson, "Risk and the National Industrial Recovery Act," 141; Leverett S. Lyons and C.L. Dearing, "The Recovery Law," 760.

<sup>147</sup> John L. Lewis, "Labor and the National Recovery Administration," *Annals of the American Academy of Political and Social Sciences* 172 (March 1934): 58.

<sup>148</sup> Louis Stark, "Would Lower Wages with Living Costs," *New York Times*, August 16, 1931; Special, "Coal Relief Bills Analyzed by Lauck," *New York Times*, February 14, 1932; Special, "Coal Control Bill Is Called Illegal," *New York Times*, April 21, 1932; The Associated Press, "Roosevelt Turns To Coal Problem," *New York Times*, March 28, 1933; Special, "Coal Strife Factor in Johnson's Move," *New York Times*, August 24, 1933.

<sup>149</sup> John L. Lewis, "Labor and the National Recovery Administration," 59-60.

regulations. Refusal to adhere to the provisions of the NIRA was detrimental to the labor market and to society. Lewis argued that:

Delay in the enforcement of these provisions of the law also leads to controversy, strikes, and serious dislocations, and to the conclusion among the workers of the country that cooperation under the Act can be secured only through fighting for it.<sup>150</sup>

Moreover, workers had to fight for the enforcement of the provisions of the NIRA, especially Section 7(a). Lewis argued that the NIRA did not place any mandatory obligations on the NRA on employers to follow the spirit and direction of the law. Thus, there were two competing arguments with the coming of the NIRA. Some policymakers and scholars argue that section 7(a) was not enforced<sup>151</sup> while others contend that the NIRA was good for American businesses and should be followed.

Similarly, labor economists Lois MacDonald, Gladys L. Palmer and Theresa Wolfson affirmed that policymakers and corporate executives misunderstood and ignored section 7(a). They mainly promoted the status-quo in terms of enforcement.<sup>152</sup> Yellow dog contracts were technically prohibited as they were under the Norris-LaGuardia Act, but the closed shop was not mandatory.<sup>153</sup> The NRA was to establish collective bargaining in the

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<sup>150</sup> John L. Lewis, "Labor and the National Recovery Administration," 60.

<sup>151</sup> "New Deal Loses Weirton Steel Injunction Suit," *Chicago Daily Tribune*, February 28, 1935. In this case dealing with the Weirton Steel Company in West Virginia, Judge John P. Niels argued that section 7(a) was unconstitutional and ruled that company unions or employee representation plans were valid. Cases such as these prevented the Roosevelt administration from enforcing the NIRA; "Steel Co. Head is Accused of Violating NRA," *Chicago Daily Tribune*, December 14, 1933.

<sup>152</sup> Lois MacDonald, Gladys L. Palmer and Theresa Wolfson, *Labor and the NRA* (New York: Affiliated Schools for Workers Inc., 1934), 14-15.

<sup>153</sup> Leverett S. Lyons and C.L. Dearing, "The Recovery Law," 762.

workplace, but employees did not have to belong to a trade union or be represented by a union official.<sup>154</sup>

The federal government attempted to remain neutral regarding Section 7(a), but Roosevelt and Johnson may have worried about the impact of collective bargaining, such as strikes and labor conflict. If policymakers and corporations agreed with the provisions of the NIRA, Lewis argued, then the incidence of strikes, bottlenecks or other forms of industrial syndicalism were limited or curtailed completely. General Johnson believed in the principles behind the NIRA, but he did not agree with workers who promoted strikes to “force the hands “of corporate executives. Moreover, General Johnson contended that, with the passage of the NIRA, strikes in the United States decreased and collective bargaining enabled workers to fight professionally and legitimately for their rights and work benefits.<sup>155</sup> He turned out to be only partially right.

Once the NIRA had been passed, its enforcement became a problem. Many had questions as to who could bring a case to court if there were some violations of the NIRA provisions. The question was answered in the sense that it was decided that if anyone’s rights were infringed upon, then they had the capacity to sue in court for damages.<sup>156</sup> However, only individuals, who were “directly and seriously” affected by violations of the NIRA, could seek remedies in the court of law. For example, if a person’s collective bargaining rights had been infringed upon, then he or she could sue in court to seek justice. Moreover, the Federal Trade Commission could sue in court if there were some violations

<sup>154</sup> “President Clarifies NRA Labor Clause,” *Chicago Daily Tribune*, October 24, 1933.

<sup>155</sup> Staff Correspondent, “Roosevelt Backs NRA Labor Cause,” *New York Times*, September 8, 1934. Roosevelt believed that collective bargaining should become a permanent fixture in the United States.

<sup>156</sup> David B. McCalmont Jr., “Impact of the Courts upon the NIRA Program: Judicial Administration of NIRA,” *The Yale Law Review* 44, no. 1 (November 1934): 98.

of the codes of fair competition or certain types of unfair trade practices came to the forefront.<sup>157</sup>

Federal district attorneys also could file a lawsuit against violators of the NIRA. Before the end of 1933, however, they did not exercise their rights to sue in court. The Federal Trade Commission and federal district attorneys also could file a lawsuit with the various Circuit Courts of Appeals. When a suit could be brought to federal court was somewhat tricky, because initially administrators and policymakers were uncertain if an individual (s) had to violate the law first to make the lawsuit necessary. Would they have to incriminate themselves in order to test the constitutionality of the NIRA? In addition, how grave did the infringement of the law have to be before the federal judiciary considered that the law had been violated or breached?

Even with all of these criticisms, Lewis and other labor leaders believed that the National Recovery Administration was the only government agency that could save the labor market and the economy. The NRA could be modified, and Lewis offered some suggestions that could be put in place to better the economic environment and promote more cooperation between workers and management. He argued for “a new definite policy of guidance of industry to which all codes should be required to conform. In his mindset, this policy should be broader than that now existing, and should include not only minimum wage rates and maximum hours, but also definite price and production objectives.”<sup>158</sup>

In an article published by *The American Economic Review*, Joseph H. Willits and John Dickinson contended that times had changed and that the American economy was evolving. The NIRA was needed to rectify these new economic conditions. Fifty years before, most

<sup>157</sup> George W. Robbins, “The NRA and Unfair Trade Practices,” 190, 194.

<sup>158</sup> John L. Lewis, “Labor and the National Recovery Administration,” 61.

farmers produced solely for subsistence purposes while American corporations created manufactured goods for domestic consumption.<sup>159</sup> After the late 1920s, the American economy had changed into one that was consumer-oriented. People were purchasing goods in the national markets and required purchasing power that they did not receive from their firms. Wages had been stagnant and the American worker could not make ends meet.<sup>160</sup> But in some cities such as Chicago, with the NIRA, wages and employment began to improve.<sup>161</sup>

The global economy was changing, and the United States experienced the negative effects of these modifications. Willits and Dickinson elaborated further that:

Those areas of economic activity lying outside the organized system formed what may be compared to a cushion which operates to absorb much of the shock of the repercussions within the system. In idle times, labor was absorbed into those outlying activities and in boom times, the farms and local workshops increased their output. Today all our economic activity is geared into one system with vastly increased rigidity and with increased menace to the stability of the system.<sup>162</sup>

Declining production in the manufacturing sector during the Great Depression was one sign of changing conditions. Willits and Dickinson argued that, if this issue could be resolved, then domestic consumption could increase.<sup>163</sup> If the supply of American goods increased, then American citizens could afford to purchase more products in the national economy. Lastly, both Willits and Dickinson affirmed that:

the proper regulation of competitive practices, especially practices relating to secret prices, price discrimination, discounts, and other types of discrimination, will do much towards eliminating forces and tendencies which in normal times, as in times

<sup>159</sup> Joseph H. Willits and John Dickinson, "Economics of the Recovery Act," *The American Economic Review* 24, no. 1 (March 1934): 81.

<sup>160</sup> Bill Barnhart, "Crash of 29 Revisited," *Chicago Daily Tribune*, October 28, 1979.

<sup>161</sup> "State Enjoys Big Gain in Employment," *Chicago Daily Tribune*, September 23, 1933; "Business Seeks Road from NRA to Firm Ground," *Chicago Daily Tribune*, May 29, 1935. Even with the invalidation of the NIRA, most businesses such as Ford Motor Company were determined to stabilize and improve wages and benefits for their employees.

<sup>162</sup> Joseph H. Willits and John Dickinson, "Economics of the Recovery Act," 81.

<sup>163</sup> Joseph H. Willits and John Dickinson, "Economics of the Recovery Act," 84.

of depression, tend to drag down and depress industry, lower the price of raw materials, and drive down labor standards.<sup>164</sup>

Arthur Robert Burns in the *Political Science Quarterly* concurred with Willits and Dickinson that one reason for the emergence of the Great Depression was that there was some corporate competition in which American workers were paid nominal wages.<sup>165</sup> These monopoly-determined wages reduced their spending power and prevented increases in consumer consumption. Burns believed that corporate executives understood this issue and felt that with controls on production, higher prices became the norm in the American marketplace. However, this idea is somewhat contradictive, because controlling prices of American goods lowered their worth, while producing less raised prices.

By contrast, the Roosevelt administration contended that competitive economics no longer worked in the United States and that increasing wages and hiring more workers were the only ways to strengthen the national economy.<sup>166</sup> Increasing wages for workers augmented consumption levels, and it enabled the national economy to become consumer-oriented or based.<sup>167</sup> The NRA was designed to address this practice of maintaining low wages and prices. It did not want American corporations to produce below cost. One hundred and twenty-five codes approved by the NRA maintained provisions that prohibited establishing prices below the cost of production.<sup>168</sup> One half of the codes of fair competition that had been approved contained stipulations that sustained minimum

<sup>164</sup> Joseph H. Willits and John Dickinson, "Economics of the Recovery Act," 88.

<sup>165</sup> Arthur Robert Burns, "The First Phase of the National Industrial Recovery Act, 1933," *Political Science Quarterly* 49, no. 2 (June 1934): 164.

<sup>166</sup> Paul H. Douglas, "The Role of the Consumer in the New Deal," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 98, 101-102.

<sup>167</sup> Joseph Stagg Lawrence, "The National Recovery Administration and Laissez-Faire Conception of Business Management," 12-14; Special, "Hours Cut Put Up To NRA Code Chiefs," *New York Times*, March 8, 1934. In 1934, Johnson proposed that wages should be increased by ten percent while hours were to be reduced by ten percent. But Johnson understood that all companies would not be able to achieve this goal in the short-term. It became a main goal to be accomplished on a gradual scale.

<sup>168</sup> Arthur Robert Burns, "The First Phase of the National Industrial Recovery Act, 1933," 177.

pricing standards. It was important for businesses to set their prices and maintain their profitability. It enabled them to move forward and achieve economic success. American corporations within each industry obtained codes for pricing purposes, but uniform pricing did not occur. The prices for consumer goods differed, but efforts had to be made to improve the financial status of these corporations.<sup>169</sup>

There were about 180 codes that contained provisions regarding open price policies. Arthur Burns implied that American products were not to be sold below the cost provided by the seller. All pricing in these codes had to be listed, and “discounts and special charges” had to become transparent. Transparency was an important part of these codes. All American corporations were to reveal the selling prices for their products and changes to those prices had to be listed as well. As Burns wrote that “in 72 of these 80 codes it is provided that a firm notifying a change of price may not change its actual price until the lapse of a period varying from twenty-four hours to twenty days after the notice of the change has been lodged.”<sup>170</sup> Once modifications had been made to the codes in terms of the wholesale or retail prices, this information had to be circulated among corporations; and the public had to be made aware of those changes as well. Notification of price changes was important, because it was supposed to prevent price cutting policies that had become the mainstay of the national economy before the New Deal.

Thus, Burns argued that there was an “increase in output and payroll accompanied by an increase in prices with the major rise again occurring between March and July 1933

<sup>169</sup> Anna Youngman, “Recovery Act Reflects Wish of Industry,” *Washington Post*, December 31, 1933; “U.S. Court Backs NRA Price Fixing,” *Washington Post*, April 1, 1934; Felix Bruner, “Price Control Wins Backing in Hearing Here,” *Washington Post*, January 10, 1935. Even after the NIRA was declared unconstitutional, some business leaders still favored price controls.

<sup>170</sup> Arthur Robert Burns, “The First Phase of the National Industrial Recovery Act, 1933,” 181.

when wholesale prices rose 15 percent. By December 1933, the increase was still only 18 percent over the level in March 1933.”<sup>171</sup> In addition, after the passage of the NIRA, American businesses became profitable again. In 1933, 1,475 corporations specializing in manufacturing and commerce garnered more than 660 million dollars while, in 1932, they had only earned 97 million dollars.<sup>172</sup> But could these improvements in the national economy be attributed to the emergence of the NIRA and the various codes of fair competition?

Did the NIRA work for corporate executives and American workers? Did they benefit from this important law? In 1936, Ruth Reticker contended that six months after the law had been passed, 190 industries that consisted of 12.25 million employees were brought under the industry codes that had been approved by President Roosevelt and industry leaders from the various manufacturing sectors in the United States.<sup>173</sup> Additionally, in 1934, 200 codes had been postulated that affected 10 million more American workers.<sup>174</sup> Three hundred and four codes addressed weekly work hours, and a majority of them recommended that employees work only for six out of the seven days per week. Most of the codes stipulated that employees were to work only an eight hour day and forty hours per week. This further limited weekly work days to five, because employees were working eight hour shifts. However, 33 codes allowed employees to work each week for an unlimited amount of time. Over three million workers were affected by the thirty-three codes and it lessened the unemployment figures. Overtime hours and pay

<sup>171</sup> Arthur Robert Burns, “The First Phase of the National Industrial Recovery Act, 1933,” 168.

<sup>172</sup> Arthur Robert Burns, “The First Phase of the National Industrial Recovery Act, 1933,” 169.

<sup>173</sup> Ruth Reticker, “Labor Standards in NRA Codes,” *Annals of the American Academy of Political and Social Sciences* 184 (March 1936): 72-76, 81-82.

<sup>174</sup> Sidney Hillman, “The NRA, Labor, and Recovery,” 72.



were spelled out in fifty-two codes.<sup>175</sup> After working a forty hour week, employees were entitled to receive overtime pay, if they decided to work some additional hours. White collar workers were treated a little differently. Seventeen codes allowed white collar workers to labor for forty hours per week. Some of the finance codes allowed white collar workers to labor for more than forty hours per week.

A majority of the codes offered minimum wage standards with wage differentials. Differentials enabled employers to pay workers at different rates based upon seniority or other human resources statistics. Over fourteen percent of workers were covered by codes that offered wages that were listed at forty cents per hour. Some workers, such as women, apprentices, office boys and girls, the handicapped and junior employees were exempt from minimum wage standards. One hundred and thirty-seven codes allowed employees to pay female employees less for jobs that were "light and repetitive." Equal pay clauses were incorporated in all but four codes, because if women were employed and performed similar work as their male counterparts, then they were to be paid equally for their labor. In terms of apprentices, they were paid less than male workers with seniority. Two hundred and nine codes addressed this issue, and they were paid eighty percent of the minimum wage for all other American workers.

In 1933, President Roosevelt signed into law the Agricultural Adjustment Act and the National Industrial Recovery Act. Both laws were enacted to handle an economic emergency in the United States. But were the laws enforceable? Did business leaders follow the guidelines and stipulations of both laws? Even with a lack of enforcement powers inherent in the National Recovery Administration, hundreds of industrial codes had

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<sup>175</sup> Special, "Text of Richberg's Business Report to Roosevelt," *Wall Street Journal*, August 28, 1934.

been established. Millions of American workers were affected by the provisions of both laws. Moreover, the NIRA was a step in the right direction for American workers and was the central method for reforming the American industrial sectors, while the AAA improved the lot of farmers in the United States. Scholars and policymakers may never know if the NIRA benefited American workers, because the law was declared unconstitutional in 1935. The AAA had a different ending.

Although the AAA was voided in January of 1936, the law was reworked and reenacted. Throughout contemporary American history, the AAA has been renewed on many different occasions and continues to help farmers thrive in an otherwise competitive environment. Another question that requires a response is whether there were any alternatives to the NIRA and the AAA that could have been more enforceable in the United States. Americans may never know but with the passage of the AAA and NIRA, Americans became accustomed to an expanded federal government that worked to improve upon the financial conditions of workers in the private sector. Workers in the United States could now count on the federal government to step in during periods of political, economic or social instability. This new precedent has been continued and Americans on a daily basis have learned to write to their policymakers to have their interests and issues brought to the forefront and addressed in a positive way. Roosevelt started this political innovation, because he spoke directly to the American people and these steps have been continued by U.S. policymakers into the present.

## CHAPTER 7: CREATING THE NATIONAL RECOVERY ADMINISTRATION AND THE CODES OF FAIR COMPETITION: THE PETROLEUM AND AUTOMOBILE INDUSTRIES

The National Recovery Administration was an agency that worked with businesses to regulate the national economy and establish industrial reforms. As an Executive branch agency, it had national jurisdiction to devise business solutions. The NRA and code-making moved hand-in-hand in the 1930s. It became the responsibility of the NRA and its representatives from American industrial sectors<sup>1</sup> to establish the codes of fair competition. The NRA negotiated with American corporate executives from the industries, and they were supposed to work together to create fair codes to target wages and the prices of commodities that could be used industry-wide.<sup>2</sup> There were criticisms of the NRA, such as the overregulation of business sectors and the use of codes, but it was the first step toward economic growth and transparency among the private and public sectors in the United States.<sup>3</sup> Whether or not the NRA and the code authorities improved economic conditions, the law was targeted to address an economic emergency that was complex and difficult to resolve. In the following pages, I examine the organizational structure of the

<sup>1</sup> Lois MacDonald, Gladys L. Palmer and Theresa Wolfson, *Labor and the NRA* (New York: Affiliated Schools for Workers Inc., 1934), 1; Lowell B. Mason, "Darrow vs. Johnson," *The North American Review* 238, no. 6 (December 1934): 527; Gene Smiley, *Rethinking the Great Depression*, 88-89; Jenny McTaggart, "New Deals of the 1930s," *Progressive Grocer*, February 1, 2012; Amity Shlaes, "How Presidential Administrations Cheat at Monopoly," *USA Today Magazine*, January 2011. <http://www.usatodaymagazine.net>. (accessed March 13, 2015); Jim Powell, "How FDR Prolonged the Great Depression," CATO Policy Report, <http://www.cato.org/policy-report/v25n4/powell.pdf>. (accessed April 1, 2013).

<sup>2</sup> Donald R. Richberg, "Progress under the National Industrial Recovery Act," 394; Walter C. Teagle, "The Recovery Program in Operation," *Proceedings of the Academy of Political Science* 15, no. 4 (January 1934): 413; Robert J. Bresler, "Copping to Corporatism," *USA Today Magazine*, May 2009; Chris Edwards, "Echoes of the Great Depression," *USA Today Magazine*, November 2005. <http://www.usatodaymagazine.net>. (accessed March 13, 2015); Philip Kingsley, "Johnson Makes Savage Attack on NRA Critics," *Chicago Daily Tribune*, August 3, 1934.

<sup>3</sup> Cary Nelson, "The Depression in the United States—An Overview," *Modern American Poetry*, <http://www.english.illinois.edu/maps/depression/overview.htm>. (accessed February 17, 2013).

NRA and discover how the different provisions of the law and the National Recovery Administration created the codes of fair competition. I discuss the origins of the petroleum and automobile codes and the debates among policymakers and corporate leaders during these processes. The chapter illustrates how the Roosevelt administration attempted to maneuver in two key industrial sectors of the national economy in an effort to improve workers' benefits, wages, and conditions as well as to address the economic crisis. Although policymakers were not always successful, Roosevelt thought that the emergence of the NRA fair codes of competition was a step in the right direction to promote more stability in the labor markets and in industry.

With the enactment of the NIRA on June 16, 1933, President Roosevelt made it his responsibility to establish Executive branch agencies for the propagation of the codes of fair competition.<sup>4</sup> In *The ABC of the NRA*, Charles L. Dearing and others, argued that the NRA was without precedence.<sup>5</sup> There had never been any governmental agencies quite like it. But the NRA supporters maintained that it was the agency's purpose to produce and enforce codes, but there were other responsibilities that were just as important, such as the NRA's re-employment agenda.

First of all, Roosevelt created the office of the NRA administrator, whose responsibilities consisted of selecting its government employees at the lower levels of the NRA, holding preliminary hearings and negotiations, and performing day-to-day supervision.<sup>6</sup> In December, 30, 1933, Roosevelt gave the chief administrator the power to

<sup>4</sup> Stephen Schwartz, "Unhappy Days: The Cure for the Great Depression was Addiction to Big Government," *The Weekly Standard*, July 30, 2007. <http://www.theweeklystandard.com>. (accessed March 13, 2015).

<sup>5</sup> Charles L. Dearing et al., *The ABC of the NRA*, 41.

<sup>6</sup> Ellis Wayne Hawley, *The New Deal and the Problem of Monopoly: A Study of Economic Ambivalence* (Princeton: Princeton University Press, 1966), 19.

approve codes, with the exception of essential industries, and to approve all changes to the existing codes.<sup>7</sup> A Special Industrial Recovery Board was established.<sup>8</sup> It included as its members the Secretary of Commerce, who served as the chairman; the Attorney General; the Secretary of the Interior; the Secretary of Agriculture; the Secretary of Labor; the Director of the Budget; the Administrator for Industrial Recovery, and the Chairman of the Federal Trade Commission.<sup>9</sup> This organization was abolished in December 1933.

After the National Recovery Administration was created, the chief administrator to the NRA, General Hugh Samuel Johnson, established different industry advisory boards and sub-divisions that specialized in the technical aspects within the industries.<sup>10</sup> These sub-agencies were responsible for making the codes and sanctioning the behavior of corporations that violated the codes. Within each division, there were deputy administrators who were always in contact with the chief administrator. They had the responsibility to use their contacts with the chief administrator to negotiate with industry leaders.<sup>11</sup>

<sup>7</sup> Charles L. Dearing et al., *The ABC of the NRA*, 44; William E. Sweet, "The National Recovery Act and Industrial Discipline," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 155.

<sup>8</sup> Franklin Delano Roosevelt: "Executive Order 6173 on the N.R.A.," June 16, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14670>. (accessed March 24, 2013).

<sup>9</sup> Ellis Wayne Hawley, *The New Deal and the Problem of Monopoly*, 22. Hawley argued that the idea for establishing special industrial boards had been discussed during the negotiations for the NIRA.

<sup>10</sup> Tom H. Watkins, "The Bird Did Its Part," *Smithsonian*, May 1999. <http://www.smithsonianmag.com>. (accessed March 12, 2015). Johnson initially served during the First World War as the director of the Army's Purchase and Supply Branch. Johnson also served in the War Industries Board during World War I. He used his wartime experience as chief administrator for the NRA; Franklin Delano Roosevelt: "Executive Order 6173 on the N.R.A.," June 16, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14670>. (accessed March 24, 2013); "National Industrial Recovery Act of 1933," The Social Welfare History Project, <http://www.socialwelfarehistory.com/eras/national-industrial-recovery-act-of-1933/>. (accessed April 1, 2013); Alan Brinkley, "Roosevelt, Franklin Delano," American National Biography Online, <http://www.anb.org/articles/06/06-567.html>. (accessed April 1, 2013).

<sup>11</sup> Charles L. Dearing et al., *The ABC of the NRA*, 45.

Former New Deal policymaker Charles L. Dearing argued that two NRA entities that proved to have staying power were the Legal Division and the Research and Planning Division. The Legal Division examined newly devised codes to ensure that they were in compliance with federal, state, and local regulations. The Research and Planning Division had duties that required cooperation with the Legal Division.<sup>12</sup> It worked with industry leaders to gather information about industries in the United States. This information was used in devising the numerous codes that affected the private sector. The Research and Planning Division was headed by Dr. Alexander Sachs, who convinced Roosevelt that a division should be established to handle financial, economic, and industrial reports necessary for recovery.<sup>13</sup> Both divisions provided lots of legal and government advice to the upper echelon of the NRA. They did not just provide technical assistance, but most of the information about the codes and industries came from these two NRA entities.

Within the NRA, there were three advisory boards: the Industrial Advisory Board, the Labor Advisory Board and the Consumers' Advisory Board.<sup>14</sup> The Industrial Advisory Board included members who were selected by the Commerce Secretary, whose membership was subject to rotation.<sup>15</sup> This board was to express the interests of the business community but also labor unions.<sup>16</sup> Members of this board were appointed to

<sup>12</sup> Leverett S. Lyons and C.L. Dearing, "The Recovery Law," 764-765.

<sup>13</sup> Charles Frederick Roos, *NRA Economic Planning* (Bloomington: The Principia Press, Inc., 1937), 60-61.

<sup>14</sup> Gene Smiley, *Rethinking the Great Depression*, 89-90.

<sup>15</sup> Special, "Washington Picks Recovery Boards and Chief Experts," *New York Times*, June 20, 1933. This article provides readers with some details about the selection of members to the Labor and Industrial Advisory Boards. Secretary Roper from the Commerce Department was one of the members to the Industrial Advisory Board, and Alfred P. Sloan, Jr., from General Motors Corporation. This is further evidence that Sloan attempted to work with the National Recovery Administration, General Hugh Samuel Johnson, and President Franklin Delano Roosevelt before 1934. See E.L. Yordan, "Cars Share in New Act: Auto Makers and Users Play a Vital Role under Recovery Measure," *New York Times*, June 25, 1933.

<sup>16</sup> Special, "Text of General Johnson's Speech Explaining the Plan and Purpose of the Recovery Act," *New York Times*, June 26, 1933; Special, "President Asks Pay Rise Action From Employers," *Los Angeles Times*, July 25, 1933;

ensure that, during the code negotiation process, business interests were promoted and placed at the forefront. Moreover, this entity was responsible for selecting appointees who served in negotiations during the decision-making process. Initially, members of the Industrial Advisory Board earned tenure and other job security benefits. Over time, these appointments were rotated, providing all of its members with opportunities to implement policy. Members were employed at will. They were subject to firing if they did not serve professionally in their roles with the federal government. Moreover, if the codes of fair competition were not devised and improved in a timely manner, then their actions were subjected to scrutiny.<sup>17</sup>

The Labor Advisory Board had its members selected by the Labor Secretary. They handled the labor policy during the code-negotiating process.<sup>18</sup> Dr. Leo Wolman was the chief administrator of this board.<sup>19</sup> Wolman had been an educator and labor analyst for more than twenty-five years. He had been employed as a union representative and worked for many federal governmental agencies such as the National Bureau of Economic Research and the Social Science Research Council. He worked with laborers to ensure that wages, benefits, and working conditions were satisfactory, and that the interests of the

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Special, "Roosevelt Bans Board's Labor Clause Definition, *Los Angeles Times*, September 16, 1933. With the emergence of the NIRA, the Labor and Industrial Advisory Boards worked with industry leaders about the merit clause and open shop. With the merit clause, workers could be hired and fired based upon meritorious service. Some members of the NRA believed in promoting the closed shop, which was concept that did not win the approval of the automobile sector.

<sup>17</sup> James Gross, *The Making of the National Labor Relations Board: A Study in Economics* (Albany: State University of New York Press, 1974), 15.

<sup>18</sup> Frances Perkins, "A National Labor Policy," *Annals of the American Academy of Political and Social Science* 184 (March 1934): 2.

<sup>19</sup> Special Report, "Dr. Wolman Heads Auto Labor Board, *New York Times*, March 28, 1934. The article stated that Wolman had been a labor analyst for more than twenty-five years. He had written books and articles about the issue, and worked for the National Bureau of Economic Research and the Social Science Research Council. He was an economic analyst for the Amalgamated Clothing Workers of America and had many different positions within the federal government. He graduated from John Hopkins University and was an instructor at Hobart College, the University of Michigan and Columbia University; Special Report, "Spending Program Viewed as Failure," *New York Times*, June 13, 1939.

American worker were promoted.<sup>20</sup> This board worked with labor unions to compile information about the labor situation in American firms and used this data to create the industry codes.<sup>21</sup> Its members were present at the NRA hearings, and they made sure that workers' rights were brought to the attention of the chief administrator. The interests of workers such as wages, benefits, and working conditions, they argued, must be protected.<sup>22</sup>

The last entity was the Consumers' Advisory Board.<sup>23</sup> Members to this board were appointed by the chief administrator and President Roosevelt.<sup>24</sup> This board handled price stability issues for American consumers during the hearings, and made sure that their interests were recognized.<sup>25</sup> It was not connected to any particular government agency.<sup>26</sup> It maintained the interests of the public and made sure that each code did not contain any

<sup>20</sup> Milton Derber and Edwin Young, eds., *Labor and the New Deal* (Madison: University of Wisconsin Press, 1957), 166-167.

<sup>21</sup> Special, "Open Shop Plea Made," *Los Angeles Times*, September 4, 1933. After the approval of the automobile code, the Labor Advisory Board was viewed in a negative light, because it supposedly did not compromise on the merit clause and the closed shop. This agency believed in protecting the American worker who sought representation in the labor markets.

<sup>22</sup> Special, "Changes in the NRA," *Los Angeles Times*, May 1, 1934. This article acknowledges that this agency attempted to protect the American worker, and consequently, the American Federation of Labor was given some authoritative control in the Labor Advisory Board and the National Labor Board in 1934. It came as a part of a reorganization of the National Recovery Administration to make it more efficient in its dealings with workers and corporate leaders; Special, "Advisors Reach Accord on NRA Labor Clause," *Los Angeles Times*, September 14, 1933. As protection for American workers, the merit clause was installed as a compromise between the interests of labor and management. It stipulated that workers could be hired or fired without having an affiliation with a trade union.

<sup>23</sup> Robert S. Lynd, "The Consumer Becomes a Problem," *Annals of the American Academy of Political and Social Sciences* 173 (May 1934): 5.

<sup>24</sup> Paul H. Douglas, "The Role of the Consumer in the New Deal," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 103.

<sup>25</sup> Meg Jacobs, *Pocketbook Politics: Economic Citizenship in Twentieth Century America* (Princeton: Princeton University Press, 2005), 113-114. Under Mary Rumsey, the CAB argued that consumer prices should not erode American purchasing power. Further, she targeted efforts to prevent unfair pricing and promoted minimum wage standards; Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York: Vintage Books, 2003), 19, 29.

<sup>26</sup> Dexter M. Keezer, "The Consumer under the National Recovery Administration," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 89, 92-93; Special, "Text of General Johnson's Speech Explaining the Plan and Purpose of the Recovery Act," *New York Times*, June 26, 1933; Consumers Advisory Board Radio, 1934-1935; General Files of the Consumers Advisory Board—Miscellaneous Publications; National Recovery Administration; National Archives at College Park, Maryland. CAB radio played a substantial role in addressing and informing the public about its policies. It defended the consumer and was against cutting prices below the costs of production. The CAB enforced all industry codes.



special breaks or privileges. Some scholars argued that this entity was feeble and lacked enforcement powers.<sup>27</sup>

Members of these three boards were not paid by the NRA to conduct hearings and negotiate in the code-making meetings. Board members did not meet routinely. All work efforts were completed in committees, and members prepared the data that was used in the creation of industry codes.<sup>28</sup> Within each board, moreover, there existed a formal office and a staff of researchers that worked directly within the NRA. They maintained regular work hours within the NRA, and they served as resident members for this agency. They worked with special advisors and visiting staff during the negotiation process.

The NRA worked with other government agencies indirectly, such as the National Labor Board, the Central Statistical Board, and the Agricultural Adjustment Administration. Most significantly, the National Labor Board, through its actions, played a prominent role in the propagation of codes of fair competition. Senator Robert E. Wagner served as the chairman of the labor board.<sup>29</sup> Established in August 1933, it settled disputes that arose with the emergence of the President's Re-employment Agreement and in conjunction with the National Recovery Administration.<sup>30</sup> After December 1933, the NLB's powers were expanded to include the dispute resolution that proved necessary, due to unfair codes, or issues of workers' rights. The NLB was the last line of defense for workers, because the

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<sup>27</sup> Frederick J. Schlink, "Safeguarding the Consumer's Interest an Essential Element in National Recovery," *Annals of the American Academy of Political and Social Science* 172 (March 1934): 115-116.

<sup>28</sup> Special Report, "Reply of the Recovery Administration to the Criticisms by the Darrow Board," *New York Times*, May 21, 1934. Although the committees worked together, there were some criticisms in how the negotiations functioned. Were the witnesses or evidence biased, and were all parties given an opportunity to testify?

<sup>29</sup> Chicago Tribune Press Service, "Hutchins Heads National Labor Board in Chicago," *Chicago Daily Tribune*, October 20, 1933.

<sup>30</sup> Charles L. Dearing et al., *The ABC of the NRA*, 52; Robert L. Lund, "Labor Organizing by the Congress and Lawmaking by the Labor Board," *Annals of the American Academy of Political and Social Science* 178 (March 1935): 100, 102; Charles J. Morris, *The Blue Eagle at Work: Reclaiming Democratic Rights in the American Workplace* (Ithaca: Cornell University Press, 2005), 25-26.

agency made sure that all avenues had been extinguished before it took cases involving labor disputes. This agency could only sanction offenders by removing their Blue Eagle designation.<sup>31</sup>

The codes of competition were central to the operation of the NRA. The code-making process moved from the establishment of ideas and tentative proposals to the final approval of a code. The decision-making process within the NRA revealed its organizational structure. Charles L. Dearing and A. Heath Onthank, who served in the NRA, both addressed this important topic. They illustrated vividly the steps that policymakers had to follow in order to have a code approved by the presidency.<sup>32</sup>

Each code that was created by industry leaders and approved by the presidency had certain uniform provisions.<sup>33</sup> These included guidelines for production, process, wages and hours, and an administrative board. The codes also contained within their stipulations' information from Section 7(a) that dealt with collective bargaining. At any time, during or after the code had been approved, the presidency maintained the capacity to abolish any code, or modify it in any way. An administrative board for each code was established within the industry with representatives that had as their obligation to interpret and implement the code. Moreover, each code had to contain provisions against unfair trading practices. As Roosevelt advisor Adolf Berle wrote "the abuses of the past, the chiseling, cut-throat competition, dishonest practices of all sorts, will be eradicated."<sup>34</sup>

<sup>31</sup> "History and Photos: The NLB and the Old NLRB," National Labor Relations Board, <http://www.nlr.gov/75/oldnlrb.html>. (accessed June 8, 2014.)

<sup>32</sup> Louis Stark, "A Penetrating Appraisal of the NRA's Worth," *New York Times*, May 26, 1935.

<sup>33</sup> Timothy Sandefur, "Comes a Horseman," *National Review*, September 20, 2010, 38. <http://www.nationalreview.com>. (accessed March 14, 2015).

<sup>34</sup> A.A. Berle et al., *America's Recovery Program* (London: Oxford University Press, 1934), 72; Lewis L. Lorwin, "Industrial Truce or Strife: The Labor Problem Analyzed," *The New York Times*, November 4, 1934; Donald R. Richberg, "Progress under the National Industrial Recovery Act," 398; Press Release #9508, Monday, January 7,

In the beginning of the process, a trade association had to apply to the presidency for the creation and approval of a code. An industry code contained all of the rules and guidelines that corporations had to follow or they could lose their Blue Eagle status. Most codes had the approval of a majority of the industry. This meant that most members agreed with the stipulations of the code. All agreed to follow the rules. Because cut-throat competition could have proved detrimental to the national economy, and workers did not benefit from the financial and labor practices that management put forth, the code had to be cooperatively developed.<sup>35</sup>

Once a code had been created, a committee from an industry traveled to Washington, D.C., to seek approval from the NRA and the presidency. Thus, the code was submitted to the Control Division of the NRA in Washington, D.C.<sup>36</sup> Application forms were completed and returned to the Control Division for review and approval. There were three documents that were included in the submission: the constitution and bylaws, a letter by industry leaders providing a statement of purpose, and evidence that the trade association represented a majority of the interests of the industry. The trade association that released the code had to represent at least seventy-five percent of the industry in terms of market share, so that it appeared that they had the interests of the majority of the industry at heart. Thus, the codes of fair competition that were presented to the NRA had to have the support of a majority of the industry leaders.

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1935; General Files of the Consumers Advisory Board—Miscellaneous Publications, 1934-1935; National Recovery Administration—Consumers Division; National Archives at College Park, College Park, Maryland. This memo illustrates how excessive or cut-throat competition had been a detriment to the national economy, because it lowered prices as each industrial sector sought to maintain a comparative and absolute advantage in the global system.

<sup>35</sup> Special, "Did NRA Promote Recovery," *Chicago Daily Tribune*, June 9, 1935.

<sup>36</sup> Charles L. Dearing et al., *The ABC of the NRA*, 80-81.

These industrial and corporate executives sought its approval in their manufacturing sectors.<sup>37</sup>

After the passage of the NIRA, the first codes that were approved by the president became templates for subsequent efforts. Code-writing was uncharted territory. Thus, the NRA hired code advisors who discussed the plausible provisions that all industries understood. Some codes were well-conceived and consisted of several hundreds of pages' worth of stipulations. Further, efforts were made to have codes that were written clearly, so that industry leaders could conform to the rules and regulations. All together, there have been submitted "987 codes representing national trade associations and about 3,000 codes representing regional, state, and local associations."<sup>38</sup>

Once the codes, constitutions, and bylaws and other information had been submitted to the NRA, the documents were registered, categorized by industrial sectors, and distributed to the offices so that they could be discussed, debated, researched and analyzed. The Control Division then informed the deputy administrator about the submission. Within the deputy administrator's office, the codes were distributed to assisting staff members. They were given portions of the codes for research purposes, depending upon the expertise of that agent. Hence, if a code was produced for the paper industry, then an assistant in charge of wooden products examined that code. Mandatory codes were looked at first to ensure that they complied with NRA regulations. Once this had occurred, a committee consisting of the three advisory board members, members from

<sup>37</sup> Ibid.

<sup>38</sup> A.A. Berle et al., *America's Recovery Program*, 76; S. Clay Williams, Chairman, NIRB to Hon. Jeuet Bhouse, President, the American Liberty League; Donald Richberg Papers, National Archives at College Park, College Park, Maryland. This document acknowledged that there were about 120 codes that had provisions against price-cutting mechanisms, while there were over 200 codes with emergency minimum wage standards. All codes held some stipulations in common, but there were some profound differences as well, especially since each industrial sector had distinct qualities.

the Legal and Research and Planning Divisions, the deputy administrator, and his assistants was convened.<sup>39</sup>

At this meeting, a representative from the deputy administrator's office served as the chairman. The codes were then revised. New events that affected the codes led to alterations in some form: omissions and revisions were taken into consideration. Illegal stipulations were eliminated from the code proposals. Before a code was viewed as satisfactory, many meetings had been convened and conducted. It sometimes took days or even weeks before approval at the preliminary stage occurred. The NRA made enormous efforts to ensure that all codes were constitutional and had a basis in law, which proved to be important in initial court tests. Once this occurred, a public hearing with the Control Division took place.<sup>40</sup>

Public hearings were important. Participants from trade and labor unions expressed their viewpoints about the codes and sought to modify code provisions.<sup>41</sup> The preliminary codes were examined further by industry leaders, the Deputy administrator and his staff, and members of the advisory boards. At these meetings, trade associations that represented a certain industry stated their case. Participants examined the pros and cons of each stipulation or provision of the codes. Trade associations, further analyzed and

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<sup>39</sup> Special, "Trade Group Says Recent NRA Rulings Retard Recovery," *Chicago Daily Tribune*, November 3, 1933; Consumers Advisory Radio, 1934-1935; General Files of the Consumers Advisory Board—Miscellaneous Publications, National Recovery Administration—Consumers Division; National Archives at College Park, College Park, Maryland.

<sup>40</sup> "Straus Invites Public to Join NRA Hearings," *New York Times*, February 24, 1934; Staff Correspondent, Wagner Heads the Group" *New York Times*, August 6, 1933; Special, "Thousands to Join in 5 NRA Hearings," *New York Times*, February 25, 1934.

<sup>41</sup> Special, "Washington Picks Recovery Boards and Chief Experts," *New York Times*, June 20, 1933; Special, "Text of General Johnson's Speech Explaining the Plan and Purpose of the Recovery Act," *New York Times*, June 26, 1933.

contested the aspects and effects of the codes, should they be approved by the president and became the law of the land.<sup>42</sup>

Members of the Consumers Advisory Board were present at each hearing to ensure that industry leaders provided the NRA with information about pricing and production costs. This prevented the emergence of price increases under each proposed code.<sup>43</sup> Normally, public hearings lasted from one half of a day to four days. A public hearing often lasted well into the early morning hours, because all interests were given a chance to state their case and claims. However, economist Adolf Berle argued that the public hearings were not “court procedures.” They were mainly meetings of industry leaders and the members of the NRA divisions. Public hearings did carry enormous legal weight. The president did not approve any of the codes or their proposals unless they had been navigated throughout the negotiation process.<sup>44</sup>

Next were the post-hearing conferences. They consisted of a series of meetings with the steering committee representing the industry to iron out problems that had not been handled in the public hearings. At this time, the codes were prepared for approval. At these conferences, the final remarks about the codes were given. Once the codes received the acceptance of the industries, trade unions, the general public as represented at the hearings, and the federal government, the codes were sent to Roosevelt for his signature.

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<sup>42</sup> Special, “Price-Fixing Stays in the Retail Code,” *New York Times*, September 21, 1933. The negotiations of the retail code are sound examples of how public opinion at the hearings was important. Citizens were invited to participate in the code-making process; Russell Owen, “Over the Nation the Blue Eagle Wings,” *New York Times*, July 30, 1933.

<sup>43</sup> Press Release #669, Friday, September 8, 1933; General Files of the Consumers Advisory Board, 1934-1935; National Recovery Administration Consumers Division—Miscellaneous Publications; National Archives at College Park, College Park, Maryland.

<sup>44</sup> Ellis Wayne Hawley, *The New Deal and the Problems of Monopoly*, 31; Hawley argued that section 3 of the NIRA stipulated that the president must assume the role of signing the industry codes after policymakers had finished the negotiation process.

The president received “the chief and deputy administrators’ reports, a transcript from the public hearings on the codes, statistical information from the Research and Planning division, and a statement of the codes’ formalizing procedures.”<sup>45</sup> Once the president received this information, he could approve the code or reject it. If the code was rejected, it could be revised and resubmitted.<sup>46</sup>

Moreover, the codes could be approved with conditions that must be followed. With Roosevelt’s signature, the codes were sent to the State Department for filing purposes. Even though the president signed off on the codes, this did not mean that the industry codes were not modified further. Codes were subjected to change through the enactment of amendments, if the need arose. It meant that the codes never became outmoded. They were subject to amendments that modified the stipulations or provisions of the codes.

Finally, once the codes were approved, American companies that complied with the codes were given the Blue Eagle Seal, which was a form of economic and legal licensing.<sup>47</sup> The industrial codes became law. Corporations, even if they did not sign the codes, were required to adhere to their guidelines.<sup>48</sup> In public speeches, General Hugh Samuel Johnson argued that, if corporations did not comply with industry codes, he could take away their Blue Eagle Seal.<sup>49</sup> Using public opinion by endorsing business practices with the Blue Eagle became an important mechanism of persuasion.

<sup>45</sup> Charles L. Dearing et al., *The ABC of the NRA*, 89; Leverett S. Lyons and C.L. Dearing, “The Recovery Law,” 765; “National Industrial Recovery Act of 1933,” The Social Welfare History Project, <http://www.socialwelfarehistory.com/eras/national-industrial-recovery-act-of-1933/>. (accessed April 1, 2013).

<sup>46</sup> Charles L. Dearing et al., *The ABC of the NRA*, 89-90.

<sup>47</sup> Carl Brent Swisher, ed. *Selected Papers of Homer Cummings, Attorney General of the United States: The National Recovery Act*, Volume 1: 122; Alan Brinkley, “Roosevelt, Franklin Delano,” American National Biography Online, <http://www.anb.org/articles/06/06-00567.html>. (accessed April 1, 2013).

<sup>48</sup> Gene Smiley, *Rethinking the Great Depression* (Chicago: Ivan R. Dee, 2002), 91.

<sup>49</sup> Philip Kingsley, “Johnson Makes Savage Attack on NRA Critics,” *Chicago Daily Tribune*, August 3, 1934.

A prominent example of the NRA code-making process at work was the making of the automobile code for the Big Three Automobile companies and the petroleum code that affected the southwestern states that maintained many drill sites. These codes show how the NRA affected their labor and financial actions and decisions. The petroleum code and the automobile code were, in addition, interconnected. Each industry was dependent upon the other. It is necessary to illustrate the code-making process by examining the interconnections between the oil industry, General Motors Corporation, and Ford Motor Company. The auto industry, however, was concerned with the repercussions of section 7(a) and the introduction of collective bargaining. The petroleum sector focused on production and price controls.<sup>50</sup> Even though the industries were interrelated, they emphasized different issues during the code negotiation process.

The petroleum code limited the oil production and the distribution of petroleum in the United States. Nationwide oil shipments were limited in an effort to decrease supply and augment the prices for this commodity.<sup>51</sup> The oil prices were not supposed to fall below the costs of production in order to protect the purchasing power of those who worked in the industry and the profitability of oil corporations. The oil industry, along with the other industrial sectors, was similarly protected from foreign products that may have been cheaper or more cost-effective. Tariffs on imports, and the implementation of quotas that targeted supply levels increased American purchasing power. The oil industry and the Big Three, especially the Ford Motor Company under Henry Ford, protested vehemently

<sup>50</sup> Bernard Kilgore, "Code Backers Credit Sharp Rise in Oil Profits on Coast to NRA—Price-Fixing Still an Issue," *Wall Street Journal*, November 6, 1933. Throughout the oil code negotiations, price and production controls were at the center of the discussion and debate.

<sup>51</sup> J.M. Clark, "Economics and the National Recovery Administration," *The American Economic Review* 24, no. 1 (March 1934), 14.



against the establishment of this tax on imports and believed that it led to noxious business practices.

The oil industry during the early 1930s suffered from poor economic and labor practices. The oil reserves in the private sector increased at an exponential rate, causing a contraction of oil prices. Technological innovations had made it easier to acquire greater oil reserves, and there was the collapse of proration schema that had been used to create a fair pricing system.<sup>52</sup> Moreover, scholars, such as historian Norman Nordhauser, have shown that only since the Hoover administration did the petroleum companies maintain statistics and other forms of data regarding production. This information was needed before new regulations were established.<sup>53</sup> Political scientist Donald Brand affirmed that there had been a glut in oil reserves in the United States, especially after more petroleum was discovered in East Texas in 1930.<sup>54</sup> This influx of supply added to the preexisting oil fields throughout Texas, Oklahoma, and California.<sup>55</sup> All in all, oil prices in the United States had decreased, causing petroleum manufacturers to lose money, because of a lack of demand and excess supply.<sup>56</sup>

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<sup>52</sup> John Kennedy Ohl, *Hugh S. Johnson and the New Deal* (Dekalb: Northern Illinois University Press, 1985), 123; Special, "Big Cut in Oil Output Urged to Avert Ruin," *Wall Street Journal*, November 23, 1930. This article discussed how depressed prices for oil products were considered a hindrance to economic growth in the United States and global system. Overproduction was viewed as problematic for the petroleum industry.

<sup>53</sup> Norman E. Nordhauser, *The Quest for Stability: Domestic Oil Regulation, 1917-1935* (New York: Garland Publishing Inc., 1979), 96.

<sup>54</sup> Donald R. Brand, "Corporatism, the NRA, and the Oil Industry," *Political Science Quarterly* 98, no. 1 (Spring 1983): 106.

<sup>55</sup> Special Report, "Petroleum Output Increased in May," *New York Times*, July 8, 1934.

<sup>56</sup> "Simms Petroleum Gains for Quarter," *New York Times*, November 8, 1933. Simms did show a profit for the second quarter, but they had many depreciation, depletion and abandonment expenses that were claimed. These deductions increased their profits for the quarter. But this company is one example of the difficult times petroleum companies faced; Special, "Oil Men Doubled Income Under Code," *New York Times*, January 22, 1934. Wirt Franklin, president of the Independent Petroleum Association and subscriber to the oil code argued that profitability stayed the same even with the oil code. Management made money and production decreased, but profitability remained the same.

Within the petroleum industry, corporate executives continued to argue over production levels, especially in states located along the Southwest and South. There was an enormous debate between those who favored high production levels and those who supported conservation, and thus higher prices, with decreased supply levels. Many industrial leaders and policymakers viewed depressed prices or surplus production as a detriment to that industrial sector, because it led to cut-throat competition and waste.<sup>57</sup>

On March 7, 1933, James A. Moffett of the Executive Committee of the American Petroleum Institute or (API) favored a reduction in the level of oil production to only two million barrels daily, which would have cut levels by a half-million barrels per day.<sup>58</sup> Moffett contended that the petroleum industry was in peril, because of high production levels and depressed oil and gasoline prices. Only Roosevelt could save the industry, it was believed, because enforcement of conservation laws was lax, and petroleum companies were ignoring production schema. If production levels were decreased based upon local and state demand levels, then prices would become somewhat elevated; and businesses in this industry would have seen higher profits. The NRA could, thus, provide regulation to ensure the oil industry's stability.<sup>59</sup>

On March 27, 1933, there was a conference for the petroleum industry to devise a tentative plan before the Official Governors Conferences that was held to be on the next day. The American Petroleum Institute's plan, that focused on production controls was not passed or enacted. The independent oil producers, such as John B. Elliott of the

<sup>57</sup> Special, "Big Cut in Oil Output Urged to Avert Ruin," *New York Times*, November 23, 1930.

<sup>58</sup> Norman E. Nordhauser, *The Quest for Stability*, 99-100; Keith Reid, "NPN's 95<sup>th</sup> Anniversary: Oil Power," *National Petroleum News*, May 2004. The API was initially called the Petroleum War Services Committee and it was established during the First World War for the distribution of petroleum products.

<sup>59</sup> Special, "Oil Men Doubled Income under Code," *New York Times*, January 22, 1934. Again, Wirt Franklin argued against the assertion that profitability improved with the oil code; "Oil Industry Faces Uncertain Future," *New York Times*, January 3, 1933.

Independent Petroleum Association of California, Jubal R. Parten of the Independent Petroleum Association of Texas, William M. Keck of Superior Oil of California, H.H. Champlin of Champlin Oil, E.B. Howard, an Oklahoma producer, and J. Edward Jones of New York, were not supportive of the API's plan.<sup>60</sup>

The following day, a committee of fifteen was established. It consisted of governors' delegates, representatives of the larger oil companies, and the Independents. To counter the committee of fifteen, Jack Blalock and Jubal R. Parten formed the Independent Petroleum Association Opposed to Monopoly. Members of this group controlled approximately five to ten percent of the industry's market share. Both groups believed that it was imperative that they work together to reform the industry or at least develop solutions to the industry's problems, but their methods were wholly distinct. The Committee of fifteen pressed for production controls and reform, while, initially, the Independents were somewhat reluctant to make changes to domestic production levels.<sup>61</sup>

Policymakers had to deal with the issue of supply and whether it was appropriate to reduce the production and shipment of petroleum goods in the United States.<sup>62</sup> Competition among the Independents and industry leaders in the petroleum industry was intense. Each company sought to out-produce the other in efforts to take advantage of the national allocation of their commodities. Petroleum companies in the southwest of the United States had to sell a large quantity of their products, because they offered too many incentives, such as rebates, coupons and special offers that reduced the oil prices in the

<sup>60</sup> Norman E. Nordhauser, *The Quest for Stability*, 101-102.

<sup>61</sup> Oliver McKee, Jr., "The Oil Code Fight," *New York Times*, August 6, 1933.

<sup>62</sup> Charles S. Diehl, "Federal Control Disturbing Texas," *New York Times*, December 2, 1934. This article illustrates that after the signing of the petroleum code, Ickes and business leaders were still concerned with production controls. Policymakers and corporate executives could not find a consensus to this complex issue.

private sector. Most industry leaders, however, feared production controls in the petroleum sector while the Independents favored government regulations and intervention.

The Independent petroleum merchants were more than willing to give up some of their autonomy in an effort to have more production controls. They did not approve of an unregulated industrial sector, as competition from larger companies undermined their plans. The Independents, who were represented by the Independent Producers Association of America (IPA), wanted to promote stability in the petroleum sector.<sup>63</sup> If this meant curtailing some of their autonomous business practices, then they were more than willing and capable.<sup>64</sup> The Independents had grown accustomed to state regulations, and they understood that the next step—national intervention--would stabilize the oil reserves in the national economy. Interstate commerce in oil was somewhat difficult to police and to sanction behavior when violations did occur. Moreover, there were many wells in the United States that led to problems of excess supply. For example, Texas contained 15,000 wells, and policymakers believed that it would have taken a numerous amount of state officials to bring the production crisis and the resultant situation under control.<sup>65</sup> Also, Russell Brown who served as general counsel for the IPA was concerned with illegal shipments of oil in the United States; because this had the ability to depress the petroleum

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<sup>63</sup> "Oil Men Will Urge Federal Dictator," *New York Times*, May 7, 1933.

<sup>64</sup> "Asks Ban on Illegal Oil," *New York Times*, July 12, 1933. Russell B. Brown who served as general counsel for the IPA was more than willing to petition the president about illegal production and domestic shipment in the United States. He believed that a few men that broke the rules were attempting to make money in the petroleum sector. The IPA was willing to give up some of its freedoms, so that the entire industry could thrive.

<sup>65</sup> Donald R. Brand, "Corporatism, the NRA and the Oil Industry," 110; Donald R. Brand, *Corporatism and the Rule of Law*, 175, 181.

market, promote excess oil supplies nationwide, and reduce the profitability of smaller companies in the petroleum sector.<sup>66</sup>

In an effort to handle the crisis in oil, policymakers introduced the Marland-Capper Bill in the spring of 1933 that was intended to regulate the petroleum industry and its production process.<sup>67</sup> It was introduced by Congressman Ernest W. Marland and Senator Arthur Capper on May 19, 1933.<sup>68</sup> Ernest W. Marland was the director of the API and a member of the oil industry, while Senator Arthur Capper was a petroleum industry consultant and policymaker. The bill would have established national production quotas, and placed limits on oil importation, and raised prices for petroleum products. The bill, some petroleum sector leaders argued, would have overregulated the oil industry, because the power to regulate oil was given to Secretary of the Interior Harold Ickes. The production quotas devised by the Federal government thus would have been legally binding. If petroleum companies had disobeyed the laws, then the companies would have faced federal fines and penalties.

Petroleum industry leaders were divided over this proposal. Although many felt that regulations were needed, opposition from oil companies may have been the central reason why the bill failed in Congress.<sup>69</sup> With the introduction of the NIRA, policymakers and oil men supported this law over Marland-Capper. They were more willing to follow the letter of the law under the NIRA, because they believed that systematic production and price controls were necessary to handle excess supply issues and increase profitability.

<sup>66</sup> "Asks Ban on Illegal Oil," *New York Times*, July 12, 1933.

<sup>67</sup> Special, "Topics in Wall Street," *New York Times*, May 27, 1933; Special, "Oil Control Hearings Set," *New York Times*, May 31, 1933; Special, "Congress to Go into High Gear," *Los Angeles Times*, May 29, 1933. This bill did meet with opposition and opponents to this bill appeared as witnesses during the Congressional discussions.

<sup>68</sup> Donald R. Brand, 'Corporatism, the NRA and the Oil Industry,' 112.

<sup>69</sup> *Ibid.*

With the introduction of the NIRA, policymakers and oil men abandoned the Marland-Capper bill. They were more willing to follow the letter of the law under the NIRA, because of the need to regulate production and control prices.<sup>70</sup> During this period, the NRA industry board was established to police the oil industry. Many independent oil producers that had favored Marland-Capper argued that the industry needed regulations and sanctions. The NRA's code-making machinery was only a step in the right direction. Normally, it was the independent producers that favored government intervention while the multinational corporations were against the NRA. Larger companies and smaller refineries were not intent to adhere to state regulations and laws to control the shipment of oil products throughout the United States. Small refineries in the Southwest and Southern California and East Texas may not have been in favor of the NRA and its code-making authority. The Independent group, Association Opposed to Monopoly, believed that overproduction was not problematic in the petroleum industry, but the emergence of monopolies in any industry was not conducive to a strong national economy.<sup>71</sup> The organization argued for strong anti-trust laws that protected the small producers and industry leaders.

In June 1933, after the passage of the NRA, one hundred industry leaders for the petroleum industry met in Chicago to devise the NRA oil code.<sup>72</sup> At the conference, the members of the oil industry lessened their opposition to overall government controls; but

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<sup>70</sup> Roger M. Olien and Diana Davids Olien, *Oil and Ideology: The Cultural Creation of the American Petroleum Industry* (Chapel Hill: University of North Carolina Press, 2000), 199-200, 202-206.

<sup>71</sup> Donald R. Brand, *Corporatism and the Rule of Law*, 177, 184-186.

<sup>72</sup> Donald R. Brand, "Corporatism, the NRA and the Oil Industry," 113; Gerald D. Nash, *United States Oil Policy, 1890-1964: Business and Government in Twentieth Century America* (Pennsylvania: University of Pittsburg Press, 1968), 135; Oliver McKee Jr., "The Oil Code Fight: Rival Views Stated," *New York Times*, August 6, 1933; Special, "Tentative Arrangement of Code for Oil Industry," *Wall Street Journal*, July 13, 1933; Special, "President Asks Pay Rise Action From Employers," *Los Angeles Times*, July 25, 1933.

negotiators on both sides of the table failed to establish production levels for their industry. Wirt Franklin from the Independent Petroleum Association argued for price adjustment strategies and unilateral production and shipment levels. He was supported by Harry Sinclair, E.B. Reeser of the Barnsdall Corporation, and Judge Amos Beaty of Phillips Petroleum. Other Petroleum industry leaders such as Judge C.B. Ames, chairman of the Board of Texaco, worried that price controls may affect negatively profit capabilities. Production controls may have increased oil prices and led to the strengthening of prices among their companies. With price quotas, further regulations became unnecessary. However, R.G.A. van der Woude, president of Shell Petroleum Corporation, argued that price and production controls favored the consumer. They were detrimental to the industry, because prices would become fixed and cost ineffective. He believed that industry leaders would lose money, because prices would be frozen at a certain level.<sup>73</sup>

Price and production controls would have limited the ability of oil companies in the United States from adjusting the prices of their commodities.<sup>74</sup> This economic strategy was proposed during the initial stages of the debate and discussion regarding the oil code.<sup>75</sup> If the federal government regulated the prices of oil products, then the petroleum industry might lose control over the determination of the prices for their products. Corporate

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<sup>73</sup> Special Report, "Fight Opens Today on Oil Price-Fixing," *New York Times*, November 20, 1933. At this hearing on oil price and production controls about 150 to 200 witnesses testified for or against price controls along with the presentation of 500 legal briefs. Some argued that it would lead to profitability in the oil sector while others believed that this was speculation. Policymakers debated about a two to three cents a gallon on gasoline increase in price.

<sup>74</sup> "Roosevelt Orders Curb on Illegal Oil," *New York Times*, July 13, 1933. Roosevelt felt that illegal interstate shipment of oil would flood the market and work against those that favored price and production controls. Roosevelt believed in the stabilization of the oil sector.

<sup>75</sup> Special, "Oil Code Adopted; Asks Price-Fixing," *New York Times*, June 25, 1933; Special, "Federal Oil Curb Proposed by NRA," *New York Times*, August 1, 1933. This article is important, because as policymakers and industry leaders negotiated the petroleum code, price controls were not initially included in the discussions. But lowering the price of oil below the costs of production was viewed as a hindrance to economic and industrial growth.

executives would have become dependent upon the authority of government officials.<sup>76</sup> Corporations were able to work on their day-to-day operations, but the absence of price and production controls might have prevented American corporations from establishing middle to long-term strategies without the assistance and guidance of federal, state and local officials. This was a problem for oil industry executives, but big businesses benefited the most from the implementation of the NIRA.<sup>77</sup> Big business profited from the NIRA because they had a greater ability to control production and oil shipments nationwide. They may have also had more oil contracts for shipments to filling stations in the United States and may have had a monopoly within the petroleum sector. Some big businesses also were frowned upon because on occasion, they made illegal shipments of petroleum that were above oil transportation limits and standards.

At the conference, policymakers and industry leaders created the Chicago Code, which established a domestic committee of fifty-four industry leaders to gather petroleum statistics, and other information, so that production levels could be charted and sound policies devised.<sup>78</sup> Industry leaders understood their market demand within the petroleum sector, and this information assisted in developing petroleum controls. On June 26, 1933, the board of directors of the API approved the Chicago Code at a meeting in New York City's Roosevelt Hotel.<sup>79</sup>

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<sup>76</sup> Inequities in the Petroleum Industry, April 7, 1934; General Files of the Consumer Advisory Board, 1934-1935—Miscellaneous Publications; National Recovery Administration—Consumer Division; National Archives at College Park, College Park, Maryland. In this document, policymakers believed that it was difficult to establish production controls, especially since multinational corporations had access to domestic and foreign reserves. They could maneuver much better in the international system and dominate discussions on pricing.

<sup>77</sup> Donald R. Brand, "Corporatism, the NRA, and the Oil Industry," 103.

<sup>78</sup> Norman E. Nordhauser, *The Quest for Stability*, 117-118.

<sup>79</sup> Ibid.



The debate between the NRA officials, independent refiners and major companies at the NRA code conference was over price and production controls. During the negotiation process, a price adjustment code was established by the Independents; but leaders from the American Petroleum Institute had approved the Chicago code. The Chicago code stipulated that multinational corporations and big oil associations could disapprove of price stabilization measures at future hearings.<sup>80</sup> The Independents favored the Interior Department's role in the decision-making processes for the petroleum industry and felt that Secretary Harold Ickes should serve as an industrial oil czar.<sup>81</sup> Gulf Oil, Dutch Shell, Standard Oil of Indiana, and Standard Oil of New Jersey were against the price control provisions of the oil code. Both sides debated these two codes, because there was some speculation that supply levels would be reduced with production controls, and petroleum would become too expensive.<sup>82</sup> Both sides speculated about whether cheap sources of oil would decline or become non-existent.

Many believed that the large oil producers benefited from the production controls, because they generated more revenue from the higher prices and had the capacity to store more oil for future needs. When the public hearings were held in July 1933, there was much disagreement over what the oil provisions should contain. At the public hearings, the Association Opposed to Monopoly and the Independents fought over the issue of price regulations. The Association Opposed to Monopoly proposed stronger anti-trust laws even though Independents and major companies were in favor of production controls and price regulation. Both sides from the petroleum industry leaders were concerned about

<sup>80</sup> John Kennedy Ohl, *Hugh S. Johnson and the New Deal*, 124.

<sup>81</sup> Oliver McKee, Jr., "The Oil Code Fight: Rival Views Stated," *New York Times*, August 6, 1933.

<sup>82</sup> Donald R. Brand, "Corporatism, the NRA and the Oil Industry," 114.

government regulations and interference; and felt that they would lose control of their business practices.<sup>83</sup> The federal and state entities, it would become clear, had to work together to develop a common ground for which all industry leaders could adhere.<sup>84</sup>

The conflict between both industry groups became so acute that General Hugh S. Johnson decided to bypass them by proposing and writing an oil code himself.<sup>85</sup> He sought to write a code that could be approved by industry leaders, not just the various organizations. He presented this proposal at the Washington, D.C., conference on July 31, 1933. General Johnson wanted the cooperation of major companies, such as Standard Oil of New Jersey, Sun Oil and members of the API. His code reflected the interests of major multinational corporations in the establishment of production controls. Many small companies argued that the production controls led to their bankruptcy, but it did not matter to General Johnson, who contended that members of the oil industry had to make sacrifices and establish austerity programs. The only provision of his code that benefited small refiners was their ability to go before a local board to press for changes if the production controls proved detrimental to their business operations.<sup>86</sup>

A federal board would establish state production levels based upon national statistics, and oil men could negotiate their production levels with government officials.<sup>87</sup> Johnson disapproved of price controls inherent in the Chicago code. He accepted instead

<sup>83</sup> Special, "Sinclair Assails Johnson Oil Code," *The New York Times*, August 6, 1933.

<sup>84</sup> Special, "Oil Control Held to Lie in States," *New York Times*, July 6, 1933.

<sup>85</sup> Gerald D. Nash, *United States Oil Policy, 1890-1964: Business and Government in Twentieth Century America* (Pennsylvania: University of Pittsburg Press, 1968), 138-139; Special, "Sinclair Assails Johnson Oil Code," *New York Times*, August 6, 1933; Special, "Oil Code Adopted: Asks Price-Fixing," *New York Times*, June 25, 1933; Special, "Oil Price Fixing Urged at Hearing," *New York Times*, August 3, 1933.

<sup>86</sup> James D. Magee et al., *The National Recovery Program*, 17.

<sup>87</sup> Special, "Federal Oil Curb Proposed by NRA," *New York Times*, August 1, 1933. This new agency consisted of nine individuals from the petroleum industry.

the position of the major companies that opposed this provision.<sup>88</sup> Johnson believed that maximum price adjustments were necessary to prevent an exponential increase in the demand and prices for oil commodities. On the whole, however, he believed that minimum standards were not essential to the oil industry.<sup>89</sup>

Because of the oil code impasse, Secretary Harold Ickes from the Interior Department stepped in and devised a code that contained price controls.<sup>90</sup> He hoped to negotiate between the two sides and reach a definite conclusion. Johnson did not take Ickes' intervention well. He decided to rework his proposal and included a slight price adjustment scheme in his new code. As he wrote, "a ratio of 18.5 to 1 between gasoline and crude petroleum prices was proposed and equally important, the president was given discretionary power to fix the minimum wholesale price for gasoline."<sup>91</sup> The new proposed code caused even more controversy, because the opponents argued that lower petroleum and gasoline prices destroyed profits and the industry as a whole.<sup>92</sup>

In mid-August 1933, both General Johnson and Ickes presented their proposals to President Roosevelt at the White House. Both sides of the negotiations became increasingly belligerent. Johnson's code was accepted by the majority of the oil industry, even though both sides were dissatisfied. Still, the Texas Railroad Commission wanted to maintain their immense powers over production controls. They were not inclined to have a separate federal agency dictate to them how they should exercise their authority over the

<sup>88</sup> Washington Bureau, "Status of NRA after Johnson," *Wall Street Journal*, July 18, 1934.

<sup>89</sup> Special, "Oil Price Fixing Urged at Hearing," *New York Times*, August 3, 1933.

<sup>90</sup> John Kennedy Ohl, *Hugh S. Johnson and the New Deal*, 125; Special, "Ickes Sets Price of Oil at \$1.11," *New York Times*, October 17, 1933.

<sup>91</sup> John Kennedy Ohl, *Hugh S. Johnson and the New Deal*, 125.

<sup>92</sup> Bernard Kilgore, "Code Backers Credit Sharp Rise in Oil Profits on Coast to NRA—Price-Fixing Still an Issue," *Wall Street Journal*, November 6, 1933. This article illustrates that before, during and after the negotiations for the petroleum code, price control and stabilization remained an important and controversial issue among the different parties.

oil production decision-making process in their state. Roosevelt listened to their protests, and they retained their power. However, the new code did not have any anti-trust stipulations that small producers and the Association Opposed to Monopoly had demanded.<sup>93</sup>

In the end, both the small refiners and the Association Opposed to Monopoly refused to sign onto the final code. Thus, the oil code was not a triumph for the Roosevelt administration. The code did, however, win some approval from Gulf, Shell Union, Standard of Indiana, Standard Oil of New Jersey, Texaco, Sun Oil, Atlantic Refining, Mid-Continent, Ohio Oil, Magnolia and General Petroleum.<sup>94</sup> The petroleum industry remained divided. The oil code was not popular, but served as a compromise between the parties represented at the hearings and conferences.

On August 19, 1933, President Roosevelt signed the Petroleum code. It contained many provisions that regulated the oil industry and promised to stabilize production and prices.<sup>95</sup> On August 29, 1933, President Roosevelt appointed Harold Ickes, the Secretary of the Interior, as the chief administrator for policing and managing the petroleum code.<sup>96</sup>

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<sup>93</sup> "Let Anti-Trust Laws Sleep," *Wall Street Journal*, December 22, 1933. In this article, there is some speculation that Senator Borah may have wanted to restore anti-trust mechanisms that were inhibited with the enactment of the NIRA; Washington Bureau, "Witnesses Urge Fixed Oil Price," *Wall Street Journal*, July 26, 1933; "Seek Oil Decree Change," *Wall Street Journal*, September 25, 1933; "Texas Anti-Trust Laws," *Wall Street Journal*, September 16, 1933.

<sup>94</sup> Donald R. Brand, "Corporatism, the NRA and the Oil Industry," 114.

<sup>95</sup> Washington Bureau, "Text of Oil Code Changes," *Wall Street Journal*, September 15, 1933. When examining this article, it is interesting that in less than one month, Roosevelt made changes to the petroleum code that affected gasoline stations and shipments to those facilities; Special, "Text of Revised Code for Oil Industry," *Wall Street Journal*, August 19, 1933.

<sup>96</sup> William E. Sweet, "The National Recovery Act and Industrial Discipline," 156; Lowell B. Mason, "Darrow vs. Johnson," 531; Special, "Oil Industry and the NRA," *New York Times*, October 8, 1933; L.H. Robbins, "Ickes Defines the Task Ahead," *New York Times*, April 1, 1934; Special, "Oil Wars' Waning Halts Price-fixing," *New York Times*, September 19, 1933; Special, "Fight Opens Today on Oil Price-Fixing," *New York Times*, November 20, 1933. This article illustrates how even with the approval of the petroleum code, industry leaders and policymakers continued to argue in favor or against the use of price controls; Chicago Bureau, "Ickes Warns U.S. May Curb Oil," *Wall Street Journal*, October 26, 1933. This article highlights a speech given by Ickes at the A.P.I. annual session in which he

This was important, because General Johnson was not given this responsibility. His role in negotiating the code and his support of certain factions undermined the president's ability to lead the NRA in regulating the petroleum industry. Although Roosevelt selected the Department of the Interior to administer to the petroleum industry, Johnson did not argue. Historically, the Department of the Interior controlled federal oil reserves and this provided Roosevelt with legal precedent to make this decision. Additionally, precedence had given control over oil to the Interior Secretary. The Petroleum Administration Board (PAB) was established under the umbrella of the Interior Department, and Roosevelt selected industry leaders to form a fifteen member Planning and Coordination Committee (P&CC) to represent the American firms in the petroleum industry.<sup>97</sup> Even with the signing of the petroleum code, there were still some oil proponents and opponents to price and production controls. Ickes had to continuously deal with this issue for and against whether price or production controls were satisfactory and beneficial to the oil sector.

The petroleum code established maximum weekly work hours of no more than forty for employees involved in oil drilling, production, refinery and pipe-line operators.<sup>98</sup> The remaining employees, with the exception of executives, supervisors, and their staff members and pumpers on stripper wells, could work no more than "seventy-two hours in any 14 consecutive days or no more than sixteen hours in any two consecutive days."

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admitted that price controls would not resolve the national emergency in the petroleum industry if stringent production levels were not in place; Special, "Ickes to Address A.P.I.," *Wall Street Journal*, September 23, 1933; Special, "Oil Industry's Gain Credited to NRA," *New York Times*, January 3, 1934.

<sup>97</sup> Special, "Oil Groups Name Choices for Board," *New York Times*, August 22, 1933; Special, "Text of Richberg's Business Report to Roosevelt," *Wall Street Journal*, August 18, 1934; Special, "Oil Wars Waning Halts Price-Fixing," *New York Times*, September 19, 1933. This committee became an important mechanism for debate regarding price controls throughout the two year period for the NIRA; Special, "Roosevelt Bans Board's Labor Clause Definition," *Los Angeles Times*, September 16, 1933.

<sup>98</sup> Internet Archive, "Code of Fair Competition for the Petroleum Industry" <http://www.archive.org/> (accessed December 20, 2011); Accession # 52, Box # 6, NRA Literature, Bills, Codes, The Code of Fair Competition for the Petroleum Industry, From the Collections of the Henry Ford, Benson Research Center.

Depending upon the region in which employees lived, minimum wages were established between forty-five to fifty-two cents per hour for most workers.<sup>99</sup> Refinery and pipeline workers were to be paid, depending upon the states in which they lived in the amounts between forty-two to forty-seven cents per hour. All in all, most employees could earn about 12.50 to 15.00 dollars per week depending upon their location.<sup>100</sup> Next, child labor was prohibited. Any adolescent under the age of sixteen could not become employed in the petroleum industry.<sup>101</sup>

Article III, section (1) of the petroleum code was another important provision, because it placed limits on production supplies. This stipulation had been a serious issue among industry leaders and the Senate during the negotiation process for the NIRA.<sup>102</sup> Only 100,000 barrels of oil could be produced daily. Approval from the president was required for all estimates of production figures and the distribution or allocation of petroleum products throughout the country. Limits were placed on the shipment of petroleum products as well. The Petroleum code established quotas for each state that were to be administered by government officials, and agencies were to be created when executive staff members were not present. With production and shipment levels, the base price for gasoline was to be established through executive agencies. The production and shipment quotas, along with the creation of a base price for gasoline, were important provisions, because many industry leaders and Congressional members believed that the

<sup>99</sup> Box # 6, Accession # 52, NRA Literature, Bills, Codes, The Code of Fair Competition for the Petroleum Industry, From the Collections of the Henry Ford, Benson Research Center; Special, "Roosevelt Names Committee for Oil," *Wall Street Journal*, August 31, 1933; Special, "New Oil Wage Made Retroactive by Ickes," *New York Times*, May 9, 1934.

<sup>100</sup> Internet Archive, "Code of Fair Competition for the Petroleum Industry," <http://www.archive.org/> (accessed December 20, 2011); Washington Bureau, "Addition Made to Code on Oil," *Wall Street Journal*, July 15, 1933.

<sup>101</sup> Internet Archive, "Code of Fair Competition for the Petroleum Industry," <http://www.archive.org/> (accessed December 20, 2011).

<sup>102</sup> J.M. Clark, "Economics and the National Recovery Administration," 14.

emergency crisis of the petroleum industry was due to cut-throat pricing and overproduction.<sup>103</sup> Rebates and other incentives in transactions were prohibited, because they led to unfair competition among refiners and filling stations.<sup>104</sup>

Members of the petroleum industry did not want regulations, but stipulations in the petroleum code were needed by an industry in crisis. The Petroleum code was not written to regulate trade unionism and collective bargaining, but to address the issues of production and price stability. In this code, gas and service stations were regulated; and employees could only work limited hours at those establishments. Gas station owners and employees were subjected to minimum wage standards, which were put in place to improve the standards of living and purchasing power of all Americans.<sup>105</sup>

With the passage of the oil code, the NRA created the Planning and Coordination Committee that established eight subcommittees, such as the statistical, production, refinery, marketing, accounting, labor, adjustment and transportation committees for the petroleum industry. These committees were organized to work with the petroleum industry to ensure their compliance with the oil code. They were given the responsibility to work on the planning aspects of the oil industry and promote fair practices. This ensured that all members of the petroleum industry could profit and earn revenue from

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<sup>103</sup> Special, "Crude Oil Output at Record in 1934," *New York Times*, February 22, 1935. This article acknowledges that, although the petroleum code enumerated production levels, over 3,700 wells in Texas drilled a substantial amount of oil. The production controls may not have worked; Special, "Oil Industry Achieving Stability, Says Ickes, Reviewing Progress in Year's Federal Rule," *New York Times*, July 11, 1934.

<sup>104</sup> Special, "Ickes Sets Price of Oil at \$1.11," *New York Times*, October 17, 1933. Victor H. Scales, "Oil Industry Faces Hopeful New Year," *New York Times*, January 7, 1934.

<sup>105</sup> Box # 6, Accession # 52, NRA Literature, Bills, Codes, The Code of Fair Competition for the Petroleum Industry, From the Collection of the Henry Ford, Benson Ford Research Center, The Henry Ford.

NRA guidelines that had been seen as a necessary part of rectifying the economic emergencies from the Great Depression.<sup>106</sup>

As the code negotiations in the Petroleum industries were taking place, Franklin Delano Roosevelt gave a radio address on July 24, 1933, at the White House.<sup>107</sup> He argued that industry leaders and policymakers were working together initially to combat the credit crunch that occurred from the Banking Crisis. These same individuals were establishing the codes of fair competition to reform the manufacturing and agricultural sectors. Credit had become sound, and policymakers worked on improving employment conditions in the industrial sector. Roosevelt contended that ninety percent of monetary resources had been returned to American citizens, who maintained saving and checking accounts. This was an important step in the right direction for economic solvency. It was essential to improve the purchasing power of all American workers in the marketplaces of the United States. It enabled Americans to acquire consumer goods and participate in the national economy, because of the restoration of high levels of disposable income.

In his radio address, Roosevelt also mentioned that more than three hundred thousand American men had been put to work following the adoption of the NIRA and the AAA. Further, more than three billion dollars had been earned in wages by those who had been put back to work. The wages earned by the principal breadwinners contributed to the federal government's revenue and taxation and grants could be used for public workers.

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<sup>106</sup> Box # 6, Accession # 52, NRA Literature, Bills, Codes, The Code of Fair Competition for the Petroleum Industry, From the Collection of the Henry Ford, Benson Ford Research Center, The Henry Ford.

<sup>107</sup> Franklin Delano Roosevelt, "Fireside Chat on the Purposes and Foundations of the Recovery Program" Item from Collection Franklin Delano Roosevelt Presidential Library website, Papers as President Personal File, 1933-1945.



This would lead to a business cycle in which wages could be reallocated from the private to public sectors.

Arguing that for many years, Americans had to worry about prices for consumer and primary goods and high unemployment levels. President Roosevelt pointed to the passage and implementation of the NIRA and the AAA as a means to address these problems. The forces that hampered the industrial and agricultural recovery were being addressed. With the enactment of the NIRA, child labor had been curtailed, and unemployment levels had been reduced, because the jobs that children maintained in the labor market could be given to adult men and women.<sup>108</sup> By 1934, policymakers, such as Dr. Ruth W. Ayres of the Consumer Advisory Board of the NRA and corporate executives from the petroleum industry, argued that oil prices at refineries had increased by 114 percent and were about 127 percent above the session lows in the national economy.<sup>109</sup> The NIRA and the codes of fair competition that NRA officials negotiated had altered the national and even the global economy, as many other nations were following the lead of the United States.

Roosevelt in his radio address gave credit to the Presidential Reemployment Agreement. The PRA was a blanket code that many industrial leaders and corporate executives had signed before the establishment of specific industry codes. The PRA was important, because “it got the ball rolling” for many corporations in the various industries that used it as a starting point for their industrial reforms.<sup>110</sup> The PRA served to establish rudimentary codes so that American corporations could begin to reform their business practices. Corporations, such as General Motors Corporation, supported the NIRA and they

<sup>108</sup> Special, “Text of Richberg’s Business Report to Roosevelt,” *Wall Street Journal*, August 28, 1934.

<sup>109</sup> “Coal Men Demand Higher Oil Prices,” *New York Times*, July 31, 1934.

<sup>110</sup> Marietta Stevenson and Lucy Williams Brown, *Federal and State Legislation for Unemployment Relief and National Recovery, 1933* (Chicago: Public Administration Service, 1933), 13-14.

were more than happy to sign the PRA so that the industrial emergency could be resolved.<sup>111</sup>

The automobile industry was among the most significant targets to the NRA. The Great Depression had proven to be a devastating blow for the automobile industry. In 1929, the automobile industry produced five million vehicles; by 1933, the number had dropped to 1.3 million cars manufactured annually.<sup>112</sup> Detroit, which was the center of the automobile industry, was a city without a prominent relief program for its citizens. It suffered from one of the highest unemployment rates in the United States. Thus, it came as no surprise that, with the oil code in place, the NRA began to focus its attention on the automobile code. One problem that the NRA faced was that the Big Three, especially Ford Motor Company, was disinterested in the code process. Henry Ford believed in “self-help and self-reliance,” and he was against the regulation of the automobile industry.<sup>113</sup> Henry Ford did not want new government regulations to change his company’s practices. In 1933, Ford Motor Company was approximately thirty years old. Ford did not want to lose control over his business operations, if he signed onto a proposed automobile code.<sup>114</sup> During the early years of the Great Depression, however, Ford Motor Company experienced a “total net loss of over \$ 107 million between 1931 and 1932 alone.<sup>115</sup> Overall, the automobile industry had performed fairly well in the national economy in comparison with other industrial sectors up to 1929. Its only concession to joint regulation was under the

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<sup>111</sup> Arthur B. Adams, *Our Economic Revolution: Solving Our Depression Problems Through Public Control of Industry* (Norman: University of Oklahoma Press, 1934), 115-116.

<sup>112</sup> Doris B. Laughlin, *Michigan Labor*, 101.

<sup>113</sup> Sidney A. Fine, *The Automobile under the Blue Eagle: Labor, Management and the Automobile Manufacturing Code* (Ann Arbor: The University of Michigan Press, 1963), 75. Sidney Fine, “Ford Motor Company and the N.R.A.,” 357.

<sup>114</sup> Sidney Fine, “Ford Motor Company and the N.R.A.,” *Business History Review* 32, no. 4 (Winter 1958): 355; Ted Morgan, *FDR*, 401-402.

<sup>115</sup> Sidney Fine, “Ford Motor Company and the N.R.A.,” 356.

policies of the National Automobile Chamber of Commerce, to which Henry Ford did not belong.<sup>116</sup>

With the creation of the NRA, most automobile industry leaders worried about the NRA code process. What if individual companies refused to accept the auto code and the entire industry was not on the same page? Members of the Automobile industry wondered what Henry Ford would do if they approved an industry code to which he did not consent.<sup>117</sup> The automobile industry was accustomed to the open shop and company unions.<sup>118</sup>

In May 1933, the National Automobile Chamber of Commerce (NACC) President Alvan Macauley considered the National Industrial Recovery Act and how it would affect the automobile industry. He then started the negotiation process.<sup>119</sup> The organization decided to propose codes for the automobile industry and report their findings to President Roosevelt and General Johnson. Alvan Macauley announced that Edsel Ford, who served as President of the Lincoln division, would join the committee in May 1933. Alfred P. Sloan, Jr., of GM, became the committee's chairman.<sup>120</sup> However, on June 21, 1933, after some consideration, Edsel Ford appointed Herman L. Moekle, who served in Ford's auditing department, to join the NACC and represent Ford Motor Company in the negotiation process.<sup>121</sup>

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<sup>116</sup> John Kennedy Ohl, *Hugh S. Johnson and the New Deal*, 127.

<sup>117</sup> H.E. Gronseth, "Open Shop is Key to Autos Signing," *Wall Street Journal*, August 17, 1933; Bernard Kilgore, "Relative Gains by Auto Labor During Slump Strengthen Opposition to Ending Open Shop," *Wall Street Journal*, August 22, 1933.

<sup>118</sup> "Open Shop Issue in Auto Hour Cut," *Wall Street Journal*, March 15, 1934.

<sup>119</sup> Special, "Auto Makers Weigh Value of Trade Code," *Wall Street Journal*, June 19, 1933.

<sup>120</sup> Sidney Fine, "The Ford Motor Company and the N.R.A.," 358.

<sup>121</sup> John B. Rae, *The American Automobile Industry*, 124-125.

There were eight versions of the automobile code that the National Automobile Chamber of Commerce worked on. Section 7(a), which was included in the code, was reworked so that there would be the continuation of the open shop.<sup>122</sup> Auto leaders were concerned with Ford Motor Company. They believed that assurances were necessary, in case, Henry Ford decided to disapprove of the automobile codes. On the whole, however, the auto companies resisted collective bargaining guarantees.

Consequently, on June 22, Johnson had a telephone conversation with Henry Ford;<sup>123</sup> and on June 24, 1933, Johnson flew to Detroit to have a conference with Henry and Edsel Ford. Johnson believed that diplomacy was the answer to the potential crisis in the automobile sector during the code process. Ford Motor Company had pioneered a high living wage and reduced work hours. Johnson believed that Ford could find some common ground in the proposed automobile code. Henry and Edsel Ford, however, opposed any provision in the industry code based on section 7(a).

At the meeting, Johnson was given the impression that Ford would accept the automobile code; or, as John Kennedy Ohl pointed out, he would “play ball with the NRA.” This turned out to be wrong. Henry Ford did not participate in the final discussions. He had “second thoughts” about the NRA and specifically opposed section 7(a) of the NIRA, because of what it meant to the open shop. Henry and Edsel Ford sought to implement a

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<sup>122</sup> W.B. Francis, “Open Shop Fight Due,” *Los Angeles Times*, September 9, 1933. In the automobile code, there contained a merit clause and in the end, this industry was the only sector to maintain this type of provision. In later discussions with other industries, Johnson would not compromise on this controversial proposal. He did not agree to include this clause in future negotiations with other industrial sectors; Special, “Open Shop Plea Made,” *Los Angeles Times*, September 4, 1933. Long after the automobile code had been approved, some industry leaders viewed the Labor Advisory Board with contempt, because they felt that the agency did not compromise enough on the merit clause. The merit clause stipulated that a person could be hired, promoted or fired based upon their work record; Special, “Reorganization of NRA Scheduled by Johnson,” *Los Angeles Times*, September 1, 1933. Even after the adoption of the merit clause in the automobile code, the Labor Advisory Board continued to scrutinize it and viewed it as a detriment to the American worker.

<sup>123</sup> Sidney A. Fine, *The Automobile under the Blue Eagle*, 76.

merit clause that was to replace the closed shop. The merit clause would have rewarded workers for their exemplary on-the-job service and performance. Ford did not want to sign on to anything that eliminated the open shop conditions in his plants.<sup>124</sup> Section 7(a), in Henry Ford's opinion, meant that organized labor would begin to represent factory workers and establish a relationship with management that was detrimental to the interests of Ford Motor Company. Ford further worried about price and production controls, and felt that they were bad for business.

On July 25, 1933, Henry and Edsel Ford discontinued their participation in the automobile code-making negotiations. They did not travel to Washington, D.C., to present the final code to General Hugh Samuel Johnson. At this time, industry leaders and trade unions had organized a meeting to confirm the details of final code before it was sent to Washington, D.C., to receive the approval of Johnson and President Franklin Delano Roosevelt.<sup>125</sup> One of the major companies, however, stood opposed to any code.

To finalize the automobile code, Johnson flew back to Detroit and held conferences with the National Auto Chamber of Commerce on July 27 and 28.<sup>126</sup> Johnson directly addressed industry leaders at the General Motors Headquarters on July 28. He was determined to not undergo the same problems that he had faced with them in 1917. In 1917, for the War Industries Board, General Johnson had to fight with industry leaders from the automobile industry regarding military production. He hoped to avoid a similar confrontation with them in 1933 during the approval process for the automobile code.

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<sup>124</sup> Mike Smith, "Let's Make Detroit a Union Town: The History of Labor and the Working Class in the Motor City," *Michigan Historical Review* 27, no. 2 (Fall 2001): 157-158; W.H. Grimes, "NRA Reaches Crucial Stage," *Wall Street Journal*, August 19, 1933.

<sup>125</sup> Special, "President Asks Pay Rise Action From Employers," *Los Angeles Times*, July 25, 1933.

<sup>126</sup> John Kennedy O'Neil, *Hugh S. Johnson and the New Deal*, 125.

Johnson tried to overcome Ford Motor Company's objections to section 7(a), which might have laid the groundwork for collective bargaining in the automobile industry. Edsel Ford tried to convince Johnson to maintain the open shop and to eliminate the section 7(a) provision from the automobile code.<sup>127</sup> Ford felt that Section 7(a) was not needed in the code. Organized labor was not necessary to the automobile industry and especially not at Ford Motor Company.<sup>128</sup> Sidney Fine, in his important work, quoted Henry Ford:

He (Henry Ford) made better bargains for his men than any labor organizer could. We have bargained for our men; we have never been compelled to bargain against them, nor they against us.<sup>129</sup>

In his meetings with leaders from the automobile industry, General Johnson tried to assuage their fears and persuade them that he was not attempting to promote the interests of organized labor, instead of the open shop. He argued that collective bargaining meant that representatives negotiated with industry leaders for workers' rights and benefits that became the norm with the acceptance of the code. The Big Three could still talk to workers on a separate and individual basis. Employee representatives did not always have to be present for the negotiations or discussions on the code and industry conditions. With these new interpretations of section 7(a), the auto leaders accepted the code; and General Hugh Samuel Johnson returned to Washington, D.C., to examine the preliminary document.<sup>130</sup>

<sup>127</sup> James D. Magee et al., *The National Recovery Program*, 20-21.

<sup>128</sup> Sidney Fine, "The Ford Motor Company and the N.R.A.," 360.

<sup>129</sup> Sidney Fine, "The Ford Motor Company and the N.R.A.," 360; Hugh Samuel Johnson, *The Blue Eagle from Egg to Earth*, 236.

<sup>130</sup> Detroit Bureau, "Auto Industry Completes Code," *Wall Street Journal*, July 29, 1933.

Henry Ford refused to accept any codes that were provided to him, but Johnson felt that one day he would change his mind.<sup>131</sup>

On August 1, 1933, Robert W. Lea was assigned as the deputy administrator for discussions regarding the automobile code. It was his job, in the conferences and other NRA hearings, to negotiate with the automobile associations, industry leaders and governmental personnel.<sup>132</sup> Lea was knowledgeable. He had served as a president of an automobile company and had been an employee of the Moline Plow Company. He was a business leader that became a public servant during the New Deal era. The practice of business leaders working for the federal government had been a traditional form of public service and a way for corporate executives to give back to the community. It also meant that business had a strong hand in shaping NRA codes and practices.

On August 24, 1933, General Johnson met again with the National Automobile Chamber of Commerce. As a result of his meetings, Section 7(a) was reinterpreted to mean that there would not be the dis-continuation of the open shop but a merit provision was added to the code.<sup>133</sup> On August 26, General Johnson submitted the Automobile code for the president's approval.<sup>134</sup> On August 27, Roosevelt signed and approved the code.

With the emergence of the automobile code, Henry Ford knew that he had to adhere to the code regulations even if they did not contain his signature.<sup>135</sup> The prospect of

<sup>131</sup> W.H. Grimes, "NRA Reaches Crucial Stage," *Wall Street Journal*, August 19, 1933.

<sup>132</sup> Bernard Bellush, *The Failure of the NRA*, 95.

<sup>133</sup> Bernard Bellush, *The Failure of the NRA*, 95-96; Special, "Automobile Code Text," *Wall Street Journal*, August 4, 1933; John Boettiger, "Auto Builders May Win Point on Labor Issue," *Chicago Daily Tribune*, August 26, 1933.

<sup>134</sup> Russell Cooper and John Haltiwanger, "Automobiles and the National Industry Recovery Act: Evidence of Industrial Complementarities," *Quarterly Journal of Economics* 108, no. 4 (November 1993): 1048; Special, "Reorganization of NRA Scheduled by Johnson," *Los Angeles Times*, September 1, 1933. The merit clause gave corporate executives the power to promote and provide incentives to employees based upon their individual work records.

<sup>135</sup> Emanuel Stein, Carl Raushenbush and Lois MacDonald, *Labor and the New Deal*, 11.

government oversight worried Ford immensely, because he did not agree with the provisions about price and production controls or collective bargaining.<sup>136</sup> Moreover, because Ford did not sign the code, his business did not earn the Blue Eagle designation. Without the Blue Eagle, the Federal government was no longer obligated to purchase Ford vehicles for public business.<sup>137</sup> Ford's refusal to sign on could have hurt the business operations of the Ford Motor Company.

Another reason that prevented Henry Ford from signing the automobile code was that the proposal was devised to regulate employment levels in the automotive industry. Ford made the crucial decisions for the company, and he believed that the code would force him to adhere to public sector standards that may not have been entirely in favor of Ford Motor Company. Thus, Ford Motor Company did not obtain the Blue Eagle Seal that would have legitimated its business practices. At the same time, Henry Ford complied with the code even though this aspect would have regularized or probably altered employment levels at his firm.<sup>138</sup> The provision implied that there would be a stoppage of work for the autumn introduction of new models, but Ford, GM and the other automobile workers would have to establish employment practices in which employees worked all year. Henry Ford, Alfred Sloan, Jr., and others acknowledged that there was some down time throughout the year of automobile production. Corporate executives wanted to ensure their workers that, with limited weekly work hours, more individual employees could be hired and work alongside their colleagues.

<sup>136</sup> Sidney A. Fine, *The Automobile under the Blue Eagle*, 78.

<sup>137</sup> John B. Rae, *The American Automobile Industry*, 127.

<sup>138</sup> Russell Cooper and John Haltiwanger, "Automobiles and the National Industrial Recovery Act," 1048-1049.



By January 31, 1935, amendment 5 of the automobile code did more to eliminate production breaks in the previous months; and the automobile sector was more prepared for new vehicle production the following year.<sup>139</sup> Further, the automobile code regularized employment levels in the automotive industry and auto workers could spread out the hours in which they worked throughout the year.

The automobile code was not as expansive as the petroleum codes as signed by Roosevelt.<sup>140</sup> The auto code established minimum wage standards for auto employees depending upon region.<sup>141</sup> Those employees who lived in heavily populated areas received higher weekly wages. If employees lived in a city that contained more than 500,000 inhabitants, for example, then they could earn fifteen dollars per week.<sup>142</sup> White collar automobile employees were to have a weekly schedule of no more than 40 hours with the exception of a period of two weeks during every six months for inventory purposes. Auto workers were to labor no more than six days per week, or 48 hours in one week. The NRA and the National Automobile Chamber of Commerce understood that production was subjected to peaks and slowdowns, because of the issue of supply and demand for vehicles throughout the year. Both parties were determined to establish level work hours and eliminate child labor for those below sixteen years of age.

Once the automobile code had been approved, Henry Ford drew criticism for his failure to support the NRA. Many citizens wrote to the NRA members that Ford was a

<sup>139</sup> Russell Cooper and John Haltiwanger, "Automobiles and the National Industry Recovery Act," 1043.

<sup>140</sup> Special, "Automobile Code Text," *Wall Street Journal*, August 4, 1933. This article contained the entire automobile code as submitted by the National Automobile Chamber of Commerce.

<sup>141</sup> Box # 8, Accession # 52, NRA Miscellaneous Documents, The Code of Fair Competition for the Automobile Industry, From the Collections of the Henry Ford, Benson Ford Research Center; The Code of Fair Competition for the Automobile Industry, August 26, 1933, Sidney Fine Papers, Bentley Historical Library, University of Michigan.

<sup>142</sup> Internet Archive, "Code of Fair Competition for the automobile manufacturing industry," <http://www.archives.org/> (accessed on December 20, 2011).

traitor and that his company was against the spirit and breadth of the NRA. He was even called a “snake in the grass.” Henry Ford’s refusal to sign the automobile code may have tarnished his reputation as a great industrialist and automotive icon for the American people but, Ford did have some public supporters. Some argued that the NRA was behaving poorly to the “Nation’s Greatest Benefactor.”

Some business leaders supported Ford, because he was standing up against extensive government regulation that they felt destroyed the national economy. Among public opinion, some thought that the Federal government should sanction the actions of Henry Ford; but others felt that he would be affected by the fact that none of his newly developed cars had the Blue Eagle seal. This alone would be bad for his business, because it would cost him money if sales declined exponentially. If companies adhered to the NRA, then they received the Blue Eagle, which legitimated their business transactions. General Johnson tried to illustrate to Henry and Edsel Ford, that if they did not have the Blue Eagle, then they could not conduct or transact business in the United States.<sup>143</sup>

As a result, General Johnson was adamant that if Ford would not comply with governmental regulations, then the Federal government would cease to purchase his cars and trucks. Johnson found precedent for his actions in the Executive Order 6246 of August 10, 1933, which stated the following:

The recipients of government contracts were to comply with the applicable provisions of the code of their industry or trade or if their trade was un-codified, with the terms of the President’s Reemployment Agreement.<sup>144</sup>

<sup>143</sup> Hugh Samuel Johnson, *The Blue Eagle from Egg to Earth*, 237.

<sup>144</sup> Sidney A. Fine, *The Automobile under the Blue Eagle*, 79.

One problem that Henry Ford did face was that he had signed the Presidential Re-employment Act (PRA). The Presidential Re-employment Act was a blanket, or universal, code of fair competition that corporations signed before the NRA industry codes were established.<sup>145</sup> The PRA sought to handle the financial crisis by the improving the purchasing powers of Americans, lower unemployment levels, and “restore” the business and industrial sectors.<sup>146</sup> The Ford Motor Company was in partial compliance with the laws, because it did not approve of the automobile codes. But the automobile company was a party to the PRA. While these events transpired, Henry Ford continued to improve upon his company’s work environment and employees’ benefits. On September 5, 1933, in part as a response to the NRA, “Ford announced that his employees would receive wage increases ranging from \$.40 to \$1.00 a day. Ten days later the company made it known that employment would be given to 5,000 Wayne County veterans.”<sup>147</sup> Would the federal sanctions stand, especially after these Ford improvements?<sup>148</sup>

Ford Dealer R.P. Sabine of the Northwest Motor Company of Bethesda, Maryland, decided to test the waters.<sup>149</sup> The Commerce Department and NRA were troubled, because Sabine was the lowest bidder on many government contracts. Initially, President Roosevelt and General Johnson, as well as members of the Labor and Commerce departments, did not give in to Sabine, who was an independent Ford Dealer. Although Ford Motor Company did not sign the automobile code, Sabine’s dealership supported the dealer code. Sabine also

<sup>145</sup> Colin Gordon, *New Deals: Business, Labor, and Politics in America* (Cambridge: Cambridge University Press, 1994), 174.

<sup>146</sup> Franklin D. Roosevelt: “The President’s Reemployment Agreement,” July 27, 1933. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/we/?pid=14492>. (accessed March 13, 2015).

<sup>147</sup> Sidney Fine, “The Ford Motor Company and the N.R.A.,” 363.

<sup>148</sup> “Ford Compliance on Code Claimed,” *Wall Street Journal*, November 3, 1933.

<sup>149</sup> Detroit Bureau, “Ford Motor Co.,” *Wall Street Journal*, November 16, 1933.

argued that his business was different from that of Ford Motor Company. Their business operations had been independent and separate. Sabine was a corporate entity that sold Ford vehicles.

While the debate and struggle between the Ford dealers-principal and the federal government ensued, Lewis Lorwin of the Brookings Institution argued that there was significant strike activity in the fall of 1933 at Ford plants, such as in Edgewater, New Jersey.<sup>150</sup> The Automobile industry was deeply troubled by this occurrence, because it suffered from decreased automotive production and sales. The automobile code did not curtail workers from fighting for their rights, as the automobile executives struggled with indecision and concern that the NIRA might not be the proper course of action. Further, according to Historian Irving Bernstein, in many industrial sectors, several million work hours were lost to strike activity.<sup>151</sup> Were workers disappointed with the actions of their colleagues and management or did they seek economic change and social justice? Most employees felt that collective bargaining was a must for the promotion of social, industrial and economic change.

On October 28, 1933, Sabine contacted the Comptroller General J.R. McCarl, because his firm did not receive a contract for supplying several hundreds of trucks to the Civilian Conservation Corps, although he had been the lowest bidder.<sup>152</sup> Sabine commented that his

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<sup>150</sup> Lewis L. Lorwin, "Industrial Truce or Strife: The Labor Problem Analyzed," *New York Times*, November 4, 1934; James Gross, *The Making of the National Labor Relations Board: A Study in Economics* (Albany: State University of New York Press, 1974), 14-15. Gross argued that in 1933 alone, more than one hundred work hours were lost in the United States, because of strike activity.

<sup>151</sup> Irving Bernstein, *The Turbulent Years: A History of the American Worker, 1933-1941* (Chicago: Haymarket Books, 2010), 1972-173. In July 1933, 1.375 million work hours were lost due to strikes, while in August 1933, 2.378 million work hours were lost to strike activity among American industrial sectors. Bernstein also discussed, how Roosevelt with the passage of the NIRA, felt that the law would curtail strike activity, because of section 7(a).

<sup>152</sup> Sidney A. Fine, *The Automobile under the Blue Eagle*, 80; John Boettiger, "NRA's Boycott on Ford Ruled Out by M'Carl," *Chicago Daily Tribune*, November 12, 1933.

bid had nothing to do with the operations at Ford Motor Company, and he had sought approval for the contract for his dealership alone. Two thousand three hundred vehicles were involved in this deal, and the Ford dealership bid was \$200,000.<sup>153</sup>

On November 10, 1933, the Comptroller General asserted that Ford's signature on the code was not as important as his adherence to the code. The Ford Motor Company was, in fact, in compliance with the code in terms of paying wages to its employees; and Henry Ford had already reduced work hours. He did his best to adhere to code provisions.<sup>154</sup> Compliance enabled Ford Motor Company and its independent vendors to bid for government contracts without being sanctioned by the Federal government, even if Henry Ford had not signed the code.<sup>155</sup>

As a result, as historian Sidney Fine reported, "on December 1, 1933, the Secretary of Agriculture Wallace awarded Sabine a contract for over eight hundred trucks for the Civilian Conservation Corps. By March 1, 1934, approximately \$1 million in government contracts had been granted to Ford dealers."<sup>156</sup> The battle between Ford Motor Company and the Federal government was not over. On March 14, 1934, Roosevelt signed an executive order 6646 that stipulated that a certificate of compliance of the industry codes was necessary to obtain government contracts. Sabine was unable to obtain further

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<sup>153</sup> The Mary Van Kleeck Papers, Accession number 573, Box 6, Folder 10, Archives of Labor and Urban Affairs, Wayne State University.

<sup>154</sup> Telegram from W.C. Cowling, General Manager to Hon. Harold Ickes, Secretary of the Interior, January 5, 1934; Records of the National Industrial Recovery Board; Donald R. Richberg Papers, November 1934 to January 1935; National Archives at College Park, College Park, Maryland.

<sup>155</sup> John B. Rae, *The American Automobile Industry*, 80; "Ford Signs NRA Code," *Wall Street Journal*, July 2, 1934. Ford Motor Company in 1934, signed the Automobile Code and this ended the war between Ford Motor Company and the Federal Government over automobile contracts.

<sup>156</sup> Sidney A. Fine, *The Automobile under the Blue Eagle*, 81; Sidney Fine, "The Ford Motor Company and the N.R.A.," 366.

contracts. Although he and his dealership complied with the dealers' code,<sup>157</sup> Ford had not signed a certificate of compliance.

The Federal government relented on the executive order some months later, because the acquisition of Ford vehicles was more cost-effective. It is interesting that Henry Ford did not agree with the code process, although he was not in violation of the industry code. He followed them to the letter and sought to improve the working conditions of his employees. Throughout this battle between the Roosevelt administration and Ford Motor Company, Ford Motor Company witnessed profitability. Its business operations did not suffer from a lack of a Blue Eagle Seal. Historian Sidney Fine argued that:

Indeed, whereas the Ford Motor Company (including Lincoln) had suffered a net loss of \$7,888,718 after taxes and accounted for only 21.5 percent of the total new passenger cars and truck registrations in the United States in 1933, in 1934 it made a profit of \$21,362,118 after taxes and increased its percentage of total new car and truck registrations to 28.8.<sup>158</sup>

Despite Ford's profitability, there was another battle in May 1934 between Northwest Motor Company and the federal government. The dealer sued the federal government, because the latter would not accept the dealership's contract, even though it was the lowest bid for the acquisition of American vehicles. The *Press Digest* from May 9, 1934 stated that the federal judiciary had to decide whether the executive order from April 1934, that established that bidders for government contracts that operated within the codes of fair competition and carried the Blue Eagle Seal, was legally valid and constitutional.<sup>159</sup> Remember, Northwest Motor Company operated under the code for

<sup>157</sup> John B. Rae, *The American Automobile Industry*, 126.

<sup>158</sup> Sidney Fine, "The Ford Motor Company and the N.R.A.," 368.

<sup>159</sup> Mary Heaton Vorse Papers, Accession number 190, Box 113, Archives of Labor and Urban Affairs, Wayne State University.

dealerships, but Ford Motor Company did not sign the automobile code; and the dealership sold Ford cars and trucks. While this case was filed, Henry Ford lost a case against the Departments of Interior and Agriculture. Neither department would consider Ford's bid for vehicles for government personnel.

Justice Daniel W. O'Donoghue, who served in the District of Columbia, argued that Ford was not following the letter of the law, even though he had signed the PRA.<sup>160</sup> While Henry Ford's bid was thirty thousand dollars less than Chevrolet, the latter obtained the contract. Ford was dissatisfied with the results of this case, and he appealed to the Court of Appeals for a positive settlement. But in July of 1934, corporate executive at Ford Motor Company signed the NRA auto code and this ended the war between Henry and Edsel Ford versus General Johnson at the National Recovery Administration.<sup>161</sup> Now Ford Motor Company was in complete compliance of the auto code.

Examining General Motors Corporation during this period, industrial conditions were somewhat different from the norm. During the negotiation process for the automobile code, President Sloan and General Motors Corporation expressed their gratitude and approval for this process. Moreover, Sloan was supportive of General Johnson, because Sloan thought that Johnson would be competent and astute.<sup>162</sup> Sloan was in favor of the industry codes.<sup>163</sup> He believed that higher wages for his employees at General Motors Corporation and at other businesses prevented the exploitation from

<sup>160</sup> Mary Van Kleeck Papers, Accession number 572, Box 6, Folder 10, Archives of Labor and Urban Affairs, Wayne State University.

<sup>161</sup> "Ford Signs the NRA Code," *Wall Street Journal*, July 2, 1934.

<sup>162</sup> Alfred P. Sloan Jr.'s speech entitled "Industry's Problems given at the Boston Chamber of Commerce, April 26, 1934, Alfred P. Sloan and Harold Smith's papers and speeches, Richard P. Scharchburg Archives, Kettering University, Flint, Michigan.

<sup>163</sup> "General Motors Chief Supports Recovery Plans," *Chicago Daily Tribune*, December 20, 1933. William S. Knudsen, who served as executive vice president for General Motors Corporation was in favor of the NIRA and argued that his company was in full support and adherence to the law.

management in the job market. Sloan decided to work with trade unions, rather than against them, even though unionization at his firm had not occurred at this time.<sup>164</sup> Employees benefited from improved wages and this was one reason why he supported the codes.

From 1932 to 1935, General Motors was not faring very well financially. Sales figures for the period were not inspiring. In 1932, annual sales reached 510,060 vehicles while, in 1933, General Motors experienced some improvements in the sense that it sold 755,778 to consumers.<sup>165</sup> In November of 1932, General Motors did not sell more than 12,780 cars; and the situation did not improve until November of 1933, when General Motors sold 35,417 cars. The shift in car sales may have caused Sloan to favor the NIRA and the industry codes that were established in August 1933. He believed that the industry would perform better with the codes in place, even though he refused to negotiate with unions.

By examining the sales figures, Sloan and other corporate leaders knew that the national economy was in a financial crisis. Sloan may have thought that the industry codes were a step in the right direction for improved economic growth and expansion. He differed from Henry Ford who was not a member of the National Automobile Chamber of Commerce; and initially, Ford did not support the automobile code. Not surprised with the passage of the NIRA, Sloan knew that Roosevelt would enact this law. He was convinced that it was the right thing to do for the American people. The law was important, because

<sup>164</sup> William L. Anderson, "Risk and the National Industrial Recovery Act: An Empirical Evaluation," *Public Choice* 103, no. ½ (April 2000): 150.

<sup>165</sup> Press Release: General Motors November Car Sales, November 9, 1935, Department of Public Relations, Collections of General Motors Heritage Center; Special, "General Motors Increases Sales," *New York Times*, October 10, 1933.



by 1933, there were only fifteen automotive leaders in this industry sector and General Motors Corporation, Ford Motor Company and Chrysler Corporation were in the top three spots.<sup>166</sup> The automotive industry was becoming more competitive with fewer companies in operation. Industry leaders attempted to rely on the Roosevelt administration to devise resolutions to this crisis and to improve economic conditions for American workers and corporate executives.

With the passage of the NIRA, Sloan was certain that the industrial crisis would be resolved. He continued to communicate with the leading automakers in the industry and coordinate corporate policies to complement the NIRA. He even became a member of the Industrial Advisory Board within the National Recovery Administration.<sup>167</sup> Sloan attempted to link his corporate practices at General Motors Corporation to the principles and policies inherent to the NIRA. He sought to follow the letter of the law, because he believed that Roosevelt was correct in his assertion that the United States was in an economic downturn.

Sloan believed that the NIRA benefited workers, because of the increased wages, limited working hours, and corporate incentives that were put in place with the code.<sup>168</sup>

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<sup>166</sup> David Farber, *Sloan Rules*, 171; Ed Cray, *Chrome Colossus: General Motors and its Times* (New York: McGraw Hill Book Company, 1980); 267. Cray argued that, as early as 1932, General Motors controlled forty-one percent of the market with Ford at twenty-four percent to Chryslers' seventeen percent. More than sixteen other car companies owned the remaining market share. But it was during this time that the Big Three as a concept was developed.

<sup>167</sup> Special, "Washington Picks Recovery Boards and Chief Experts," *New York Times*, June 20, 1933; E.L. Yordan, "Cars Share in New Act: Auto Makers and Users Play Vital Role under Recovery Measure," *New York Times*, June 25, 1933; Staff Correspondent, "Board Prepares to Continue NRA," *New York Times*, June 18, 1934. This article states that Sloan was still involved in discussions regarding the NRA, in 1934, because the federal government sought regulations to improve upon the NRA.

<sup>168</sup> Alfred P. Sloan Jr.'s Speech entitled "Shall We have More or Less" given at the Los Angeles Chamber of Commerce, May 22, 1936, Alfred P. Sloan Jr., and Harold Smith's Papers and Speeches, Richard P. Scharchburg Archives/Kettering University, Flint, Michigan. Sloan believed in high wages and social mobility for all industrial workers. But he continued to argue that low prices and more employment would lead to an industrial and

Moreover, he sought the corporate advice of the Business Advisory and Planning Council, which was an industrial organization. This think tank had as members, Gerard Swope of General Electric, Walter Teagle of Standard Oil Company of New Jersey, and Louis Kirstein of Federated Department Stores.<sup>169</sup> Sloan joined this group, because he was satisfied its qualified and important members gave the organization public legitimacy. Sloan also joined the Industrial Advisory Board of the NRA. With business leaders joining the NRA, many grassroots activists may have felt that the agency promoted big business interests. Remember, corporate executives had worked for the WIB during World War I, and it only made sense that they would continue in the employ of the NRA.

Sloan did have some initial reservations when he joined the IAB, because he did not approve of the closed shop or in extensive government regulation of industry. Organized labor unions continued to be a problem for his industrial psychology.<sup>170</sup> He agreed with improving the conditions for workers, but he was concerned with the policies of trade unions. He was not sure if trade unionism worked or whether it benefited American workers. With the NRA, Sloan became pro-active and decided to become a dynamic participant in the negotiation process. He was certain that this law worked. He differed from his colleagues and the National Association of Manufacturers, who believed that this

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economic turnaround. Lastly, he contended that Americans, in this period, would have to choose between government regulations of the national economy or a system of laissez-faire.

<sup>169</sup> David Farber, *Sloan Rules*, 171-172.

<sup>170</sup> Alfred P. Sloan Jr's speech entitled "Industry's Problems" given at the Boston Chamber of Commerce, April 26, 1934, Alfred P. Sloan Jr., and Harold Smith Papers and Speeches, Richard P. Scharchburg Archives, Kettering University, Flint, Michigan. This speech highlights Sloan's opposition to trade unionism as promoted by the NRA. He believed that it would be difficult to interpret how workers would respond to their new industrial rights, such as section 7(a), which provided for the emergence of collective bargaining in the United States. Moreover, he wondered how Roosevelt would implement this new policy and what the actions of his workers would be in response to collective bargaining. Sloan argued for the continuation of company unions or employment representation plans, while he stated that Roosevelt did not provide corporate executives with clear procedures to implicate section 7(a).

new law was harmful to American workers. He was not suspicious of the law, but he had to overcome the disapproval of his colleagues.<sup>171</sup>

Over time, Sloan did have some reservations about the NRA. He became disappointed with the agency. He also felt somewhat disappointed, because of the unsuccessful efforts to devise sound industry strategies and policies. Sloan tried to promote competitive industrial policies, but he became convinced that the New Dealers would not create legislation or codes that would augment free enterprise and free trade globally. Sloan did not believe in inflationary policies or low wages; but he sought to establish an industrial code that served the interests of corporate executives and employees.

During the Great Depression, General Motors Corporation was the only automobile company to earn significant levels of profit. If General Motors was performing well, then why did Sloan become so dissatisfied with New Deal politics?<sup>172</sup> Initially, he supported the NIRA wholeheartedly, but over time, he became disillusioned with the NRA and the tactics of government agencies.<sup>173</sup> Did he believe that the NRA was attempting to tell automakers and other industry leaders how to run their businesses? This may have been the case. As the months progressed and the NRA regulations did not change the nature of the national

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<sup>171</sup> Washington Bureau, "GM to Pay More, Hearing Advised," *Wall Street Journal*, March 16, 1934. Sloan was concerned with the NRA but with the threat of strike activity and with section 7(a), he believed that it was necessary to increase wages and limit weekly work hours. Whether Sloan was attempting to comply with the NIRA is unknown.

<sup>172</sup> William Pelfrey, *Billy, Alfred, and General Motors: The Story of Two Unique men, A Legendary Company and A Remarkable Time in American History* (New York: American Management Association, 2006), 264-265.

<sup>173</sup> David Farber, *Sloan Rules*, 178; Ed Cray, *Chrome Colossus: General Motors and its Times*, 281, 286-288. Cray affirmed that most automobile workers commented that the NRA meant "National Run Around." Cray differed in many ways from Farber, in the sense that he believed that Sloan did not approve of Roosevelt or the NRA. Sloan had been a supporter of Herbert Hoover along with Henry Ford. Cray felt that, early on, Sloan was concerned with public sector interference into his business operations. Sloan even became a member of the American Liberty League, which was an organization that attempted to deny Roosevelt the presidency in his 1936 campaign.

economy, Sloan sought to change his industrial outlook and his support shifted to the right. He became a supporter of NAM and began to give speeches on behalf of this organization.<sup>174</sup>

The National Association of Manufacturers was supported by businessmen who were conservative and wholly Republican. Sloan was under the group impression that the NRA suppressed industrial competition and penalized corporations, such as GM, that were financially independent, stable, and efficient. Sloan was not pro-labor; but he believed in giving workers the benefit of the doubt. Moreover, he was concerned that politicians were not listening to their constituents when they crafted the NIRA and other industrial laws and codes.

In summary, by 1934, Sloan began to part company with the NRA and the IAB. This was important, because initially, he had been supportive of this agency. Sloan may have realized through his efforts with the IAB and other entities that the Roosevelt administration could not devise industry codes that regulated successfully the manufacturing sectors of the United States. He may have believed that the NRA was attempting to tell corporate executives how to run their businesses, and it may have been disconcerting to him. Sloan differed from Henry Ford and other industry leaders, who viewed the NRA with contempt and disdain. In 1933, Sloan held out hope that Henry Ford was wrong in his assertions and that the NRA was a step in the right direction for industry leaders. By 1934, Sloan was overcome with dismay at the policies of the NRA. It may have been the industrial advice that he received from the NRA; and trade unions, which caused him to rethink his position. All in all, Sloan changed his mind and began to support more

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<sup>174</sup> Ibid.

conservative viewpoints and ideas for General Motors Corporation. He may have felt that this was the only way that he could realize industrial improvements to the national economy. He may have speculated that he could not depend on the Roosevelt administration and its efforts to drive the national economy in a positive direction.

By examining the sources for General Motors Corporation, it is difficult to determine why Sloan modified his political views. Initially, Sloan was supportive of the NRA, but he changed his tune in 1934.<sup>175</sup> Sloan even became a member of NAM, which opposed any federal intervention or regulation of the market. Moreover, it is impossible to pinpoint exactly when Sloan changed his mind or what act of the federal, state, or local authorities influenced him to become more conservative.

All in all, both the petroleum and automobile sectors experienced many industrial highs and lows in the 1920s and 1930s. The oil and automobile industries' code negotiation processes also reveal the difficulty of talks between the NRA and industry leaders. The normal process that industry leaders and the NRA had to take in order to receive approval for the codes was not the same for different industries nor did they always follow protocol. General Johnson had to take extraordinary steps during the negotiation process for both oil and auto industries. He realized that the process would not be easy. The oil industry was concerned with the pricing of their commodities as well as the production process and levels. Small refiners did not have the same profitability as the larger multinational corporations. Both entities were afraid that the NRA and its codes would be bad for business. However, change was necessary in order to mitigate the effects of the national economic emergency. Oil prices were too low, and many petroleum

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<sup>175</sup> Hal Foust, "Sloan Visions Threat in NRA Labor Rules," *Chicago Daily Tribune*, April 2, 1934.

companies were concerned with maintaining their profitability. Thus, policymakers, scholars and corporate executives asked themselves whether the industry codes prevented economic growth or expansion. The industry codes led to the emergence of highly regulated industries, but corporate executives had to determine for themselves if the codes were effective in bringing about economic change and sustained growth.

The automobile industry underwent the same process. Industry leaders worried about the effects that the closed shop had on prices and the sales of their products. Henry Ford also protested vehemently against the automobile code, because he did not want to lose control over the business operations of Ford Motor Company. Would overregulation and collective bargaining destroy his business? Henry Ford believed in the open shop and disagreed with policymakers and organizational think-tanks, such as the Brookings Institution, that sought to include Section 7(a) in the automobile code.

The automobile code would have altered the relationships that management had with its workers. Workers for the Big Three would have been represented during the negotiation process for wages and workers' benefits. If they were represented by an outside party, such as a trade union, then workers would gain access to information about labor policies from their union representative. This would have enabled them to understand their rights. The industry leaders may have felt that the information that workers received would have been harmful to their corporate practices and policies. General Johnson, however, worried about radicalism among trade unions. He did not believe in the strike, but he approved of collective bargaining; because he fostered a professional environment between workers and management. In many ways, Henry Ford

and General Johnson had these principles in common. The NRA reflected Johnson's positions.

It is also important to note that during and after the negotiations for the automobile code, both General Motors Corporation and Ford Motor Company encountered some labor difficulties. General Motors had to contend with the Flint, Michigan sit-down strikes conducted by over three hundred hourly workers at Fisher Body and Chevrolet plants.<sup>176</sup> Ford Motor Company was subjected to the Edgewater crisis in New Jersey where over one thousand men participated in demonstrations.<sup>177</sup> In terms of the 1933 automobile strikes at Ford Motor Company plants, Henry Ford placed the blame on bankers and other financial managers.<sup>178</sup> Both events occurred in the 1930s when there were efforts to cement trade unionism in terms of the recognition of the United Auto Workers in the automobile sector. General Motors also faced strike activity at seventeen plants in the United States in 1937. General Motors plants in Indiana, and Missouri are mentioned in contemporary newspapers such as the *Wall Street Journal*.<sup>179</sup> The situation throughout the country was tense and severe.

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<sup>176</sup> "CIO Union Assumes Heavy Responsibility in its New Pace with General Motors Corp.," *Wall Street Journal*, March 15, 1937; "G.M. Strike Settlement Seen As Possible Soon," *Wall Street Journal*, February 3, 1937; C.E. Robbins, "G.M. Strike Near End Twice in Past Week," *Wall Street Journal*, February 8, 1937; "Strike Tension Grows," *Wall Street Journal*, January 13, 1937; "Decision on G.M. Sit-Down Injunction Expected Early Today," *Wall Street Journal*, February 2, 1937; "New Auto Strikes Lend Dark Aspect to Labor Picture," *Wall Street Journal*, April 2, 1937.

<sup>177</sup> Special Report, "Ford Strike in California," *New York Times*, September 29, 1933; "Strike Parley Set for Ford Factory," *New York Times*, October 19, 1933; Special Report, "3,000 Ford Men Suddenly Strike," *New York Times*, September 27, 1933.

<sup>178</sup> "Ford Says Bankers Caused Strike," *New York Times*, January 28, 1933; Eugene M. Lokey, "Ford Motor Company and its Head—Future of Cabinet Secretaries," *New York Times*, February 5, 1933. Again, in this article, Henry Ford accused bankers for attempting to destroy the business operations at Ford Motor Company by causing strikes and other forms of civil disobedience.

<sup>179</sup> "No Action to Revive Motor Strike Parleys Likely for Day or Two," *Wall Street Journal*, January 19, 1937.

Most workers had been receptive to Ford Motor Company before the 1930s, because Henry and Edsel Ford were noted for improving wages, benefits and limiting weekly work hours while Alfred P. Sloan, Jr., negotiated with workers to prevent sanctions and the over-regulation of the auto industry. After much political and labor pressures, both Ford Motor Company and General Motors Corporation signed the auto codes, but in 1935, when the NIRA was declared unconstitutional, both firms experienced some labor and civil disobedience as workers began to fight for their rights as employees of multinational companies that they felt had the financial resources to improve work conditions and benefits.

The emergence of the NIRA was a watershed in American economic history. The Big Three companies argued that the negotiation process for the codes was without precedence. Industry leaders and NRA officials did not have any laws or statutes that they could apply to the propagation of industry codes. This new intervention probably threatened the automobile industry that, unlike the rest of the industries of the national economy, was starting to recover in the early 1930s in terms of corporate sales and the investment of retained earnings. Would their business practices be hindered or hampered if the codes were approved and came to the forefront? This was a question that the automobile industry did not want to address. The NIRA was established to target reforms to a national emergency in the United States. Businesses suffered from a lack of economic growth and confidence in public officials in the United States, but what about the oil and Big Three companies? Would the Big Three and their vendors become a casualty if they adopted the code? Would it hurt business? It was a chance that industry leaders did not want to take.



## CHAPTER 8: OPPOSITION TO THE NRA AND CHALLENGES IN FEDERAL COURTS

When Franklin Delano Roosevelt became president, in 1933, many senators, such as Key Pittman of Nevada assumed that he would encounter difficulties pushing his public agenda.<sup>1</sup> Arthur H. Vandenberg, the Republican senator from Michigan, argued that the federal government required a tyrant or dictator who had the capacity, intellect, and astuteness to get his initiatives through Congress; but overall, the administration's One Hundred Days required no extraordinary measures. Historian James T. Patterson, in *Congressional Conservatism and the New Deal*, asserted that President Roosevelt and the Congressional Democrats were able to pass eleven pieces of legislation, in the early months, with only forty hours of debate. In 1933, the Democratic Party had an overwhelming majority, with 311 Democrats to 116 Republicans in the House of Representatives while the Senate had 60 Democrats to 35 Republicans.<sup>2</sup>

One problem that Roosevelt faced was that as he signed new legislation into law, he encountered more opposition from Southern Democrats. Southern Anti-New Dealers became his enemies and staunch opponents. Segregationists opposed the broad sweep of his programs. Small government proponents saw the New Deal as overreaching. Many Congressmen were angered by Roosevelt and his success, especially as the Democrats pushed his agenda through Congress. But Congress could not push the New Deal aside, because Roosevelt had a political mandate in 1933. Many Democratic Senators, such as Carter Glass of Virginia, Thomas P. Gore of Oklahoma, Millard E. Tydings of Maryland,

<sup>1</sup> James T. Patterson, *Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939* (Lexington: University of Kentucky Press, 1967), 1.

<sup>2</sup> James T. Patterson, *Congressional Conservatism and the New Deal*, 5-6.

Josiah W. Bailey of North Carolina, and Harry Flood Byrd of Virginia were against the New Deal and voted against many of Roosevelt's legislation.<sup>3</sup> As Roosevelt became more successful, he experienced backlash from Congress. After the passage of the Agricultural Adjustment and the National Industrial Recovery Acts, he sought to justify their enactment and rally support. Once enacted, the AAA, NIRA and the NRA lost their backers.<sup>4</sup> This lack of enthusiasm for the NRA caused government officials, such as Donald Richberg and General Hugh Samuel Johnson, to travel the country to draw up support from the American people.<sup>5</sup>

The National Industrial Recovery Act (NIRA) of 1933 and the National Recovery Administration it created provoked serious controversy in the political and economic spheres.<sup>6</sup> Although the NIRA had only a two year life-span, it faced much opposition among business leaders, especially in the petroleum and automobile sectors; this opposition would lead to political and legal challenges. Passed in response to a national economic emergency,<sup>7</sup> the NIRA was not easy to enforce: it restricted some trade and this limited the

<sup>3</sup> James T. Patterson, *Congressional Conservatism and the New Deal*, 15-18, 20-29. For a crucial analysis of the impact of the New Deal on African Americans, see Harvard Sitkoff, *A New Deal for Blacks: The Emergence of Civil Rights as a National Issue* (New York: Oxford University Press, 1978).

<sup>4</sup> "Dill Urges An End to Recovery Law," *New York Times*, September 2, 1934. Democratic Senator Clarence C. Dill of Washington urged that Congress should attempt to nullify the NRA, so that the interference of the federal government in the private sector would cease; Special Report, "NIRA Lapse Perils Key Federal Agencies in Event of Congress Deadlock Past June 16," *New York Times*, May 17, 1935. Before the NIRA was declared unconstitutional in 1935, Congress was deadlocked over whether the law should be renewed. This indecision would have caused the entire law to lapse.

<sup>5</sup> "Johnson Sees Red, Fascist Plans Urged," *Washington Post*, May 21, 1934; "Manufacturers Warned," *New York Times*, July 11, 1933.

<sup>6</sup> Robert R. McCormick, "Assaults Upon the Constitution: II," *Chicago Daily Tribune*, November 29, 1933. McCormick argued that there was also some controversy surrounding the NIRA and industrial codes for the newspaper industry as well. Any extra regulations or forms of taxation that the federal government imposed upon the industry were viewed as a form of a dictatorship or tyranny affecting newspaper reporters and staff.

<sup>7</sup> John Boettiger, "Code for Nation Is Issued," *Chicago Daily Tribune*, July 21, 1933. Along with the enactment of the NIRA, Roosevelt created the President Reemployment Agreement to serve as the basis or foundation for the tentative industrial codes. Employees and corporate management had to adhere to the PRA before the industry codes were signed into law.

operations of some businesses. Conservative Republicans argued that there was an absence of precedent that justified the enactment of this law. Although there was much opposition to how the law was enforced, many corporate executives still signed the Presidential Re-Employment Agreement and the industrial codes in 1933.

As the opposition to the NRA grew, chief NRA administrator General Johnson, and Donald Richberg, as legal counsel to this organization, struggled to defend the NIRA and the role that the NRA played in the recovery. They were not successful. Pushback against the NRA also prompted Roosevelt to speak to Congress and the American people in support of the agency. Most importantly, legal challenges to the constitutionality of the NIRA eventually succeeded. By mid-1935, the Supreme Court declared the NIRA invalid, on the basis of its infringement of the Commerce clause to the Constitution and the due process provisions of the Fifth, Thirteenth and Fourteenth Amendments. This chapter will provide readers with some of the arguments behind the opposition against the NIRA. It will look at some of the legal arguments for and against this law. It will discuss whether the NIRA held a prominent place in addressing the industrial and economic emergencies present in the United States during the Depression decade.

Shortly after the passage of the NIRA, Alfred E. Smith, four-time New York State Governor and Presidential hopeful, criticized the law in a *New York Times* column.<sup>8</sup> He argued that the United States had entered a new era in which collectivism and governmental regulation had become a mainstay. The way of life based on American

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<sup>8</sup> Editorial, "Smith Deprecates the Recovery Act," *New York Times*, June 30, 1933; "Smith Questions Legality of NRA," *New York Times*, November 1, 1933; "Smith Scores Policy," *New York Times*, November 25, 1933. As the New Deal progressed, Smith was in opposition to the Roosevelt Administration and he argued that the nation suffered from a credit bubble and inflationary pressures; "Al Smith Sees Failure of U.S. Recovery Plan," *Chicago Daily Tribune*, June 30, 1933.

Individualism and self-help had passed. In his commentary, Smith argued that the passage of the NIRA marked a new stage in United States' history. He questioned whether progress was made in the American legal system with the passage of the NIRA, because the law was unprecedented. He argued that if "the terms of the Recovery Act are carried out literally the tendency will be to cripple initiative, legalize and even officially encourage monopoly, raise prices and require higher tariffs to maintain the new structure."<sup>9</sup> Smith wondered whether the limited nationalization of the American economy represented by the NRA was a step in the right direction.<sup>10</sup> Further, he asked how much nationalization was necessary to promote positive change. Was the establishment of state enterprises the next step? Raising the specter of a state-controlled economy, Smith voiced political opposition to the core programs of the New Deal. His stance differed from FDR, who asserted that centralized planning and federal regulations were necessary in the private sector to address the economic crisis.

Smith wondered about average citizens and how they were affected by this law. He questioned whether they would be "lost in the shuffle." This last point was important, because Smith wondered whether ordinary citizens would become active participants in the national economy and benefit from the changes in industry laws. If Americans were

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<sup>9</sup> Editorial, "Smith Deprecates the Recovery Act," *New York Times*, June 30, 1933; Teaching Eleanor Roosevelt Glossary, Al Smith, The George Washington University, <http://www.gwu.edu/~erpapers/teaching/glossary/smith-al.cfm>. (accessed September 16, 2013). Smith became a leading opponent of the New Deal and was a principal actor in the American Liberty League. He also began to support the Republican party and its members; The Eleanor Roosevelt Papers, Alfred Smith (1873-1944), George Washington University, <http://www.gwu.edu/~erpapers/mep/displaydoc.cfm?docid=ernp-alfsmi>. (accessed September 16, 2013). Smith did not believe that the New Deal was a valid or constitutional approach to resolving the Great Depression.

<sup>10</sup> Obituary, On this Day: Alfred E. Smith Dies here at 70; 4 Times Governor, *New York Times*, <http://www.nytimes.com/learning/general/onthisday/bday/1230.html>. (accessed September 16, 2013). Smith was concerned, because of what he viewed as the inflationary policies of the Roosevelt administration, and he believed that the nationalization of the economy was unconstitutional.

“lost in the shuffle,” then they would lose their political voice and become unresponsive to changes in the national economy. Smith did not believe that the Roosevelt administration was on the right path, and he did not think that the recovery would occur with the enactment of the New Deal laws.<sup>11</sup> Although Smith no longer served as a public official after 1935, he still maintained a powerful and determined base of support in the United States. His ideas even carried some political weight in the Roosevelt administration, because he was a Democrat and Roosevelt’s predecessor as the New York State governor.<sup>12</sup>

Alfred Smith was the prominent voice of the small business owners who held some reservations about the New Deal, especially the Agricultural Adjustment and National Industrial Recovery Acts. The national economy was becoming more industrialized and small business owners and small farmers no longer held a prominent voice in the White House. With the New Deal, the small business communities began to realize that their power in the national economy was waning and their interests were no longer as essential to the government.<sup>13</sup> This led to some opposition among small businesses for the New Deal, because their presence in the manufacturing sectors was no longer influential. They perceived that they were losing federal support for their industrial practices and business concepts.

Alfred Smith asserted that economic and political developments had altered corporate perceptions about appropriate industrial and business standards that prevailed.

<sup>11</sup> Norman Thomas, “Is the New Deal Socialism: An Answer to Al Smith and the American Liberty League,” Chicago Democratic Socialists of America, <http://www.chicagods.org/thomasnewdeal.html>. (accessed September 16, 2013); “Program of NRA Upheld by Smith,” *New York Times*, August 23, 1933. In a speech to supporters, Smith reduced his opposition to the NRA and believed that as long as the American people benefited from the law, then he was in favor of its enactment. What led to this change of heart?

<sup>12</sup> Obituary, “On this Day: Alfred E. Smith Dies here at 70: 4 Times Governor,” *New York Times*, <http://www.nytimes.com/learning/general/onthisday/bday/1230.html>. (accessed September 16, 2013).

<sup>13</sup> Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: First Vintage Books Edition, 1996), 4.

Small farmers, businessmen and other industrial leaders may have felt out of place as participants in this newly-developed national economy no longer responded to their needs.<sup>14</sup> The national economy was run by large multinational corporations who had hundreds to thousands of employees and produced substantial amounts of consumer goods each year. This new economy changed the ways in which the federal, state and local governments viewed the small business community in relation to dominant international corporations. But as a consequence of this newly developed national economy, historian Alan Brinkley argued, most Americans believed that the federal government had to step in to rectify the absence of equalitarian economic, financial, and industrial environments during the crisis.<sup>15</sup> The federal government had to become proactive and assertive to deal with new issues of inequality.

In *Invisible Hands*, historian Kim Phillips-Fein, affirmed Alan Brinkley's and Alfred Smith's assertions. She argued that, by the early 20<sup>th</sup> century, big business began to dominate the national economy.<sup>16</sup> They had triumphed over American regionalism as the United States became a powerful and industrial nation-state. The interests of small farmers and small businessmen became outmoded and obsolete, as large corporations, such as Ford Motor Company and General Motors Corporation, hired thousands of employees and produced massive amounts of consumer goods at a rapid pace. These modifications to the national economy troubled those who felt that the world had gone astray. They believed that American workers would not benefit from this newly-formed centrally planned national economy. According to Kim Phillips-Fein, it was large multinational corporations,

<sup>14</sup> Alan Brinkley, *The End of Reform*, 4-5.

<sup>15</sup> Alan Brinkley, *The End of Reform*, 6-7.

<sup>16</sup> Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W.W. Norton & Company, 2009), 5-7.

and not just small businesses that led the industrial and economic counterrevolution against Roosevelt's New Deal agenda.<sup>17</sup>

In September 1933, Henry Harriman, the president of the United States Chamber of Commerce, attempted to convince corporate executives and working Americans to stand against the closed shop and to promote the open shop in the workplace.<sup>18</sup> As a conservative, Harriman sought to prevent liberal interpretations of section 7 (a) of the NIRA from coming to the forefront. He opposed the closed shop or unions and attacked it as an accepted practice in the industrial sectors.<sup>19</sup> Harriman also praised automobile executives who established the merit clause in compensation schemes. The merit clause provided management with the opportunity and the industrial structure to advance and reward its employees on the basis of their work ethic and performance on the job.<sup>20</sup> In November 1933, the Republican party, citing an American Federation of Labor survey, intensified the debate. The GOP argued that, since the emergence of the NIRA, wages earned had not increased; and the agricultural and manufacturing sectors that had adopted processing taxes or industrial codes had gone into decline.<sup>21</sup> Similarly, the Chamber of

<sup>17</sup> "Politics and Short Memories," *Chattanooga Times Free Press*, June 16, 2009; Mickey Edwards, "Back to Capitalism," *Boston Globe*, January 11, 2009. Both reviews of Phillips-Fein's book describe how some business conservatives attempted to rally to defeat the Roosevelt's New Deal policies.

<sup>18</sup> Special, "Labor Policies of NRA Drawing New Opposition," *Chicago Daily Tribune*, September 4, 1933.

<sup>19</sup> "Harriman Warns of NRA Autocracy," *New York Times*, May 23, 1934. Harriman was concerned that extreme centralization of the federal government would occur with the NIRA even though he was a staunch conservative; Special, "Harriman's Views Assailed By Green," *New York Times*, September 22, 1933. This article details the American Federation of Labor's criticisms of Harriman and the emphasis he placed upon the open shop and merit clause.

<sup>20</sup> Special Report, "Open-Shop Clause Urged by Harriman," *New York Times*, September 4, 1933; "Harriman Recites Gains Under NRA," *New York Times*, September 3, 1933. Harriman supported the NIRA with the exception of Section 7(a). He believed in the open shop and merit clause.

<sup>21</sup> Special, "GOP Attacks Democrats on Recovery Plan," *Chicago Daily Tribune*, November 12, 1933; Arthur Sears Henning, "GOP Tells Recovery Aims," *Chicago Daily Tribune*, February 19, 1940. Dr. Glenn Frank, Republican committee chair argued in a report that the New Deal was a failure, and he believed that the country was in a crisis of ideology. Planned economies versus liberalism or laissez-faire economies faced the American people and the Republicans, in his opinion, had the solution to ending the Great Depression.

Commerce insisted that farmers had not generated more proceeds from the sale of their commodities than before. Prices for farm goods in stores increased, but ordinary Americans lost valuable purchasing power.<sup>22</sup>

In January 1934, the Republican party launched a new attack on the Roosevelt administration. The Republican National Committee complained that the federal deficit had increased at an exponential rate, due to the enactment of New Deal laws.<sup>23</sup> Its members argued that maintaining a balanced budget should have been the goal of the Roosevelt administration. Moreover, they contended that there was a lack of confidence in the Executive Branch, because of its excessive spending programs. The federal government, they proclaimed, was in peril, because of Roosevelt's policies. Henry P. Fletcher, the Republican National Chairman, argued, in August 1934, that the Roosevelt administration was on the path toward socialism or collectivism.<sup>24</sup> He stressed that the Roosevelt administration was promoting policies that were akin to a command economy in the Soviet Union.<sup>25</sup>

Members of the National Recovery Administration, such as Donald Richberg, defended the practices of the NRA.<sup>26</sup> In the *New York Times* in November 1933, Richberg

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<sup>22</sup> Ibid.

<sup>23</sup> Arthur Sears Henning, "GOP Fighting Pending Budget as U.S. Danger," *Chicago Daily Tribune*, January 9, 1934; Special, "Republican National Chairman Attacks New Deal," *Chicago Daily Tribune*, August 10, 1934.

<sup>24</sup> Special, "Republican National Chairman Attacks New Deal," *Chicago Daily Tribune*, August 10, 1934; Arthur Sears Henning, "GOP Renews its Attack on Administration," *Chicago Daily Tribune*, September 15, 1934; Special, "NRA: The American Way," *New York Times*, March 6, 1934.

<sup>25</sup> Special, "Hours Cut Put Up To NRA Code Chiefs," *New York Times*, March 8, 1934. In speeches, Johnson countered corporate leaders that believed that the NIRA and the emergence of the NRA were on a path toward socialism or communism as adopted by Russia.

<sup>26</sup> "Donald R. Richberg," Spartacus Educational, [http://www.spartacus.schoolnet.co.uk/nddonald\\_richberg.htm](http://www.spartacus.schoolnet.co.uk/nddonald_richberg.htm). (accessed April 5, 2013). This article is important, because it provides readers with a comprehensive narrative about the political life of Donald Richberg. It examines all of his professional experiences in Washington D.C. and his relationships with key political leaders such as General Hugh Samuel Johnson and Francis Perkins; Memo to the National Industrial Recovery Board from Jack Garrett Scott, Managing Attorney Legal Division, October 17, 1934; Records of the National Industrial Recovery Board—General Subject Files; Donald Richberg Papers, November



stated that there was a misunderstanding between NRA members and industry leaders in terms of how to enforce the provisions of the industry codes. Roosevelt, in response to general criticism, established the National Recovery Review Board in order to handle complaints from business leaders, especially small companies.<sup>27</sup> The NRA and its sub-agencies had over thirty labor lawyers that handled litigation cases and worked in conjunction with the Department of Justice to ensure that there were no violations of the law. Labor attorney and Donald Richberg's legal colleague Charles S. Darrow was selected in May of 1934 to head National Recovery Review Board. Darrow's obligation was two-fold. He had to determine whether the suspension of anti-trust laws led to monopolistic behavior in the private sector and to discover whether small businesses were affected by the adoption of industry codes.<sup>28</sup> Some small business owners had voiced concern, because they felt that multinational corporations could use the industry codes to drive them out of the marketplace causing bankruptcy.

More to the point, Richberg asserted firmly that the NRA was not a public dictatorship over the private sector.<sup>29</sup> It had not been established to coerce corporate executives or to tell them how to run their business operations. The intentions of the NRA were to regulate industries in the national economy, not to take them over. Richberg had to address the question as to whether Congress provided the Executive Branch with too

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1934 to June 1935; National Archives at College Park, College Park, Maryland. Garrett in this memo stated that the NRA and its ability to establish industry codes had been successfully defended in litigation cases. The agency had over thirty lawyers that worked on litigation cases and assisted the Department of Justice; "Richberg Lauds NRA as Best Way to Lead Industry," *Chicago Daily Tribune*, October 11, 1933.

<sup>27</sup> Charles Frederick Roos, *NRA Economic Planning* (Bloomington: The Principia Press, Inc., 1937), 376-377.

<sup>28</sup> Michael Hannon, "Clarence Darrow and the National Recovery Review Board, University of Minnesota Law Library, [http://www.darrow.law.umn.edu/trialpdfs/national\\_recovery\\_review\\_board.pdf](http://www.darrow.law.umn.edu/trialpdfs/national_recovery_review_board.pdf). (accessed June 13, 2014).

<sup>29</sup> Editorial, "Richberg Says NRA Seeks Middle Path in Industrial Plan," *New York Times*, November 9, 1933.

much legislative power and control.<sup>30</sup> Corporate executives continually had consistently challenged the roles of government in the private sector. Their argument against government regulations surfaced against the NRA, because corporate elites feared government interference in their businesses. Government regulations were, by contrast, difficult to enforce; and it was not clear how to promote corporate compliance of the industry codes.<sup>31</sup>

Richberg affirmed that policymakers, along with private citizens, understood that the national economy was capitalist, not communist or socialist. He made clear distinctions between the communist dictatorship in Russia and the democratic values present in the American government and economy. Without a combined approach between the private and public sectors to regulate the national economy, Richberg argued, he feared that more direct government intervention might have become necessary. His *New York Times* articles, further, contended that the NRA was the middle path between “the 18<sup>th</sup> century individualism and the 19<sup>th</sup> century socialism.”<sup>32</sup> Roosevelt had taken a new path toward the economic recovery and this meant that neither old world Individualism nor socialism were suitable as solutions for the industrial crisis. Did he imply that the NRA as a government agency could fit within classical economic theories, or was extensive state intervention into the economy a necessity for policing the entire system? From Richberg’s perspective, the

<sup>30</sup> Paul G. Kauper, “Constitutional Law: Validity of State Recovery Acts Adopting Federal Codes,” *Michigan Law Review* 33, no. 4 (February 1935): 599.

<sup>31</sup> Jim Powell, “How FDR Prolonged the Great Depression,” CATO Policy Report, <http://www.cato.org/pubs/policy-report/v25n4/powell.pdf>. (accessed April 1, 2013); Special, “Wagner Warns NRA can resort to fines, jail,” *Chicago Daily Tribune*, October 19, 1933. Wagner in this article believed that coercion was unnecessary to get business owners to comply with the industrial codes. According to Wagner, corporations should be forced to adhere to the codes only if there is some opposition to them and the NRA. Enforcement in most cases was unnecessary; Philip Kinsley, “Johnson Makes Savage Attack on NRA Critics,” *Chicago Daily Tribune*, August 3, 1934. In this speech, General Hugh Samuel Johnson believed that it was unnecessary to fine or jail corporate executives that did not adhere to the codes. Appealing to public opinion was satisfactory.

<sup>32</sup> “Richberg Says NRA Seeks Middle Path in Industrial Plan,” *New York Times*, November 9, 1933.

NRA was designed as a gradual approach toward regulating the national economy, one justified by the continuing economic crisis.

In December 1933, the *New York Times* published an editorial article that challenged perceptions that the NRA was an institution approved by industry leaders. The staff reporter stated that 98 percent of manufacturers did not support the licensing provisions of the NRA nor the stipulations behind the Blue Eagle. These corporate executives did not support collective bargaining, such as section 7(a) of the industry codes.<sup>33</sup> At the Waldorf-Astoria, that year, members of the National Association of Manufacturers (NAM) met for a two day conference to discuss industry and economic policies. NAM initially supported Roosevelt: but by 1934, it became disenchanted with the New Deal, especially the NIRA, and sought legal change.<sup>34</sup> James A. Emery, as NAM general counsel, stated that section 7(a) and the licensing provisions of the NIRA should be separated. He argued that industry self-regulation should remain a mainstay of the manufacturing sector and that the licensing provisions of the NIRA and section 7(a) were wholly detrimental to the American economy.<sup>35</sup> If the licensing provisions were separated from section 7(a), and a company violated the collective bargaining stipulations, then management would not lose its Blue Eagle designation. Additionally, businesses would not have to maintain the closed shop or

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<sup>33</sup> Special, "Text of New Parts of Recovery Platform Adopted by Manufacturers' Association," *New York Times*, December 7, 1933.

<sup>34</sup> Special, "Text of New Parts of Recovery Platform Adopted by Manufacturer's Association," *New York Times*, December 7, 1933. One provision from the platform was to extend the NIRA for one additional year only if the industry codes were enforced by the federal judiciary. The NAM wanted to improve upon industry standards and compliance, but within its own view of limited government.

<sup>35</sup> W.H. Grimes, "Congress May Rewrite NRA 7A," *Wall Street Journal*, September 21, 1933. Even before James A. Emery's statement, the moderate members of the NRA versus political conservatives argued because the latter felt that the entire section 7(a) should be rewritten; "Industrial Council Asks Dropping of 7a," *New York Times*, December 5, 1934. In December of 1934, the Council of American Industry at a meeting at the Hotel Roosevelt demanded that the entire section 7(a) be abolished from the NIRA.

lose their industrial mandate, if they changed their approaches toward trade unionism.<sup>36</sup> This suggestion implied that if corporations violated section 7(a) of the NIRA, then they would not automatically lose their Blue Eagle license.

What was neglected in the *New York Times* report on the conference was some perspective on how ordinary Americans viewed the law. How did most American voters—as distinct from business—view the NIRA, and did they believe that the law was a detriment to their social conditions? Did the average American live decently, because of the enactment of this law or did they earn less in wages and lose their ability to subsist during this economic emergency?<sup>37</sup> Donald Richberg, in a Rotary Club speech in Chicago, attempted to respond to this problem of inequality by stating that he believed in high wages as long as it did not destroy the production process.<sup>38</sup> He also sought to increase prices but did not want American workers to lose their valuable purchasing power. He took to heart the interests of ordinary Americans and sought to use the NRA as a springboard for change.

Although the National Association of Manufacturers criticized publicly the NRA, Donald Richberg responded in the *New York Times* article that appeared on the same month. In it, he defended the actions of the NRA in its efforts to devise guidelines and quotas for the national economy. Specifically, he stated that:

Not long ago I said that the Recovery Administration was seeking to establish a half-way house of democratic cooperation for the common good, midway between the

<sup>36</sup> Special, "Text of the New Parts of the Recovery Platform Adopted by the Manufacturer's Association, *New York Times*, December 7, 1933..

<sup>37</sup> Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York: Vintage Books, 2003), 18.

<sup>38</sup> "Excerpts From Richberg Speech," *Wall Street Journal*, October 10, 1934.

anarchy of unplanned, unregulated industrialism and the tyranny of state control of industry.<sup>39</sup>

Richberg stressed that it was necessary to develop coordinated strategies for businesses so that they functioned properly in a hostile economic environment. Only then could the American public receive the consumer goods that it needed. Thus, he argued that it was necessary to coordinate their industrial strategies and work together in a collective way to stimulate growth and change. Traditional and classical economic tactics no longer worked, and Richberg believed that it was now necessary to establish a centralized approach to regulate the marketplace.<sup>40</sup>

Richberg's last statement touched on how the NRA was designed to assist ordinary Americans live better and improve upon the struggling economy. The same workers who produced consumer goods could not afford to purchase them in the marketplace.<sup>41</sup> Working people were faced with economic crisis, but they wanted to accomplish more than just survival.<sup>42</sup> They wanted to thrive, and the NIRA was established to help them along this path. Many Americans remained unconvinced that the NIRA was the answer to their financial prayers.

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<sup>39</sup> Donald Richberg, "Richberg Defines Great NRA Adventure," *New York Times*, December 10, 1933.

<sup>40</sup> Donald Richberg, "Richberg Defines Great NRA Adventure," *New York Times*, December 10, 1933; "Final Recovery Issue Visioned by Richberg," *Wall Street Journal*, November 9, 1933. Richberg argued against a political dictatorship of the national economy but favored self-government and some regulation. He took the middle path between Individualism and state socialism.

<sup>41</sup> Meg Jacobs, *Pocketbook Politics* (Princeton: Princeton University Press, 2005), 107-109.

<sup>42</sup> Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York: Vintage Books, 2003), 18-19.

Throughout the short life of the NRA, General Johnson and Donald Richberg defended its policies; but criticisms and opposition to the NRA did not abate.<sup>43</sup> Policymakers and industry leaders believed that the country faced a severe economic emergency, but solutions to the crisis were a source of conflict.<sup>44</sup> There were no agreements about the steps that Roosevelt could take to resolve the economic collapse. When the NIRA was devised and approved, industry leaders, such as Henry Ford and members of the NAM were cautious. They did not know if this was the right step or what it meant for their industry in particular. Members of the oil industry, for example, did not want an industry czar to have control over the creation of their business practices, price structure, and decision-making processes. Many businessmen worried, because the NIRA was the first law of its kind to have provisions that required business compliance with government-negotiated federal standards.

Some scholars, lawyers and political activists were concerned with the passage of the NIRA. They looked for legal precedents to prove or challenge its constitutionality.<sup>45</sup> They understood the interconnections between the state and federal judiciaries, and they sought to use both entities to affirm the NRA and the NIRA. Initially, NRA supporters argued that prior cases could be discovered and used to promote the validity of the NIRA. These supporters had to reach back into court decisions from the late 19<sup>th</sup> century to affirm their legal positions and stances.

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<sup>43</sup> "Richberg's Views on Competition," *Wall Street Journal*, February 10, 1934. In a speech with the Economic Club at the Hotel Astor, Richberg continued to support the NRA and asserted that fair competition was necessary for American workers to thrive in the national economy. The NRA was a step in this direction.

<sup>44</sup> "Johnson Labors on Program to Increase Wages," *Chicago Daily Tribune*, July 22, 1933.

<sup>45</sup> Circular # 2614 from Homer Cummings, Attorney General, Department of Justice, Washington D.C., October 3, 1934; Donald Richberg Papers, November 1934 to June 1935; National Archives at College Park, College Park, Maryland.

During the late 19<sup>th</sup> century, the United States was no longer viewed as just a regional power by global actors. The country had become an industrial and economic powerhouse; and this had an effect upon the business community. The Sherman Anti-Trust Act was enacted in 1890 to protect the interests of small business owners from the larger corporations that monopolized the private sector.<sup>46</sup> Amendments to the law established more penalties for violations of its provisions. The Clayton Anti-Trust Act of 1914 continued this tradition by protecting small business owners from large monopolistic firms or combinations who controlled the manufacturing sectors. The law also was one of the first steps toward the legitimation of trade unionism, because it provided workers with the legal tools that they could use to pursue their rights to external representation.<sup>47</sup> But what impact would these laws have on Americans workers and voters? Would these laws have a detrimental effect upon the open shop and lead more businesses to adopt trade unionism?

All in all, section 7 (a) of the NIRA was the legal culmination of efforts by trade unionists to protect American workers that had begun with the passage of the Sherman and Clayton Anti-Trust Acts. The provision provided workers with new rights to bargain collectively in the workplace, curtailed the legitimacy of company unions, and promoted the close shop, which the business community believed was detrimental to their interests.<sup>48</sup> The conservatism of the business community and some policymakers, such as the Anti-New Deal Southern members of the United States Senate, may have been the

<sup>46</sup> Gilbert H. Montague, "What Shall Be Done With Sherman Anti-Trust Act," *Wall Street Journal*, July 25, 1908; "The Decision From Party Point of View," *Wall Street Journal*, March 16, 1904; "One Expert Opinion," *Washington Post*, January 24, 1903; "One Vote In Negative," *Washington Post*, June 3, 1900.

<sup>47</sup> "Interpreting the Clayton Act," *Wall Street Journal*, January 5, 1921; "Clayton Bill Vote," *Washington Post*, October 9, 1914; "Reed Opens Fire on Clayton Bill," *Washington Post*, September 29, 1914; "Differ on Trust Bill," *Washington Post*, April 16, 1914. This bill had been introduced by Chairman Clayton of the Judiciary committee.

<sup>48</sup> Timothy Lynch, "On Labor Day, Drink a Toast to the Unions," *Cincinnati Post*, August 21, 2003; Bernard Kilgore, "Task of Clarifying NIRA's Section 7(a) Still Haunts Workers, Employers, U.S. Labor Board," *Wall Street Journal*, February 22, 1934; Bernard Kilgore, "Unions and NIRA," *Wall Street Journal*, August 26, 1933.

reasons for the conservative Supreme Court decisions in the early 20<sup>th</sup> century that established the right or freedom to contract, which recognized contractual workers as corporate property.

From the late 19<sup>th</sup> century until the early 1920s, state courts as well as the Supreme Court applied the Fifth, Thirteenth, and Fourteenth Amendments to address the rise of contract labor.<sup>49</sup> Historian James Gray Pope, in *The Promises of Liberty*, argued that, when American workers were inhibited from striking, organizing, collective bargaining or merely fighting for their labor rights, they cited the Thirteenth Amendment, which had eliminated slavery and the perception of workers as a commodity or chattel property.<sup>50</sup> Yellow dog contracts, labor injunctions, and other worker hindrances were viewed as unconstitutional to labor leaders, because they invalidated the provisions of the Fifth, Thirteenth, and Fourteenth Amendments.

In 1897, the United States' Supreme Court decided in *Allgeyer v. Louisiana* that a state law that required any insurance business to operate under state licensing provisions was unconstitutional. In citing *Butchers' Union Company v. Crescent City Company*, *Powell v. Pennsylvania*, and *Milliken v. Pratt*, the court affirmed that a citizen should have the right to enjoy the benefits of selling his labor and the freedoms associated with maintaining an occupation.<sup>51</sup> Citizens could enter into contracts that allowed them to sell their labor and to benefit from any industrial position for which they decided to work. But the "right of contract" was used to undermine trade unionism and Federal and state attempts to

<sup>49</sup> Barry W. Poulson, "Substantive Due Process and Labor Law," *The Journal of Libertarian Studies* VI, nos. 3-4 (Summer/Fall 1982): 275.

<sup>50</sup> Alexander Tsesis, ed., *The Promises of Liberty: The History and Relevance of the 13<sup>th</sup> Amendment* (New York: Columbia University Press, 2010), 139.

<sup>51</sup> *Ibid.*, 271; *Allgeyer v. Louisiana*, 165 U.S. 578 (1897).



regulate labor. It was argued that workers could not earn a decent living with restrictions on their rights to work.

Moreover, as Christopher Tomlins has argued, business leaders before the Great Depression hampered any efforts at promoting trade unionism through extensive use of labor injunctions and other laws. Management believed that it was necessary to maintain high production levels and provide families with low prices for consumer goods. This undermined any steps at sustaining external industrial representation in the workplace as long as there were substantial employment numbers in each manufacturing plant.<sup>52</sup> Strikes were viewed as a necessarily evil, because they hindered the production process and threatened the supply of consumer goods in the marketplace.<sup>53</sup> Efforts at developing trade unionism were suppressed by legal authorities, when workers were conscious of their difficult working conditions and limited employment status.<sup>54</sup> This problem had to be overcome if workers were to fight successfully for their industrial rights.

In 1905, the United States' Supreme Court heard the case *Lochner v. New York*, in which Justice Peckham wrote the 5-4 majority decision.<sup>55</sup> In citing among others, *Allgeyer v. Louisiana*, *Holden v. Hardy*, *Atkin v. Kansas*, and *Jacobson v. Massachusetts*, he argued that a New York law that inhibited workers in bakeries from working overtime and that had maximum work hours was unconstitutional, because it hindered employees from supporting their families financially.<sup>56</sup> The court argued that citizens had a right to work in the private sector and often in order to take care of their households. They believed that

<sup>52</sup> Christopher Tomlins, *The State and the Unions: Labor Relations, Law and the Organized Labor Movement in America, 1880-1960* (New York: Cambridge University Press, 1985), 3-4.

<sup>53</sup> Christopher Tomlins, *The State and the Unions*, 3-4.

<sup>54</sup> Christopher Tomlins, *The State and the Unions*, 5.

<sup>55</sup> George Will, "George Will Column: Lochner v. New York Decision Poses Threat to Liberal Aspirations," *Green Bay Press Gazette*, September 8, 2011.

<sup>56</sup> Alexander Tsesis, ed., *Promises of Liberty*, 139; 272; *Lochner v. New York*, 198 U.S. (1905).

the New York law violated the Fourteenth Amendment. Americans had to right to due process and the loss or deprivation of their life, liberty and property was unconstitutional.<sup>57</sup> Employers argued that the New York law that prohibited overtime obstructed a worker's ability to earn a decent living. Limiting work hours was a detriment to small companies that had to increase their labor costs and were, thus, forced out of business. The right of contract repeatedly was used to justify the invalidation of labor laws.

In *Vegeahn v. Guntner*, a Massachusetts court case in 1896, the majority decision stated that striking or picketing was illegal and illegitimate.<sup>58</sup> Changes in these practices began around World War I. President Woodrow Wilson established the National War Labor Board during the First World War. Further, the 1930 Supreme Court case *Texas & New Orleans Railway Co. v. Brotherhood of Railway Clerks* allowed for collective bargaining by workers in the Railway industry.<sup>59</sup> In it, the Supreme Court held that the Texas & New Orleans Railway Co. attempted to establish a company union called the Association of Clerical Employees, and prevent the introduction of external representation.<sup>60</sup>

The Brotherhood of Railway Clerks sought to represent railway workers; and Justice Hughes decided that labor organizations should not be hampered from promoting trade unionism. He argued that employers could not use injunctions to establish company unions and inhibit the spread of trade associations. This decision upheld section 2 of the Railway Labor Act of 1926, because it allowed for collective bargaining without the interference of corporate management. The judgment also substantiated prior court cases,

<sup>57</sup> "Lochner Ruling Rightly Criticized," *News Gazette*, September 23, 2011.

<sup>58</sup> "Accommodation of the Norris-LaGuardia Act to Other Federal Statutes," *Harvard Law Review* 72, no. 2 (December 1958): 355.

<sup>59</sup> Charles J. Morris, *The Blue Eagle at Work: Reclaiming Democratic Rights in the American Workplace* (Ithaca: Cornell University Press, 2005), 9, 17-18.

<sup>60</sup> *Texas & New Orleans Railway Company v. Brotherhood of Railway Clerks*, 281 U.S. 548 (1930).

such as *Stuart v. Hayden*, *Texas & Pacific Railway Company v. Railroad Commission*, *Washington Securities Company v. United States* and *Bodkin v. Edwards*.<sup>61</sup> Permitting injunctions to curtail the spread of trade unionism was viewed as unconstitutional and violated section 20 of the Clayton Anti-Trust Act. Lastly, federal injunctions to inhibit trade unionism took away the rights of workers present in the First and Fifth Amendments to the Constitution, because it obstructed employees and their pursuit of external representation.<sup>62</sup>

The Fifth Amendment became an important provision, because business leaders believed in maintaining their due process and rights to control their private property or in this case, their employees once they had signed individual labor contracts.<sup>63</sup> The First amendment dealt with the rights to assemble and many scholars wondered if strikes or even collective bargaining were in violation to this constitutional stipulation. Corporate leaders also received more state and federal rights because of the issue of federalism.<sup>64</sup> The business community was viewed as benevolent patriarchs that had the peoples' interests in mind. But one problem that corporations encountered was that state governments had the ultimate policing powers of business leaders. If employees could appeal to state governments to recognize trade unionism and collective bargaining, then workers' rights could be promoted.

The Federal government changed its political outlook with the passage of the Norris-LaGuardia Act in 1932. The Norris-LaGuardia Act of 1932, especially section 1,

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<sup>61</sup> Ibid.

<sup>62</sup> Remember, the First Amendment allowed citizens to benefit from the freedom to assemble. The Fifth Amendment stipulated that citizens had the right to due process and could not be deprived of their private property. Employers viewed their contractual workers as private property and sought protection in court to validate their points of view and legal rights.

<sup>63</sup> Christopher Tomlins, *The State and the Unions*, 24.

<sup>64</sup> Ibid, 24-25.

prevented the use of temporary or permanent injunctions to end strikes if a company had national business operations.<sup>65</sup> The strike or boycott was considered legitimate, and injunctions to limit strike activity were not justified, if it restrained the Commerce clause of the Constitution.<sup>66</sup> The Clayton Act of 1914, however, was one of the first Congressional attempts to provide relief to workers affected by the strict enforcement of anti-trust laws.<sup>67</sup> If the Clayton Act had not been declared unconstitutional in 1923, then the Norris-LaGuardia Act would have been unnecessary. Section 6 of the Clayton Act stated that the labor powers of any worker were not forms of chattel or property. Section 20 of the Clayton Act stated that when the acts of trade unions interfered or caused injury to the employers' property rights, then this activity was unconstitutional.<sup>68</sup> Thus, the Clayton and Norris-LaGuardia Acts gave workers more substantive powers in conducting labor remedies, such as the right to boycott or strike.<sup>69</sup> Injunctions to end boycotts or strikes were viewed as constitutionally invalid.<sup>70</sup>

During the Great Depression, policymakers such as President Roosevelt and General Johnson were increasingly disenchanted with the judiciary, because of the conservatism of the United States' Supreme Court and state entities. They, along with other critics, argued that "judges' values are the law and they make decisions for the federal institutions

<sup>65</sup> Roscoe Pound, "Lopsided Deal," *Wall Street Journal*, July 24, 1957.

<sup>66</sup> James Mel. Henderson and William H. Henderson, "Labor's Peace Time Responsibility under the Norris-LaGuardia Act," *California Law Review* 34, no. 1 (March 1946): 187.

<sup>67</sup> *Ibid*, 188-189.

<sup>68</sup> "Accommodations of the Norris-LaGuardia Act to other Federal Statutes," *Harvard Law Review*, 355; Alexander Tsesis, *The Promises of Liberty*, 142.

<sup>69</sup> "Through the Picket Thicket," *Wall Street Journal*, September 28, 1970.

<sup>70</sup> "Labor Law, Norris-LaGuardia Act. Existence of a Labor Dispute," *Virginia Law Review* 24, no. 6 (April 1938): 684-685

in which they represent.”<sup>71</sup> If a judge established a decision that was contrary to the beliefs or operations of a business or even a state entity, then it might take years before a new decision could be rendered that affected pre-existing laws in a constructive way. Thus, the conservatism of a court could be maintained for many years until there were new members of judiciary that might hear a related case and overturn the prior ruling. The slow pace of judicial change meant that the court was conservative, even in times when liberal legislation challenged and attempted to rework the system of laissez-faire government.<sup>72</sup> Judges, for the most part, were reluctant to invalidate the government approaches to the American market. Roosevelt’s New Deal programs confronted classical judicial perceptions that limited and dismantled its provisions until after 1935. Neither judges nor policymakers change their value systems overnight. They lingered for a long period of time, unless new members join and infuse their ranks.<sup>73</sup>

By the mid-1930s, employees and firms in opposition to the NRA and AAA filed court cases that challenged the NIRA, but few cases were supported by workers. The NIRA, moreover, did not spell out the mechanisms that American workers could take to redress violations of the industrial codes of fair competition.<sup>74</sup> This implied that contacting a local union was not an effective step for workers that suffered in the manufacturing, retail, insurance and finance sectors. Before Norris-LaGuardia, workers were subjected to labor

<sup>71</sup> Stephen K. Shaw, William D. Pederson and Frank J. Williams, eds., *Franklin D. Roosevelt and the Transformation of the Supreme Court* Volume 3 (Armonk, New York: M.E. Sharpe, 2004), 21.

<sup>72</sup> Emanuel Stein, Carl Raushenbush and Lois MacDonald, *Labor and the New Deal*, 30-31.

<sup>73</sup> Joseph Boskin, *Opposition Politics: The Anti-New Deal Tradition* (Beverly Hills: The Glencoe Press, 1970), 14.

<sup>74</sup> John Kenneth Galbraith, ed., *Recollections of the New Deal: When the People Mattered* (Boston: Northeastern University Press, 1992), 53; Philip Kinsley, “Johnson Makes Savage Attack on NRA Critics,” *Chicago Daily Tribune*, August 3, 1934. In speeches, Johnson argued that violators of the industry codes should not be subjected to jail time. He argued for compliance, but believed that the NRA should only remove their Blue Eagle if necessary. Johnson further believed that voluntary compliance should be the letter of the day.

restrictions as it pertained to trade unionism. Section 7(a) of the NIRA was the first step in promoting the use of independent labor organizations to address work-related violations.<sup>75</sup>

In January of 1934, Franklin Delano Roosevelt asserted that it was necessary to speak to the American people in an address to Congress, because of worker-related fears about the implementation of the NIRA in industry.<sup>76</sup> He hoped to restore the confidence of Americans in the NIRA, even though there was much discontent in this industrial system and about the industry codes. He argued that the American people should not move back to the runaway market competition and instability that had caused the crisis. Americans had to move in the direction of industrial and centralized planning, because it was the only way to create stability in the marketplace and economic security. The NIRA and AAA had enabled Americans to move forward, but confidence in the laws was uneven. Corporate executives who had initially supported the NIRA viewed the new agencies with skepticism and with the critical eyes of organizations such as NAM.<sup>77</sup>

On March 5, 1934, the president gave another address to the General Conference of Code Authorities and Trade Association Code Committees in Washington, D.C.<sup>78</sup> Before the NIRA was passed, Roosevelt had argued, competition in the national economy was cut-

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<sup>75</sup> Bernard Kilgore, "Unions and NIRA," *Wall Street Journal*, August 26, 1933. Kilgore, in this column, argued that the interpretations of section 7(a) needed to be clarified; and General Johnson and Richberg attempted in various speeches to business leaders to enumerate this provision. Kilgore contended that the "real interpretation" of this provision and how it pertains to collective bargaining would be forthcoming as the different industries established their codes of fair competition; Bernard Kilgore, "Task of Clarifying NIRA's Section 7 (a) Still Haunts Workers, Employers, U.S. Labor Board," *Wall Street Journal*, February 22, 1934.

<sup>76</sup> Franklin Delano Roosevelt, "Message of the President to the Congress of the United States," Item from the Collection of the Franklin Delano Roosevelt Library website, Papers as President, President's Personal file 1933-1945.

<sup>77</sup> Ibid.

<sup>78</sup> Franklin Delano Roosevelt, "Address at the Conference of NRA Code Authorities," Item from Collection Franklin Delano Roosevelt Presidential library website, Papers as President, President's Personal File, 1933-1945.

throat.<sup>79</sup> Corporate leaders tried to expand their business operations and improve their financial positions at the expense of their colleagues and other economic counterparts. Competition was often unfair, and many Americans were victims of corruption and ruthlessness. Roosevelt emphasized that the NRA ameliorated competition. Its adoption of centralized planning to the national economy in order to starve off the crisis was an attempt to stabilize the democratic market, not take over market capitalization. Roosevelt did not believe that he had overstepped his bounds, as he sought to use new domestic approaches to get Americans back to work.

The purpose of the NIRA was to stabilize the national economy, to enable it to become structured so that the buying or purchasing power of all Americans improved. Industry, labor, and the public were to work together for the economic success of the entire nation. With the NIRA, there was to be a balance between the interests of industry, government, and workers' advocates. All Americans could benefit from the NRA's economic modifications of the public and private sectors. Addressing his critics' concerns, Roosevelt argued that the NIRA had employed constitutional means to reform the national economy. Further, Roosevelt argued that "the government could not forever absorb the whole burden of unemployment."<sup>80</sup>

<sup>79</sup> Special, "Did NRA Promote Recovery," *Chicago Daily Tribune*, June 9, 1935; Philip Kinsley, "Johnson Makes Savage Attack on NRA Critics," *Chicago Daily Tribune*, August 3, 1934; Thomas H. Eliot, *Recollections of the New Deal: When the People Mattered* (Boston: Northeastern University, 1992), 34; Special, "Lund and Harriman Back Recovery Act," *New York Times*, June 14, 1933.

<sup>80</sup> "Among Predictions for Future, Unemployment the Real Threat," *The Ledger*, November 12, 2013. This column stated that even Roosevelt believed that social programs did not add to the federal deficit but he realized that spending for entitlements did not completely resolve the unemployment problem; Daniel Johnson, "History Did Roosevelt's New Deal Merely Deepen the Depression? Asks Daniel Johnson," *The Sunday Telegraph*, July 22, 2007. One point that Daniel Johnson made was that in 1940, the unemployment rate was still at fifteen percent. He asked, "Did the New Deal really work or did it advance the Great Depression?"

By 1934, however, many journalists, newspapers and businessmen were no longer supportive of the NIRA. Many of them believed that the national economy was not stable, or improving. Conservative reporter Frank Kent, for example, argued that only 1.5 million jobs had been created since 1933, when the NRA was adopted by the Executive and Legislative branches of government. Business owners also were dissatisfied with the NRA. Republican Senator William Borah from Idaho persuaded the United States' Senate to conduct hearings on the NIRA so that industry leaders could express their reservations and outright opposition.<sup>81</sup> Borah argued that his office had received approximately "nine thousand complaints," and he wanted them addressed.<sup>82</sup> The NIRA was so unsuccessful as a national policy initiative to the business community, Senator Borah insisted that corporate leaders should not adhere to the provisions of industry codes. If any business executives were sanctioned by the federal government, then Borah told them to let him know. Borah would clear the names of the business leaders affected by government officials who sought to enforce the codes.

From 1934 onward, Senators Borah and Gerald P. Nye of North Dakota continued to pressure the Roosevelt Administration because they believed that the NRA and AAA promoted controversial price and production standards.<sup>83</sup> They believed that this was a step in the wrong direction for the American people. Further, throughout the Great Depression, Senator Borah campaigned in Idaho for many of his Anti-New Deal Republican

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<sup>81</sup> Senate History, "William Borah: A Featured Biography," United States Senate, <http://www.senate.gov>. (accessed June 15, 2014); Borah Foundation & Symposium, "Senator William Borah," University of Idaho, <http://www.unidaho.edu/class/borah/about/williamborah>. (accessed June 15, 2014). Borah, who was noted for his foreign policy initiatives, was called the "Lion of Idaho."

<sup>82</sup> Marvin N. Olasky, "Scratching the First Teflon Presidency: Frank Kent versus Franklin Roosevelt," paper presented at the annual meeting of the Association for Education in Journalism and Mass Communication, Norman, OK, August 3-6, 1986.

<sup>83</sup> "Borah and Nye Demand End of Big Business Tie in Republican New Deal," *New York Times*, December 14, 1934.



colleagues, such as Frank Stephan, 1934 candidate for governor.<sup>84</sup> Borah supported Republican candidates that were against the policies of the Roosevelt Administration. He was a staunch conservative and a strong opponent of the New Deal. However, after 1935, Borah somewhat changed his political outlook because he asserted that the Herbert Hoover and the Old Republican Guard failed to prevent the Great Depression and hampered the economic viability of the American people.<sup>85</sup> He was against the exploitation of the American people by the Republican party, but continued to argue that Roosevelt sought to establish a governmental dictatorship by political mandate to resolve the economic crisis.

The problems that business leaders and conservative policymakers faced were in section 7(a) and the emergence of collective bargaining as an important provision of the NIRA. Conservative businesses had long relied on Liberty of Contract arguments in labor law. *Commonwealth v. Perry* in 1891 illustrated this point vividly, because workers were given the rights to sell their labor rights in American marketplaces. At no point did this legal precedent acknowledge workers' limitations in individual bargaining. In the early 1920s, the United States' Supreme Court increasingly relied on the 13<sup>th</sup> and 14<sup>th</sup> amendments in an effort to protect American firms.<sup>86</sup> The employer had the right to dictate the conditions of employment. In two cases decided in 1921—*American Steel Foundries v. Tri-City Central Trades Council* and *Truax v. Corrigan*, collective bargaining and other labor rights were viewed as unconstitutional. It hindered the rights of employers to utilize the

<sup>84</sup> "Borah Thunders Against New Deal in Idaho Contest," *Washington Post*, November 4, 1934.

<sup>85</sup> Special Report, "Borah Declares War on the Old Guard," *New York Times*, November 4, 1935; Arthur Sears Henning, "Borah Asserts G.O.P. Leaders Violated Trust," *Chicago Daily Tribune*, November 4, 1935.

<sup>86</sup> Kenneth Janda et al., *The Challenge of Democracy*, A-10-A-11.; United States House of Representatives, Amendments to the Constitution, <http://www.house.gov/house/constitution/amend.html/> (accessed December 23, 2011).

labor rights of their employees.<sup>87</sup> American Steel Foundries held that trade unionism, and collective bargaining, had become legitimate industrial and labor practices, because of the passage of the Clayton Act of 1914.<sup>88</sup> Employers argued that strikes and industrial syndicalism interfered with the rights of management to use its corporation's property in the appropriate fashion.<sup>89</sup> Thus, the labor laws that governed the American private sector benefited the firm and protected the property rights, not employees.

These two court cases were important, because they addressed workers' rights in the labor market.<sup>90</sup> Workers had the right to sell and own their labor: but once they became employed, then the labor powers of workers became the property of that firm. Further, employers could not own the labor rights of their workers while employees had the right to sell their own labor assets to the firms of their choice. This implied that employers could control the business operations, and production and labor costs of their firms. This principle served to disfranchise employees in the workplace. American workers did not completely control their labor and could not use trade unions to fight for their labor rights.<sup>91</sup>

More importantly, court cases that challenged the constitutionality of the NIRA increased dramatically after 1934. Criticisms of the law were manifold. First of all, scholars and policymakers questioned whether Congress had the power to expand its legislative power under the Commerce clause of the United States Constitution.<sup>92</sup> Further,

<sup>87</sup> *Truax et al. v. Corrigan et al.* 257 U.S. 312 (1921).

<sup>88</sup> *American Steel Foundries v. Tri-City Central Trades Council et al.*, 257 U.S. 184 (1921).

<sup>89</sup> Stanley L Engerman and Robert Gallman, *The Cambridge Economic History of the United States*, 650-652.

<sup>90</sup> "Decide Labor Has Right to Picket," *Los Angeles Times*, December 7, 1916.

<sup>91</sup> William g. Sirrine, "Decisions on Picketing," *New York Times*, July 30, 1935.

<sup>92</sup> David B. McCalmont, Jr., ed., "Impact of the Courts upon the NRA Program: Judicial Administration of NIRA," *The Yale Law Journal* 44, no. 1 (November 1934): 91; Sidney Rudy, "The Recovery Program Comes into Court," *California Law Review* 23, no. 2 (January 1935): 197.

they asked whether the NIRA extended or enlarged the legislative powers of the Executive branch and its myriad agencies. The key questions were how much regulation was necessary to affect interstate commerce, and whether the commerce clause and interstate commerce were interwoven. Many scholars have contended that Congress had the constitutional power to develop regulatory policies for the federal level, but there were some repeated challenges to this framework. Yet, regulations were imperative to police the system, which became essential if the government was to intervene in the economic crisis. The meaning of interstate commerce and the commerce clause, however, was expanded under the NIRA, which aimed to “revive” the national economy and promote an expanded role for the federal government to regulate interstate commerce.

David B. McCalmont, Jr., from the *Yale Law Review*, argued that Congress and the Executive Branch received extensive legislative powers under the NIRA to curtail the economic emergency that had occurred after 1929.<sup>93</sup> If this was the case, then Congress and the Presidency maintained this expanded responsibility until the economic emergency had ceded. But were these powers limited to the economic emergency? Still when it ended, would federal authorization be curtailed?<sup>94</sup>

Second, legal scholars asked whether due process was inhibited under the NIRA. Traditionally, price controls had been shown to lower prices for consumer goods and, one might add, for labor services and raw materials. The NIRA and the AAA were different in the sense that they aimed to raise prices for commodities in the United States and globally.

<sup>93</sup> David B. McCalmont, Jr., ed., “Impact of the Courts upon the NRA Program,” 93.

<sup>94</sup> “Roosevelt Dismisses N.R.A. Cases,” *Los Angeles Times*, June 2, 1935. With the Schechter decision, 411 NIRA cases were dropped and this was an indication that like this law, the economic emergency was viewed as temporary. The short-term nature of the Depression was a determinant of the length of recovery measures; Washington Bureau, “Plan NRA Extension to Force Court Test,” *Wall Street Journal*, April 4, 1935. Efforts to extend the NIRA would have enabled the recovery efforts to continue but with the absence of pending legislation, the emergency would have been viewed as mitigated.

Raising prices as a government policy was largely uncommon before the Great Depression: but traditional economic approaches had failed to resolve the crisis. The New Deal, which was engaged in persistent experimentation, sought to use industrial codes and price guidelines as a way to fix the economy.<sup>95</sup> In most court decisions before 1934, however, justices contended that the regulations for lowering prices for commodities and consumer goods were unconstitutional.

Third, challenges to the NIRA asked whether Congress expanded its role as a mechanism for promoting interstate commerce under this law. Could Congress have the legislative capacity to regulate interstate commerce by inhibiting the shipment of goods from American corporations without a license or the Blue Eagle Seal? Could Congress devise a law that promoted collective bargaining and thus eliminate yellow-dog contracts from the economic and industrial discourse? Legal experts at the time affirmed that Congress had the power to expand its legislative capacity and embody its legislative qualities in other federal entities, but legal challenges also asked whether the NIRA interfered with the separation of powers between the three federal branches of government.<sup>96</sup> Further, they asked whether the NIRA violated due process. If an employer was entitled to enter into contracts with his employees and to use their labor for the benefit of his corporation, was it unconstitutional? These questions were important because strikes, collective bargaining, and restricted contracts were affected by the NIRA.

<sup>95</sup> Sidney M. Milkis and Jerome M. Mileu, *The New Deal and the Triumph of Liberty* (Amherst: University of Massachusetts Press, 2002), 41.

<sup>96</sup> Alpheus Thomas Mason, "Politics and the Supreme Court: President Roosevelt's Proposal," *University of Pennsylvania Law Register* 85, no. 7 (1936-1937), 660; John Fairlie, "Has the Constitution Gone," *Michigan Law Review* 33, no. 7 (May 1935), 1040.

The new law expanded Congressional and Executive powers into uncharted territory in the judicial system.<sup>97</sup>

The courts had to decide whether due process was affected negatively by the NIRA. If employees were recognized by an outside party that bargained for their benefit, then this might interfere with the relationship that employees had with their employers? Supporters of the NIRA argued that the provisions of the industry codes of the NIRA did not interfere with due process and they had been accepted by policymakers as the letter of the law. Stipulations that limited weekly work hours or fixed minimum wages were widely seen as solutions to the unemployment crisis. In many ways, it appeared that due process was promoted with the NIRA, because Congress was expanding the ability of American corporations to resolve this national emergency through government channels. The NRA created industry codes that reformed the national economy and made it easier for businesses to conduct economic and financial transactions. The provisions of the codes of fair competition were put in place to enlarge the business operations of American businesses and due process as well.<sup>98</sup>

Another problem that the courts had to address was whether it was within the scope of the legislative powers of Congress to regulate intrastate commerce. Did the NIRA expand the powers of Congress to govern companies in the national economy that

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<sup>97</sup> Dean Dinwoodey, "Court Test of NIRA Waits on Amendment," *New York Times*, March 31, 1935; "U.S. to Speed Test for NRA in High Court," *Washington Post*, April 5, 1935. One important challenge to the NIRA was whether Congress delegated too much legislative power to the Executive Branch.

<sup>98</sup> Special Report, "Codes Hurt Public, NRA Board is Told," *New York Times*, January 7, 1935. The positive aspects of the codes may have been lost in special interests as they were written, agreed upon and signed by Roosevelt. The NRA's Consumers' Advisory Board argued in a special report that the entire agency promoted business interests at the expense of ordinary American consumers.

conducted local business or intrastate commerce?<sup>99</sup> What if a corporation employed thousands of workers in the manufacturing sector but decided to lay-off a number of its employees. This act affected interstate commerce in a negative way, because the corporation was reducing its manufacturing capacity nationally. Each state where the corporation that had employees was affected by the reduction in employment levels, especially if the company curtailed its national or international business.

Small, regional or local businesses were considered wholly different, and Congress arguably had less capacity to regulate them, if their business was intrastate and outside of the NRA's jurisdiction. Legislators and other policymakers had to decide whether the corporation that reduced its workforce could be regulated by the federal government, due to the impact of its business practices; they also needed to decide the limits of regulation. Did the federal government need to treat the operations of small businesses differently than multinational corporations? If unemployment levels increased in the United States, could Congress regulate interstate commerce in an effort to reduce the lay-offs and allow for the hiring of more American workers? These were important questions, because they dealt with the role of the federal government in the national economy. Congress, the Judiciary, and Presidency all shaped the roles that businesses played to enhance economic growth and job creation.<sup>100</sup> By 1934, these questions came to the surface and corporations brought court cases to challenge the government powers.<sup>101</sup>

<sup>99</sup> Sidney Rudy, "The Recovery Program Comes into Court," 197; Special Report, "Test of NIRA Put in Supreme Court," *The New York Times*, April 9, 1935.

<sup>100</sup> Arthur Schlesinger, Jr., "The Hundred Days' of F.D.R.," *New York Times*, April 10, 1983; Steven Thomma, "A New Deal," *McClatchy—Tribune News Service* (Washington), February 25, 2009.

<sup>101</sup> Rohit Gupta, "No New Deal II," *National Post* (Don Mills, Ontario), April 1, 2009.

As a result of the criticisms of the NRA, opponents brought several dilemmas to federal court cases to challenge the provisions of the law. Initially, these cases appeared in the district courts, courts of appeals, and state supreme courts. Over time, the United States Supreme Court became involved. It reviewed the NRA case, *Schechter v. the United States* in 1935, which declared the NIRA unconstitutional.<sup>102</sup> These cases addressed the constitutionality of the industry codes, the public works provisions, and collective bargaining provisions in section 7(a).

In 1934, there was one intriguing case that dealt with violations of section 7(a) of the NIRA. The case was *Bayonne Textile Corporation v. the American Federation of Silk Workers, Raphael Brown, Olga Sacaroff and Nathan Burn*. *Bayonne Textile* was submitted to the Court of Errors and Appeals of New Jersey in February 1934, and it was decided on May 4, 1934. Bayonne factory was a producer of silks and rayon fabric. Corporate executives felt that the strike that took place on their grounds interfered with their property rights, violating the due process clause of the Constitution.<sup>103</sup> With the emergence of the NIRA, a code was established for this industry; and the Bayonne factory was in compliance with all of its provisions. Management argued that the strike that followed crippled the Bayonne factory's operations, and the behavior of the strikers was not conducive to a positive work environment. In the decision of the court, Chief Justice J. Heher argued that:

Insults, indecent and annoying language and abusive epithets were hurled at complainant's employees, by pickets acting for defendants, as they passed to and from the complainant's plant; that they were threatened with physical violence if

<sup>102</sup> Colin Gordon, *New Deals: Business, Labor, and Politics in America* (Cambridge: Cambridge University Press, 1994), 200.

<sup>103</sup> "Court Rules the NRA Bars Labor Picketing," *New York Times*, October 31, 1933.

they did not withdraw from complainant's service; that windows of complainant's plant, about thirty in number were broken by defendants, or those acting on their behalf and etc.<sup>104</sup>

The Chief Justice asserted that there was some violence between the members of the trade association and management at Bayonne Textile Corporation. But was this violence alleged or did the plaintiffs have some evidence to prove that these incidents occurred? Would it make a difference in the case or favor the plaintiff and their beliefs that strikes were wholly detrimental to their business operations?<sup>105</sup>

In the *Bayonne Textile Corporation* case, Joel Gross served as the attorney for the plaintiff while Edward Bennett of Cole & Morrill was the lawyer for the defendants.<sup>106</sup> In this case, Bayonne Textile Corporation argued that their property rights had been violated because of trade unionism. According to the plaintiff, the American Federation of Silk Workers interfered with the corporation's business operations, because its members had told employees to stop working during normal business hours.<sup>107</sup> There was a work stoppage, or strike, that caused the corporation to lose money. Arguably, it destroyed the relationship that workers had developed with management.<sup>108</sup>

The Bayonne Textile Corporation argued that it was stipulated in the Constitution that businesses had control over the labor powers of its workers. In particular, this case dealt with the court's interpretation of the Fifth, Thirteenth, and Fourteenth amendments

<sup>104</sup> *Bayonne Textile Corporation v. the American Federation of Silk Workers*, 116 N.J. Eq. 146; 172 A. 551 (N.J. 1934).

<sup>105</sup> Special Report, "Strike Restraint Under NRA Voided," *New York Times*, May 5, 1934.

<sup>106</sup> *Ibid.*

<sup>107</sup> Special, "200 Walk Out in Bayonne," *New York Times*, September 5, 1934.

<sup>108</sup> P.D.Q. "Labor Laws and Picketing as Affected by the National Industrial Recovery Act," *Virginia Law Review* 20, no. 5 (March 1934): 559-560; D.S.H. "Labor Law: The Present State of Section 7 (a)," *Virginia Law Review* 21, no. 6 (April 1935): 689; Special, "Strike Restraint Under NRA Voided," *New York Times*, May 5, 1934.



to the constitution.<sup>109</sup> Workers had to capacity to sell their labor powers in businesses to which they were employed. Once workers became members of any American firm, they lost control over their labor process. Workers did not maintain control over their individual rights, conditions, and wages: and businesses claimed that workers' labor rights were placed within any firms' jurisdiction. In this case, the judges listened to the arguments. In their decision, they remanded the case to the lower court and altered the order of the trial court with further instructions.<sup>110</sup>

This was a significant case, however, because it dealt with the collective bargaining provisions of the NIRA. Did workers have the right to join unions, organize and bargain collectively with management or other corporate officials?<sup>111</sup> Did workers lost their individual rights if they became members of trade unions and went on strike? If the court answered the first question in the affirmative, then workers maintained the right to control their labor and to hire an outside party to represent their workplace interests. The defendants argued that under the NIRA, the codes of fair competition allowed employees to place limits on work hours and to have minimum wages and other employee benefits. But the codes were not absolute. Workers had the capacity to bargain if they felt that their employee rights were infringed upon or if management offered benefits that were not on par with industry standards.<sup>112</sup>

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<sup>109</sup> Kenneth Janda, *The Challenge of Democracy: Government in America* (Boston: Houghton Mifflin Company, 1989), A-8-A-9. The Fifth and Fourteenth (Section One) Amendments stipulate that citizens cannot lose their liberty, life or property as well as their citizenship rights without due process of the law. The Thirteenth Amendment, Section One eliminated the institution of slavery and guaranteed that chattel property no longer was a part of the legal lexicon in the United States.

<sup>110</sup> *Bayonne Textile Corporation v. the American Federal of Silk Workers*, 116 N.J. Eq. 146; 172 A. 551 (N.J. 1934).

<sup>111</sup> D.S.H. "Labor Law: The Present State of Section 7(a)," 688; Sidney Rudy, "The Recovery Program Comes into Court," *California Law Review* 23, no. 2 (January 1935): 194.

<sup>112</sup> *Bayonne Textile Corporation v. the American Federation of Silk Workers*, 116 N.J. Eq. 146; 172 A. 551; (N.J. 1934).

On the other hand, the corporate plaintiff cited the Fifth Amendment of the United States' Constitution, which gave citizens the right to "make contracts for the sale of the labor of others or for their own labor." The Fifth Amendment stipulates that corporations could not lose their property rights without the due process of the law.<sup>113</sup> Justice Heher cited *Adair v. United States*, *Coppage v. Kansas* and *Hitchman Coal and Coke v. Mitchell* to validate the right of workers to sell their labor in the workplace, the right of trade associations to unite workers, and use collective bargaining to fight for improvements in the workplace.<sup>114</sup>

Further, this decision was important. Workers could bargain collectively during the negotiation process. There was the right of all citizens to labor in the marketplace, and their labor powers were owned by American corporations, who could dispose of their labor as they saw fit. Workers could sign contracts in which they provided employers with access to their labor powers. Does the right to sign employment contracts to provide corporations with their labor power imply that workers could join trade unions or were they forbidden? Employers were given the right to use the labor of their employees to produce for the national economy, but always within limits. State labor laws had, for more than a century, defined certain conditions as hazardous and unsafe, and regulated women's and children's labor. Employers had the basic right of using their property to promote

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<sup>113</sup> John G. Hervey, "Some Constitutional Aspects of the National Industrial Recovery Act," 5, 14-15; Kenneth Janda et al., *The Challenge of Democracy*, A-8; The U.S. National Archives & Records Administration website, The Constitution of the United States: A Transcription, <http://archives.gov/> (accessed December 23, 2011); United States House of Representatives, Amendments to the Constitution, <http://www.house.gov/house/constitution.amend.html/> (accessed December 23, 2011).

<sup>114</sup> *Bayonne Textile Corporation v. American Federation of Silk Workers*, 116 N.J. Eq. 146; 172 A. 551; (1934 N.J.)

successful business operations and policies. The question was whether firms also could co-opt the labor rights of employees as the property of management.<sup>115</sup>

In Bayonne Textile case, the work stoppage had been authorized by the strike committee of the trade union under defendants Brown, Sacaroff, and Burn. They were responsible for bringing about the strike. The plaintiffs, however, were under the impression that the NIRA eliminated strikes, although workers could bargain collectively for their rights, but Chief Justice Heher argued that the plaintiffs were wrong in their assertions. The NRA law was a temporary measure designed to rectify the economic emergency brought on by the Great Depression. In addition, the NIRA established industry codes: but they could be re-negotiated if management did not agree with them or workers felt that they did not produce a positive work environment. Further, as Heher cited *Gompers v. Bucks Stove and Range Company*, trade unionism was legal under the NIRA, and company unions could be supplanted by independent labor unions that sought to organize workers.<sup>116</sup>

As a result, the decision in Bayonne Textile case was a victory for the defendants and trade unionism. Workers could strike, and the NIRA did not limit them in this capacity. The Fifth Amendment, which dealt with due process and property rights, was not applicable to this particular strike and on the court cases that followed. Workers had the ability to bargain collectively, but the strike was a part of this function. It was a crucial part

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<sup>115</sup> "It Settles Nothing," *Wall Street Journal*, September 4, 1934; "Labor Is Hit Again As Board Limits 7A to Coded Industry," *New York Times*, March 1, 1935. Toward the end of the NIRA, labor boards under the NRA ruled that only coded industries had the right to collective bargaining. So, the federal government and some businesses, such as Macaulay Book Publishing Company, recognized trade associations but collective bargaining was limited to industries that had a signed industry code; Special Report, "Recovery Plan at Stake," *New York Times*, June 25, 1933; Carol King, "The Right to Picket," *New York Times*, August 31, 1933.

<sup>116</sup> Special, "Strike Restraint Under NRA Voided," *New York Times*, May 5, 1934; *Bayonne Textile Corporation v. American Federation of Silk Workers*, 116 N.J. Eq. 146; 172 A. 551; (1934 N.J.).

of the negotiation process. This case established important worker's rights that were not supplanted easily and management no longer had direct control of the labor skills and rights of workers.

In late 1934 and 1935, there were four cases that dealt with violations against the petroleum industry code. The fifth case revolved around the live poultry code. It was to be the final case that decided whether the NRA could establish industry codes or codes of fair competition. The four other cases were *Panama Refining Co et al v. Ryan et al*; *Amazon Petroleum Corp. et al v. Ryan et al*; *Locke v. the United States*; and *State Ex Rel. Lee, Atty. General v. Continental Oil Company*. Lastly, the case to decide the future of the industry codes was *A.L.A. Schechter Poultry Corp. et al v. the United States*. These decisions were important, especially the *Panama Refining* and *Schechter* cases argued in the United States Supreme Court, because the Hughes Court, with the exception of Justice Benjamin N. Cardozo, did not believe in an expanded role for the national or federal government.<sup>117</sup> Generally, legal historians, such as David Atkinson, have argued that the Hughes Court maintained the belief in limited government, which frustrated the efforts of the Roosevelt administration to handle the economic emergency confronting the United States.<sup>118</sup>

The *Panama Refining Case* was argued in the United States' Supreme Court on December 10 and 11, 1934. A decision was rendered on January 7, 1935.<sup>119</sup> Chief Justice

<sup>117</sup> David Atkinson, "Mr. Justice Cardozo and the New Deal: An Appraisal," *Villanova Law Review* 15, no. 1 (Fall 1969): 68. The Hughes Court consisted of Harlan Fiske Stone, Benjamin N. Cardozo, Louis D. Brandeis, Hughes, Roberts, George Sutherland, Willis Van Devanter, Pierce Butler, and James McReynolds. Melvin I. Urofsky, *A March of Liberty: A Constitutional History of the United States* (New York: Alfred A. Knopf, 1988), 656.

<sup>118</sup> William E. Leuchtenburg, "When Franklin Roosevelt Clashed with the Supreme Court and Lost," *Smithsonian Magazine*, <http://www.smithsonianmag.com/history-archaeology/showdown.html>. (accessed September 15, 2013). The Hughes Court featured the Four Horsemen—Pierce Butler, James McReynolds, George Sutherland and Willis Van Devanter, who nullified many New Deal laws including the NIRA and the AAA.

<sup>119</sup> S. Clay Williams, Chairman, NIRB to Hon. Jeuet Bhouse, president of the American Liberty League, January 1935; Donald Richberg Papers; National Archives at College Park, College Park, Maryland. The pamphlet discussed

Hughes wrote the final decision. He began his statement with a discussion of the NIRA and how it pertained to the petroleum industry. He stated that the executive order from July 11, 1933 (no. 6199) regarding the transportation of oil shipments statewide prohibited excess shipments of oil to other states in an effort to stimulate petroleum prices.<sup>120</sup> The executive order applied to state laws regarding quotas, and there was a universal standard for oil shipments that was established by the other executive orders or state laws. Another executive order dated July 14, 1933, (no. 6204) listed the federal penalties for violations of transportation and state shipment standards to be imprisonment of no more than six months and a fine of no more than 1,000 dollars. Under the NIRA, general penalties for federal offenses were fines of no more than 500 dollars, and imprisonment was the same.<sup>121</sup>

On July 15, 1933, the Interior Secretary Harold Ickes was given the authorization to handle the executive orders of July 11 (no. 6199) and July 14, 1933 (no. 6204). Moreover, the amendment to these executive orders dated July 25, 1933, and the petroleum code dated August 21, 1933, were put under the jurisdiction of the Department of the Interior. The NRA was not given the responsibility to administer the executive orders or the petroleum code. Under the Petroleum code, the Interior Department received reports on production and shipment data from industry leaders of the petroleum sector.<sup>122</sup> From this data, the Interior department regulated the petroleum industry and ensured that there

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how section 9 (C) was declared unconstitutional in a Supreme Court decision, and this stipulation had been established to determine the transportation of oil statewide. Interstate commerce had been affected with this provision. Melvin I. Urofsky, *A March of Liberty*, 670. There was a 8 to 1 decision that nullified section 9 (C) of the NIRA in the Panama Refining Case.

<sup>120</sup> *Panama Refining Co et al v. Ryan et al & Amazon Petroleum Corp et al v. Ryan et al*, 293 U S 388 (Supreme Court 1935), Oliver P. Field, "The Constitutional Theory of the National Industrial Recovery Act," 286.

<sup>121</sup> *Panama Refining Company v. Ryan*, 293 US 388 (Supreme Court 1935).

<sup>122</sup> Special, "2 New Deal Laws to get Final Test by Supreme Court," *New York Times*, October 9, 1934.

were regular shipments made across the country. The shipment amendment was important, because it was determined in Congressional proceedings and the executive orders that shipments to other states were in excess of demand causing the prices for petroleum products to decline substantially.

Two cases, *Panama Refining Company* and *Amazon Petroleum Corporation* challenged the shipment clauses in state and federal laws and statutes.<sup>123</sup> In *Panama Refining Company*, the oil company had a refining plant in Texas as well as oil and gasoline leases in that same state.<sup>124</sup> The Panama Refining company sued the federal government to prevent the enforcement of shipment requirements and regulations from section 9(C) of the NIRA.<sup>125</sup> Violations of section 9 (C) occurred when oil shipments were made to states in excess of their petroleum quotas.<sup>126</sup> In this case, the plaintiffs contended that the NIRA gave the president powers that were beyond its legislative scope. Their business operations were intrastate, not interstate.<sup>127</sup> Congress could regulate only corporate business relations if their practices were national, not local.<sup>128</sup> Moreover, the plaintiff

<sup>123</sup> Bernard S. Jefferson, "The Supreme Court and State Separation and Delegation of Powers," *Columbia Law Review* 44, no. 1 (January 1944): 8.

<sup>124</sup> *Panama Refining Company v. Ryan*, 293 U S 388 (Supreme Court 1935); Charles S. Diehl, "Federal Control Disturbing Texas," *New York Times*, December 2, 1934.

<sup>125</sup> Sidney Rudy, "The Recovery Program Comes into Court," 201, 203; Henry S. Manley, Letters to the Editor, *New York Times*, January 9, 1935; Carl Brent Swisher, *Selected Papers of Homer Cummings*, 123-124; Alfred F. Flynn, "Speed is Sought in Framing Bill for Oil Control," *Wall Street Journal*, January 9, 1935; Special, "High Court Upsets Oil Curb Clause," *Los Angeles Times*, January 8, 1935; Special, "Oil Suit Attacks NIRA in Supreme Court: Texas Concern Asks Ban on Output Control," *New York Times*, November 23, 1934; William H. Chafe, *The Achievement of American Liberalism: The New Deal and its Legacies* (New York: Columbia University Press, 2003), 64.

<sup>126</sup> David Atkinson, "Mr. Justice Cardozo and the New Deal," 70. In this case, Cardozo was the lone dissenter who contended that section 9 (C) was invalid if it only affected intrastate commerce.

<sup>127</sup> W.J.W. "Constitutional Law: Agricultural Adjustment Act: The General Welfare Clause and the Tenth Amendment," *Michigan Law Review* 34, no. 3 (January 1936): 371; Bernard S. Jefferson, "The Supreme Court and State Separation and Delegation of Powers," 18; Doskow and Ambrose, "The End of the NRA Codes," 1 (1935): 487-488; John B. Andrews, "Delegated Labor Legislation Unharmful by Recent Court Decisions," 90; Stephen K. Shaw, William D. Pederson and Frank J. Williams, *Franklin D. Roosevelt and the Transformation of the Supreme Court*, 83.

<sup>128</sup> Special, "Oil's Code Force Limited by Court," *New York Times*, February 13, 1934.

argued that the law violated the commerce clause of the United States' Constitution. The NIRA had infringed upon the Fifth Amendment to the United States' Constitution that dealt with private property and due process.<sup>129</sup> Lastly, the decision stated that Legislative and Executive branches of the federal government must maintain distinct political powers.<sup>130</sup> This prevented the blurring of political power of the three federal branches of government.

The *Amazon Petroleum Corporation* case was brought to the federal court system in an effort to prevent the state of Texas, especially the Railroad Commission, from imposing restrictions on the production and distribution of oil statewide.<sup>131</sup> Supposedly, the state of Texas, if it enforced the NRA provisions, would be in violation of the Fourteenth Amendment to the Constitution. The plaintiff challenged the petroleum code and declared that it was not constitutional, but reasons were not given for how the petroleum code infringed upon the Fourteenth Amendment. In both cases, heard by a district judge, the plaintiffs were granted an injunction so that they would not have to adhere to shipment requirements because of the unusual delegation of legislative power that had illegally been granted to the Interior Department and NRA. In the case, the court prevented the enforcement of section 4 article III of the Petroleum code. On appeal, the Circuit Court of Appeals ruled in favor of the defendants; and the case was dismissed. Both cases made it to the United States Supreme Court on the basis of a writ of certiorari that had been given on October 8, 1934.<sup>132</sup>

<sup>129</sup> Kenneth Janda et al., *The Challenge of Democracy*, A-8; The U.S. National Archives & Records Administration website, *The Constitution of the United States: A Transcription*, <http://www.archives.gov/>. (accessed December 23, 2011); United States House of Representatives, *Amendments to the Constitution*, <http://www.house.gov/house/constitution/amend.html> (accessed December 23, 2011).

<sup>130</sup> W.J.W. "Constitutional Law," 383.

<sup>131</sup> Special, "Ickes Hails Progress of Recovery in Oil," *New York Times*, September 2, 1934.

<sup>132</sup> *Panama Refining Company v. Ryan*, 293 US 388 (Supreme Court 1935).

In the decision in *Amazon Petroleum*, Justice Hughes examined the shipment provisions of the petroleum code. He argued that shipment quotas that had existed under the petroleum code (section 4, article III) had been eliminated with the executive order of September 13, 1933.<sup>133</sup> Thus, the shipment quotas ceased to exist when these cases had been submitted to the federal judiciary for scrutinization. Consequently, the Court could not deal with provisions for shipment quotas that were no longer in force. Interior Secretary Ickes had issued regulations IV, V, and VII of the petroleum code, but they had been altered with subsequent amendments, and their meaning had changed wholly in character.<sup>134</sup> This part of the decision was significant because it illustrated the lack of consensus on how to enforce the petroleum code and its myriad stipulations.

Next, the Supreme Court decided to examine section 9(C) of the National Industrial Recovery Act to determine if Congress provided the Executive branch with legislative powers that were beyond its scope.<sup>135</sup> The petroleum code dealt with the transportation quotas in excess of state or federal requirements. The question became whether Congress or the Executive branch had overstepped its regulatory bounds.<sup>136</sup> The Court argued that section 9(C) of the NIRA was specific and not vague. It provided states with regulatory powers regarding interstate and foreign commerce in terms of oil shipments. It did not attempt to control the production of petroleum commodities, as Hughes contended,

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<sup>133</sup> Washington Bureau, "Oil Administration Files Supreme Court Appeal From the Recent Texas Decision on Hot Oil," *Wall Street Journal*, March 17, 1934; Special, "Supreme Court Declares NIRA Oil Clause Void," *Wall Street Journal*, January 8, 1935.

<sup>134</sup> *Panama Refining Co. v. Ryan*, 293 U S 388 (Supreme Court 1935).

<sup>135</sup> Henry S. Manley, Letters to the Editor, *New York Times*, January 9, 1935; Lester R. Korshak, "The NRA and the Interstate Commerce Clause: A Review of Lower Court Decisions on the Validity of the National Industrial Recovery Act," *Chicago-Kent Review* 12, no. 3 (June 1934): 176-177. This article is important, because it illustrates how the case *Amazon Petroleum Corporation v. Railroad Commission of Texas* attempted to handle the delegation of power to the Executive branch from Congress for the petroleum code and determine whether this act was constitutional.

<sup>136</sup> Melvin I. Urofsky, *A March of Liberty*, 669.



however, it provided the Executive branch with enormous regulatory powers over the petroleum industry in terms of its policy and enforcement provisions. Congress had provided sweeping powers to the Executive branch of government when it passed the NIRA in the first place to allow for the free flow of interstate and foreign commerce. But with the NIRA, Congress had not established itself as the principal regulator of the petroleum industry because the Interior Department controlled fundamental aspects of enforcing the industry code for this sector.

In regards to shipments that exceeded state guidelines, Congress had not developed a regulatory strategy nor had it created a particular policy to target the issue. Section 9(C) of the NIRA went beyond the delegation of power from the Congress or the states, and Hughes and the majority of the Court viewed it as unconstitutional.<sup>137</sup> Moreover, the majority argued, legislative power was hampered by the creation of an Executive branch agency such as the NRA. The court cited *Wichita Railroad & Light Co. v. Public Utilities Comm'n*, *Union Bridge Co. v. United States*, *Monongahela Bridge Co. v. United States*, and *Philadelphia Co. v. Stimson* to affirm his decision.<sup>138</sup> Hughes reversed the decision of the Court of Appeals, and the case was remanded to the district court with instructions.

*Locke v. the United States* was another case that addressed violations of the NRA petroleum code. This case was argued in the Circuit Court of Appeals, Fifth Circuit. The initial case had been brought before the District Court of the United States from the Eastern District of Texas in which Justice Randolph Bryant wrote the decision.<sup>139</sup> On January 25, 1935, the Circuit Court of Appeals' Justice Sibley rendered his decision. This decision was

<sup>137</sup> Alfred F. Flynn, "Speed is sought in framing Bill for Oil Control," *Wall Street Journal*, January 9, 1935; Special, "Supreme Court Declares NIRA Oil Clause Void," *Wall Street Journal*, January 8, 1935.

<sup>138</sup> *Panama Refining Co. v. Amazon Petroleum Corp.*, 293 U.S. 388; (1935).

<sup>139</sup> *Locke v. United States*, 75 F.2d 157 (1935 U.S. App).

important because instead of just revoking a company's Blue Eagle designation, a plaintiff actually faced jail time and fines. This may have been one of the first instances in which an industry code was enforced through the use of tangible penalties.

Justice Sibley, who provided the court's final decision, discussed the specifics of the case. Originally, the case was brought to the District Court, because N.S. Locke and his colleagues sought an injunction to prevent the enforcement of the excess production and shipment restrictions of oil or petroleum products from wells, as determined by the Railroad Commission of Texas. The plaintiff (federal government) had argued that overproduction of oil products had contributed to lowered prices and destroyed interstate commerce. With the emergence of the NIRA and the petroleum code, the Texas Railroad Commission had accepted a quota of five percent of its producing capacity. However, the Commission and some refiners were producing at levels above the quota, while others were in compliance.<sup>140</sup> This may have been an instance in which equal treatment was not given to all companies in the oil sector. Equal protection and justice may have been lacking in the enforcement of the petroleum code.

In the District Court case, the defendants were found to be in non-compliance of the NIRA and petroleum code. Locke tried to argue that the NIRA was invalid, because only Congress, not the Executive branch, had the capacity to legislate rules pertaining to interstate commerce. Further, all powers that were not enumerated in the United States Constitution were given to the state entities and the people. Locke's argument was not considered valid in the critical eyes of the court, and he was sentenced to 90 days in jail. Even with jail time, Locke remained non-compliant. In his decision at the Court of Appeals

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<sup>140</sup> *Locke v. United States*, 75 F.2d 157 (1935 U.S. App).

case, Justice Sibley argued that, if the District court had failed to make the proper decision, continuing to violate the law was not the answer. Any constitutional issue could only be corrected in court, not through civil disobedience. Locke had been in contempt of court by violating the injunction. Sibley believed that the decision from the District court was correct, and affirmed their finding. Locke violated the petroleum code and the NIRA by infringing upon others and not adhering to the federal injunction. If Locke had not violated the prior court decision, then the Court of Appeals could have reversed the decision and ruled in his favor. But Locke was non-compliant and uncooperative, because he was dissatisfied with the previous court decision. Sibley cited *Brougham v. Ocean Stream Navigation Co.*, *Schwartz v. United States*, and *O’Hearne v. United States* to validate his position.<sup>141</sup>

*State Ex Rel. Lee, Atty. Gen. v. Continental Oil Company* was federal case decided regarding the failure to comply with the petroleum code and the NIRA.<sup>142</sup> The initial case had been argued in the District court from Laramie County, Wyoming, presided over by C.O. Brown. The most recent case had been decided on April 16, 1935 by Justice Riner. Continental Oil Company was the “largest producer, manufacturer, seller, and distributor of gasoline in Wyoming.”<sup>143</sup> The company was based in Delaware, but it had a virtual monopoly over the sale and distribution of gasoline in Wyoming. Since 1931, the company had been supplying gasoline to the state of Wyoming’s service stations: but it had been

<sup>141</sup> Locke v. United States, 75 F. 2d. 157; (1935 U.S. App).

<sup>142</sup> *State Ex Rel. Lee, Atty Den. v. Continental Oil Company*, 48 Wyo. 152; 43 P .2d (1935 Wyo.).

<sup>143</sup> Special, “Continental Oil Clears \$2,275,860,” *New York Times*, March 22, 1934; Special, “Continental Can Plans 50% Dividend,” *New York Times*, September 13, 1934; Special, “Continental Oil Doubles Income,” *New York Times*, March 26, 1935; Special, “Continental Oil Increases Income,” *New York Times*, November 1, 1935. These four articles from the New York Times illustrates that Continental Oil Company continued to generate enormous profits and paid massive dividends to its shareholders during the time in which this case was brought to court. It acknowledges that Continental Oil Company may have been one of the most successful petroleum companies during this period.

charging greater sums for its gasoline in Wyoming than in Delaware. The issue in this case dealt with the national price for gasoline charged by Continental Oil Company. The plaintiff was attempting to determine whether Continental Oil violated article 2 of chapter 117 of the Wyoming Revised Statutes, the NIRA, and the petroleum code. Citing *Budge v. Board of County Commissioners of Lincoln County*, *State v. Smart* and *State v. Kelley*, Brown decided that constitutional questions had to be examined and resolved first in a trial court before they can be decided in a state supreme court.<sup>144</sup>

The court asserted that the plaintiff had to follow the necessary procedures and allow lower courts to explicate the issue and determine if violations were present.<sup>145</sup> This case was significant because the court justices argued that there were legal or judicial procedures that had to be followed in any case that was brought to the local, state or federal levels. These legal procedures enabled the judiciary to function in the appropriate fashion and failing to comply by the laws caused unnecessary hardship on both plaintiffs and defendants. It was necessary for court justices to ensure that the rules were followed in any case brought in the United States.

The first four important cases challenging the NRA dealt with the petroleum code and violations against some of its provisions targeted the codes of fair competition that contained stipulations for price regulation, and production and shipment controls. The Supreme Court case that decided the fate of the NRA codes was, however, the *Schechter v. United States*, which did not deal with petroleum but the live poultry code. Allegedly, the Schechter firm was disappointed by the federal charges against it and believed that the

<sup>144</sup> *State Ex. Rel. Lee v. Continental Oil Co.*, 48 Wyo. 152; 43 P. 2d. 686; (1935 Wyo).

<sup>145</sup> *Ibid.*

federal government, through the use of the poultry code, was too involved in the financial, agricultural and industrial operations of its business.<sup>146</sup>

Justice Hughes stated that New York City maintained the largest poultry marketplace in the United States. The Schechter brothers were butchers that operated in Brooklyn and New York City.<sup>147</sup> Most of the time, the Schechter brothers purchased their poultry within New York State in the West Washington Market and the Manhattan railroad stations. But on some occasions, poultry was obtained from vendors in Pennsylvania. The dispute was over whether the Schechter brothers were engaging in interstate commerce. The Schechter brothers were affected by the live poultry code that was approved on April 13, 1934. Section 7(a), or stipulations regarding collective bargaining, was included within its provisions, but minimum wages and maximum work hours were itemized in the code as well. According to the live poultry code, employees were not authorized to work more than 40 hours per week and minimum wages consisted of .50 cents per hour.<sup>148</sup> Child labor provisions were comprised of limiting employment to individuals sixteen years of age and older. Children were excluded from participating in the labor market.

In terms of violations to the live poultry code, the Schechter brothers were alleged of committing eighteen offenses.<sup>149</sup> There was one count for conspiracy, two counts for

<sup>146</sup> Lewis Lord, "An Eagle that didn't Take off," *U.S. News & World Report*, August 18, 2003. <http://www.usnewsandworldreport.com>. (accessed March 13, 2015); Amity Shlaes, "The Presidential Administrations Cheat at Monopoly," *USA Today Magazine*, January 2011. <http://www.usatodaymagazine.net>. (accessed March 13, 2015).

<sup>147</sup> John D. Harkrider, "Lessons from the Great Depression," 8; Amity Shlaes, interview with Nick Gillespie, "Remembering the Forgotten Man," *Reason*, January 2008, 9. <http://www.reason.com>. (accessed March 13, 2015).

<sup>148</sup> *A.L.A. Schechter Corporation et al. v. United States*, 295 U S 495 (Supreme Court 1935); Special, "Text of Majority Ruling Holding Delegation of Code Power Unconstitutional," *New York Times*, May 28, 1935.

<sup>149</sup> Special Report, "Text of NIRA Put in Supreme Court," *New York Times*, April 9, 1935; Special Report, "Text of Majority Ruling Holding Delegation of Code Power Unconstitutional," *The New York Times*, May 18, 1935; Stephen

violating minimum wages and maximum hours' provisions of the live poultry code, and ten counts for straight killing. There were further six counts for selling "unfit chickens," and violating inspections for their products, two counts for making inaccurate reports and keeping inaccurate data, and a count for selling to dealers that lacked a proper license as approved by New York City.

Joseph and Jacob E. Heller were the lawyers for the Schechter brothers, while Attorneys General Cummings and Donald Richberg attempted to prosecute the offenders.<sup>150</sup> Initially, the prior case had been argued in the Circuit Court of Appeals for the Second Circuit (Eastern New York) and was brought to the Supreme Court by a writ of certiorari.<sup>151</sup> The Schechter brothers in the Court of Appeals case had been found guilty of 16 out of 18 violations of the live poultry code and conspiracy.<sup>152</sup> The plaintiffs, however, argued that the federal government, especially the Executive branch, had overstepped its bounds and had been vested with extensive legislative powers to regulate interstate commerce.<sup>153</sup> The Hughes court cited *Panama Refining Co. v. Ryan*, because it addressed

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Schwartz, "Unhappy Days: The Cure for the Great Depression was Addiction to Big Government," *The Weekly Standard*, July 30, 2007. <http://www.weeklystandard.com>. (accessed March 12, 2015).

<sup>150</sup> Special Report, "Test of NIRA Put in Supreme Court," *New York Times*, April 9, 1935; The National Recovery Administration Cases, October Term, 1934; Donald Richberg Papers, National Archives at College Park, College Park, Maryland. In oral arguments, Richberg argued that, without the NRA and industry codes, there was unfair competition, which lowered wages, unreasonable prices which hampered profit margins, and a lack of economic and financial interdependence; Donald Richberg, *My Hero: The Indiscreet Memoirs of an Eventual but Unheroic Life* (New York: G.P. Putnam's Sons, 1954), 189-196.

<sup>151</sup> *A.L.A. Schechter Poultry Corp. et al. v. United States*, 295 U S 495 (Supreme Court 1935); Sidney Rudy, "The Recovery Program Comes into Court," 198, 202.

<sup>152</sup> C.I. Menhennitt, "The Validity of the NRA Codes," 51; Duskow and Ambrose, "The End of the NRA Codes," 488; Special, "Text of Majority Ruling Holding Delegation of Code Power Unconstitutional," *New York Times*, May 28, 1935.

<sup>153</sup> Special Report, "Test of NIRA Put in Supreme Court," *New York Times*, April 9, 1935, John D. Harkrider, "Lessons from the Great Depression," 8; T.H. Watkins, "The Bird Did Its Part," *Smithsonian*, May 1999. <http://www.smithsonian.com>. (accessed March 13, 2015); Timothy Sandefur, "Comes a Horseman," *National Review*, September 20, 2010. <http://www.nationalreview.com>. (accessed March 14, 2015); Thomas E. Vadney, *The Wayward Liberal: A Political Biography of Donald Richberg* (Lexington: The University Press of Kentucky, 1970), 167.

the issue of Congressional delegations of power to other government agencies or branches.<sup>154</sup> Moreover, the court argued that the federal government had violated the due process clause and the Schechter brothers had been deprived of their property and due process, as enumerated in the Fifth Amendment.<sup>155</sup>

The *Schechter* case was argued on May 2 and 3, 1935, and a decision was rendered by Chief Justice Charles Evans Hughes on May 27, 1935.<sup>156</sup> There was a six to three decision to declare NIRA and the codes of fair competition unconstitutional. The Supreme Court focused on Schechter's issues. In the Schechter decision, Hughes argued that the NIRA and industry codes were devised throughout the United States, because of a national economic emergency. An emergency, however, did not serve as justification to create laws that violated the Constitution. All laws, regardless of why they were created in the first place, had to be viewed within the range and scope of the Constitution. Just because there was an economic crisis did not suggest that a law contained more constitutional authority or weight. Laws have been developed during times of stability and crisis but their constitutionality, no matter why and when they were created, could be questioned in the court system.<sup>157</sup>

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<sup>154</sup> A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495; (1935).

<sup>155</sup> Bernard S. Jefferson, "The Supreme Court and the State Separation and Delegation of Powers," 18; C.I. Menhennitt, "The Validity of the NRA Codes," 52; Kenneth Janda et al., *The Challenge of Democracy*, A-8; The U.S. National Archives & Records Administration website, The Constitution of the United States: A Transcription, <http://www.archives.gov/> (accessed December 23, 2011); United States House of Representatives, Amendments to the Constitution, <http://www.house.gov/house/constitution/amend.html> (accessed December 23, 2011).

<sup>156</sup> H.W. Wilson, "The National Recovery Program: Decision of Supreme Court on the National Industrial Recovery Act," *Monthly Labor Review* 40, (June 1935): 1466; Gene Smiley, *Rethinking the Great Depression*, 103; David M. Kennedy, "The Supreme Court Reborn: The Constitutional Revolution in the Age of Roosevelt," *The Atlantic*, July 1995; Special, "Supreme Court Rules NRA Codes Invalid," *Los Angeles Times*, May 28, 1935.

<sup>157</sup> A.L.A. *Schechter Corporation v. United States*, 295 U.S. 495 (Supreme Court 1935).

Second, Hughes decided to weigh in on the question of the delegation of legislative powers to an Executive branch agency such as the NRA.<sup>158</sup> He looked to the *Panama Refining* case for answers. He discovered that the *Panama Refining* case dealt with the transportation or shipment of oil or petroleum products statewide and to other countries. The question became whether the president could prevent excess shipments of those products if they lowered the prices for those goods within the states that received their shipments. In that case and its application to the *Schechter* case, Hughes attempted to determine the meaning of what constitutes a fair code. The NIRA did not itemize the qualities of fairness, or a fair code, but only unfair competition was addressed. In this case, Hughes tried to determine how the concept of fairness applied to the poultry code and the NIRA in general.

With the emergence of the Federal Trade Commission Act (sections 5 and 11), the term “unfairness,” was viewed as an action that was unlawful.<sup>159</sup> This established new legal precedent. The NIRA dealt with establishing fair codes, while the Federal Trade Commission handled unfair economic and industrial acts. Both laws were wholly different and provided the federal government with broad powers to enforce the law and regulate the national economy. As the government argued, violations of the NIRA were similar to infringements against the FTC and should have been handled accordingly. With disapproval, Hughes argued that Section 3 of the NIRA, which established the codes of fair competition, was unconstitutional. Hughes argued that the NIRA and its code-making

<sup>158</sup> W.J.W. “Constitutional Law,” 383; Special Report, “Text of Majority Ruling Holding Delegation of Code Power Unconstitutional,” *The New York Times*, May 28, 1935; John B. Andrews, “Delegated Labor Legislation Unharmful by Recent Court Decisions,” 90; Special Report, “Test of NIRA Put in Supreme Court,” *New York Times*, April 9, 1935; William L. Anderson, “Risk and the National Industrial Recovery Act,” 147.

<sup>159</sup> Special, “Text of Majority Ruling Holding Delegation of Code Power Unconstitutional,” *New York Times*, May 28, 1935.



abilities was an unconstitutional delegation of power from Congress to the Executive Branch.<sup>160</sup> For this specific part of the Hughes court decision, he cited *Federal Trade Comm'n v. Raladam Co.*, *Federal Trade Comm'n v. Keppel*, *Federal Trade Comm'n v. Beech Nut Packing Co.*, and *Federal Trade Comm'n v. Algoma Lumber Co.*<sup>161</sup>

Third, Hughes decided to address the intrastate transportation actions of the Schechter business.<sup>162</sup> He affirmed that the Schechter brothers conducted their business transactions, a majority of the time in New York State. The codes that dealt with wages and hours pertained to interstate exchanges, not intrastate ones. Citing *Brown v. Houston*, *Public Utilities Comm'n v. Landon*, *Industrial Association v. United States* and *Atlantic Coast Line v. Standard Oil Co.*, the Hughes court argued that the activities of the Schechter brothers were maintained in New York, especially their dealings with the general public.<sup>163</sup> In terms of the Schechter's transactions in Pennsylvania, Hughes stated that just because primary goods flowed into New York State from other parts of the United States did not imply that those transactions after the fact flowed elsewhere.<sup>164</sup> The wage and hours provisions of the live poultry code did not apply, because the Schechter Company's actions were intrastate and did not affect the commerce clause of the United States Constitution.

Justices Cardozo, Brandeis, and Stone concurred but for different reasons.<sup>165</sup> They argued that, in terms of the Commerce clause of the United States' Constitution, the

<sup>160</sup> Bernard S. Jefferson, "The Supreme Court and the State Separation and Delegation of Powers," 9.

<sup>161</sup> A.L.A. Schechter Poultry Co. v. United States, 295 U.S. 495; (1935).

<sup>162</sup> Special Report, "Text of Majority Ruling Holding Delegation of Code Power Unconstitutional," *The New York Times*, May 28, 1935; Sidney Rudy, "The Recovery Program Comes into Court," 198.

<sup>163</sup> A.L.A. Schechter Poultry Co. v. United States, 285 U.S. 495; (1935).

<sup>164</sup> H.W. Wilson, "National Recovery Program," 1468, 1477-1478.

<sup>165</sup> C.I. Menhennitt, "The Validity of the NRA Codes," 54; Doskow and Ambrose, "The End of the NRA Codes," 489, 520; W.J.W. "Constitutional Law," 366; John E. Semonche, "The U.S. Supreme Court and Roosevelt's New Deal," <http://www.dit.nessm.edu/lmtm.docs/newdeal/script.pdf> (accessed September 29, 2013). Brandeis, Stone and Cardozo in many of their dissenting decisions during the period argued in favor for an expanded role for the

dissenting justices could not find any directness in terms of the relationship between intrastate versus interstate commerce. The dissenting justices wondered when an economic transaction was viewed as affecting interstate commerce.<sup>166</sup> When was a transaction considered solely local or conducted within the state? What was local commerce versus national or international commerce? Moreover, Justice Cardozo argued that local or interstate commerce should not be studied or viewed in a vacuum. It had to be examined in conjunction with other legal parameters. The wages and hours provisions that made up the live poultry code lost their meaning, once it had been determined that the actions of the plaintiffs had been within the state of New York and not state or nationwide.<sup>167</sup> The actions were local and the code collapsed under its weight after the actions of the Schechter corporations had been enumerated and illustrated vividly in the case.

With all of the challenges to the NIRA in the federal judiciary, do legal scholars currently believe that the NRA law was constitutional? By employing dialectical skills, lawyers from this period argued in favor of and against this important law in American political history. The NIRA was targeted to resolve a growing economic emergency, but temporary lawmakers and legal authorities, from the period, did not agree on the best approach to handle this industrial dilemma. Clearly, there was and is evidence on both sides of the matter. Further, the enforcement of the NIRA was problematic, which implied that the codes of fair competition were not the sole causes of court challenges.

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federal government and believed that the United States' Constitution was a pro-active document that should be subjected to social and economic change.

<sup>166</sup> David Atkinson, "Mr. Justice Cardozo and the New Deal," 75-76, 82.

<sup>167</sup> H.W. Wilson, "National Recovery Program," 1483.

There is an underlying principle here that must be pointed out. Roosevelt had differed from the previous administrations on the scope of federal control over the national economy. The court cases that determined the constitutionality of the NIRA did not answer the question about how much regulation of the national economy was necessary to promote economic growth, only whether the Constitution provided for such regulations. It would take the enactment of the Wagner Act of 1935, when judges affirmed the federal government's expanded role in the national economy to alter federal court opinion of executive power, but the NIRA set the stage for these political discussions. Further, the federal judiciary did not become on board with Roosevelt until after the nullification of the NIRA and AAA. Once federal judges began to realize that New Deal legislation had become a necessity, and that it had public support, they ceased supporting challenges to those laws. In terms of the NIRA, hindsight allowed policymakers to take elements of the NIRA and apply them to future legislation. After the *Schechter* case, those Americans who were determined to improve upon their daily work conditions and their elected officials, and even Supreme Court judges, came to agree that the Federal government had to play a role in the process.

CHAPTER 9: EPILOGUE: THE LEGACY OF THE NATIONAL INDUSTRIAL RECOVERY ACT  
OF 1933

In many of his 1932 campaign speeches, President Herbert Hoover argued that the election was “more than a contest between two parties.”<sup>1</sup> Rather, it was a battle between two different political ideologies.<sup>2</sup> Two ways of life were at stake.<sup>3</sup> In his campaign speeches, Roosevelt countered that “bold and persistent experimentation” was needed to establish economic growth, reform industrial and business practices, and stimulate corporate profitability.<sup>4</sup> If one experiment did not work, he argued, these scholars, industrialists, business leaders and policymakers should try alternative strategies. Both candidates asked what role should the federal government take.<sup>5</sup> Should policymakers establish a strong, centralized federal government with responsibility for individual welfare and regulating the national economy, or should the federal government maintain a limited role?

Throughout the economic crisis, Americans witnessed a change in how political officials viewed government and in their ideas about making government work. Public

<sup>1</sup> William E. Sweet, “The National Recovery Act and Industrial Discipline,” *Annals of the American Academy of Political Science and Social Science* 172 (March 1934): 154; Donald A. Ritchie, *Electing FDR: A New Deal Campaign of 1932* (Lawrence: University Press of Kansas, 2007), 115, 136; Joseph Boskin, *Opposition Politics: The Anti-New Deal Tradition* (Beverly Hills: The Glencoe Press, 1970), 37; Herbert Hoover, “Speech on the Consequences of the Proposed New Deal,” October 31, 1932, Teachingamericanhistory.org, Ashbrook Center at Ashland University, <http://www.teachingamericanhistory.org/library/document/speech-on-the-consequences-ofr-the-proposed-new-deal/>. (accessed March 10, 2015).

<sup>2</sup> John Spargo, “Hoover, The New Phase,” *The North American Review* 231, no. 4 (April 1931): 298 Samuel Lubell, *The Future of American Politics* (New York: Harper & Row, Publishers, 1965), 190-192.

<sup>3</sup> Donald R. Richberg, “Progress under the National Industrial Recovery Act,” 397; Donald R. Richberg, “The Constitution and the New Deal,” *Annals of the American Academy of Political and Social Science* 185 (May 1936): 58.

<sup>4</sup> Irving Bernstein, *The Turbulent Years: A History of the American Worker, 1933-1941* (Chicago: Haymarket Books, 2010), 4; Sidney M. Milkis and Jerome M. Mileu, *The New Deal and the Triumph of Liberalism* (Amherst, Massachusetts: University of Massachusetts Press, 2002), 41.

<sup>5</sup> Donald R. Richberg, “Should the Power of the Federal Government Be Increased,” 847, 855.

opinion came to the surface during this time period, and ordinary Americans began to play an active role in the government process by writing letters to their Congressional representatives and to the president and in listening to speeches on the radio. Political officials were beginning address the concerns of ordinary citizens with more respect, because they made themselves more visibly a part of the political process. Their votes mattered. Some policymakers, such as former Democratic Governor of Colorado, William E. Sweet, argued that the problems that Americans faced during the Great Depression were similar to those experienced by Britons over one hundred years before.<sup>6</sup> Industrial and self-discipline had been lost, and the codes of fair competition served to bring them back. Implicitly, elected officials had to maintain a balance between supply and demand and that only the codes of fair competition could strike a healthy equilibrium.

After 1929, the United States faced trying economic conditions. There had been some minor depressions throughout the 1920s, but 1929 became a devastating year for the United States. The Great Crash was detrimental to national economy in the United States; and for some, it signaled the beginning of the end to Old World Individualism. Both Hoover and Roosevelt were prominent public officials who attempted to devise resolutions to address these dismal economic conditions. But were they both successful in solving the Great Depression? Was the American way of life changing for the better? Did the struggle over governmental powers under the New Deal yield results?

Throughout this dissertation, I have discussed the reasons for the coming of the Great Depression and sought to add to this economic debate by discussing how the New Deal programs of the Agricultural Adjustment Act (AAA) and National Industrial Recovery

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<sup>6</sup> Sweet was the Democratic governor of Colorado from 1923 to 1925. He ran unsuccessfully for U.S. senator in 1926 and 1936. He was an avid supporter of Hoover.

Act (NIRA) were designed to mitigate this economic emergency. The AAA handled the poor economic conditions of the farming community. It established a processing tax for farmers to produce smaller amounts of crops through production controls and used quotas to improve liquidity and strengthen commodity prices. With farmers producing limited crops, the prices for agricultural goods were supposed to increase in value. But did this work? Some policymakers, farmers, and scholars believed that the AAA reemphasized the farm economy, while other contended that the economic situation became worse. In both cases, the question might be asked "better for whom"?

The NIRA was designed to regulate the industrial sectors; but in the petroleum and automobile industries, the NIRA may have caused more problems than it was able to resolve. Many corporate executives from the petroleum industry sought to avoid price and production controls, because they did not want government to regulate their sector. In the automobile sector, Henry Ford sought to bypass industrial codes and maintain his control over Ford Motor Company. General Motors, Chrysler, and the small vendors worried about their economic future, because of Henry Ford's resistance to the NIRA's guidelines. Ford did not want government regulations of his business operations. He particularly worried about the enactment of section 7(a) of the NIRA. What would it do to his company and its efforts to control its healthy industrial environment? Although Ford did not sign the industry codes for the automobile sector until 1934, he adhered to the letter of the law. Henry Ford maintained higher wages, benefits, and limited work hours for his employees, but the question is why did Ford comply with the industry codes, if he did not approve of them?

Alfred P. Sloan, Jr., and General Motors Corporation took a different political approach to the NIRA. Initially, Sloan was supportive of the law. A member of the Industrial Advisory Board of the NRA, he backed Roosevelt in the 1932 presidential election. Satisfied when Roosevelt gave his inauguration speech on March 4, 1933, Sloan had high hopes for the administration, but he saw them dimmed by 1934. Sloan believed in good wages for his employees and benefits, but he did not approve of the closed shop or trade unionism. With the introduction of the industrial codes, Sloan became concerned that the NRA was attempting to tell corporate executives how to run their businesses. He soon took a more conservative stance and switched to back the National Association of Manufacturers, who opposed the NIRA in the mid-1930s. In Sloan's view, the public and private sectors had merged too much. He worried that he would have to surrender his control over General Motors to an outside party or the public sector similar to the debacle of 1920, when Durant was ousted, because of his stock market dealings on Wall Street. Collective bargaining was Sloan's chief concern. Although he believed in some workers' rights and benefits, he was not inclined to have workers assert themselves over the company's profitability and economic livelihood.

With the decline of the NIRA and the NRA, the codes of fair competition that held the automobile industry together came asunder. After 1935, there were many strikes in Detroit and throughout the Midwest.<sup>7</sup> Auto workers had supported Roosevelt and believed in the principles behind the NIRA. They were sorely disappointed when the law was declared unconstitutional. The United Automobile Workers understood that, in order to improve upon the workers' rights through collective bargaining, the negotiators had to

<sup>7</sup> Lewis L. Lorwin, "Industrial Truce or Strife: The Labor Problem Analyzed," *The New York Times*, November 4, 1934.

agitate for social and economic justice among the Big Three, because it had the greatest market share. By August 1935, the United Auto Workers was established and began to act aggressively to unionize the auto industry.<sup>8</sup>

Overall, the UAW's approach worked. It was not, however, until the coming of the Second World War that workers at Ford Motor Company, received the right to bargain collectively, which had been initially a guarantee under the NIRA's Section 7(a). Finally, the UAW decided not to strike against Ford Motor Company due to the particular conditions at the company. Ford had not signed the automobile code until 1934, but the firm catered to its workers to ensure that working conditions and benefits were strengthened.

Before the NRA or even the War Industries Board (WIB) during World War I, the federal government was decentralized and lacked a common hierarchical system to organize its agencies. Moreover, political parties and interest groups played dynamic roles in the enactment of laws and their implementation. On the whole, there was little federal and state development except for periods of war prior to the 1930s. Even though federal agencies were separate from the private sector, business and industry leaders influenced government policies, laws and statutes. In the political environment of the early New Deal period, the passage of the NIRA and the emergence of the NRA were watershed developments, as they were without precedence. The NRA had to "start from scratch," because it did not have many models on which to base to the new agency.<sup>9</sup> Moreover, scholars argue, that the NRA was staffed with industry leaders, business executives, and corporate heads. Business interests were often promoted, and trade unionism and

<sup>8</sup> John Barnard, *American Vanguard: The United Auto Workers During the Reuther Years, 1935-1970* (Detroit: Wayne State University Press, 2004), 3-4, 30, 41, 48.

<sup>9</sup> Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," 264.



collective bargaining took a backseat. These individuals did not believe in “cut-throat competition,” but they sought to steer the NRA and its economic organizations in a more conservative direction.

Despite constitutional limitations, there is some counter evidence to the above-mentioned ideas. The NIRA might have worked, if it had been given more time. It needs to be examined more closely to discover the tenets that did work so that they could be improved upon. Former New Deal president of the American Economic Association, John Maurice Clark, contended that over four million jobs had been created, because of the passage of the NIRA in 1933 in both the private and public sectors.<sup>10</sup> He showed that 500,000 jobs were created each month until 1934, when his article was written. Moreover, work hours had been reduced from 43 to 37 ½ per week while hourly wages improved from 43 ½ cents to 52 ½ cents. With these positive developments, the Roosevelt administration was on the right track in terms of creating sound economic public policies. But scholars may never know completely if the NIRA was a success or failure, because the law was declared unconstitutional in May 1935.

In the spring months of 1935 and winter of 1936, the United States’ Supreme Court declared the AAA (*Butler v. the United States*)<sup>11</sup> and NIRA (*A.L.A. Schechter v. the United*

<sup>10</sup> J.M. Clark, “Economics and the National Recovery Administration,” 18-19; John Maurice Clark was an economist who graduated with a P.H.D. from Columbia University, and he was a gifted Keynesian theorist. He was also the president of the American Economic Association in 1935.

<sup>11</sup> John W. Graff, “Agricultural Adjustment Administration,” 182-183; Paul L. Murphy, “The New Deal Agricultural Program and the Constitution,” 161; W.J.W., “Constitutional Law,” 369-370; Alpheus Thomas Mason, “Politics and the Supreme Court: President Roosevelt’s Proposal,” 661,665-666,669-670; Donald R. Richberg, “Should the Power of the Federal Government Be Increased,” *Michigan Law Review* 39, no. 6 (April 1941): 846; Edward L. Schapsmeier and Frederick H. Schapsmeier, “Henry A. Wallace,” 134; Donald R. Richberg, “The Constitution and the New Deal,” 63; David Atkinson, “Mr. Justice Cardozo and the New Deal: An Appraisal,” *Villanova Law Review* 15, no. 1 (Fall 1969): 79. Melvin I. Urofsky, *A March of Liberty: A Constitutional History of the United States* (New York: Alfred A. Knopf, 1988), 674. There was a 6 to 3 decision in supporting the nullification of the AAA; Richard

States)<sup>12</sup> unconstitutional. The court further invalidated the processing tax under the AAA and the codes of fair competition of the NIRA in two separate cases.<sup>13</sup> The NIRA had been up for Congressional renewal for two additional years, but it did not pass. Roosevelt, however, was able to renew some segments of the National Recovery Administration until April 1, 1936.<sup>14</sup> Many members of the NRA lost their jobs, and only a limited amount of personnel was allowed to stay on and work regulating the industrial sectors. Their duties were to enforce the emergency stipulations of Title I of the National Industrial Recovery Act, and they were limited to assuming this role. In addition, Roosevelt was angered by these judicial developments, and he sought to regulate the Supreme Court with his court packing bill or the Judicial Reform Act of 1937.<sup>15</sup>

The Judicial Reform Act of 1937 was to infuse new blood into the federal judiciary and turn around the conservative bias of the court. It allowed for the retirement of federal

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Polenberg, *The Era of Franklin D. Roosevelt, 1933-1935: A Brief History with Documents* (Boston: Bedford/St. Martin's, 2000), 10-11.

<sup>12</sup> Teaching Eleanor Roosevelt Glossary, "Franklin Delano Roosevelt (1882-1945)," <http://gwu.edu/> (accessed November 2, 2012); Gene Smiley, "The Great Depression," Library of Economics and Liberty, <http://www.econlib.org/> (accessed November 2, 2012); Timothy Sandefur, "Comes a Horseman," *National Review*, September 2010, 38. <http://www.nationalreview.com>. (accessed March 14, 2015); William E. Leuchtenburg, "When Franklin Delano Roosevelt Clashed with the Supreme Court and Lost," *Smithsonian Magazine*, <http://www.smithsonianmag.com/history-archaeology/showdown.html>. (accessed September 15, 2013); William E. Leuchtenburg, *The Supreme Court Reborn: The Constitutional Revolution in the Age of Roosevelt* (New York: Oxford University Press, 1995), 89. May 27, 1935 was called Black Monday because of three decisions including Schechter, one of which nullified NIRA and declared that they were unconstitutional; Stephen K. Shaw, William D. Pederson and Frank J. Williams, eds., *Franklin D. Roosevelt and the Transformation of the Supreme Court* Volume 3 (Armonk, New York: M.E. Sharpe, 2004), 23.

<sup>13</sup> William E. Leuchtenburg, "Showdown on the Court," *Smithsonian*, May 2005. <http://www.smithsonian.com>. (accessed March 14, 2015); David M. Kennedy, "The Supreme Court Reborn: The Constitutional Revolution in the Age of Roosevelt," *The Atlantic*, July 1995.

<sup>14</sup> Franklin Delano Roosevelt: "Statement on Conference with Congressional Leaders after Supreme Court Decision on N.R.A.," June 4, 1935. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=15067>. (accessed March 24, 2013); Franklin Delano Roosevelt: "Executive Order 7076 Extending the Activities of the N.R.A.," June 15, 1935. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/us/?pid=15082>. (accessed March 29, 2015).

<sup>15</sup> "Court Packing and Unpacking," *Buffalo News*, November 5, 2013; Carter Hodding III, "Viewpoint: Court Packing: Tradition of Both Left and Right," *Wall Street Journal*, September 18, 1986.

judges who had been 70 years of age or older and had held judicial tenure for 10 years or longer.<sup>16</sup> When a federal judge reached a certain age, moreover, new judges could be appointed in an effort to “pack the court” with new members. This bill, if passed, would have created the judicial and political foundation on which Roosevelt could obtain more favorable decisions: but the bill was dependent upon Senate approval for the new appointees. Thus, Roosevelt would have increased his executive powers, but he would have had to still rely upon the Congress for appointment purposes. For the general public, Roosevelt’s plan was an executive overreach. It contributed to the fraught relationship among the Federal Judicial, Executive, and Legislative branches of government in the United States during this period and also cost Roosevelt and his New Deal political capital.

Did the Judicial Reform Act of 1937 have public support?<sup>17</sup> Overall, the nation was equally divided over the issue. Support for the proposal averaged about 31 to 46 percent while disapproval for the bill was about at 41 to 49 percent.<sup>18</sup> The New Deal programs were popular, but others believed that the court bill went too far in seeking to regulate the behavior of the Federal Judiciary. During most of the New Deal, the Supreme Court maintained its conservative stance. The justices as a whole opposed the design and context of President Roosevelt’s proposals. The NIRA and the AAA were declared unconstitutional,

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<sup>16</sup> Kermit L. Hall, ed, *Major Problems in American Constitutional History Volume II: From 1870 to the Present* (Lexington: D.C. Heath and Company, 1992), 197; Joseph P. Lash, *Dealers and Dreamers*, 292; William E. Leuchtenburg, “Showdown on the Court,” *Smithsonian*, May 2005. <http://www.smithsonian.com>. (accessed March 14, 2015), 106; David M. Kennedy, “The Supreme Court Reborn: The Constitutional Revolution in the Age of Roosevelt,” *The Atlantic*, July 1995, 87. <http://www.theatlantic.com>. (accessed March 14, 2015). Kennedy contended that Roosevelt lost some of his credibility, because of this bill, and although in subsequent cases, the Supreme Court ruled in favor of the Roosevelt administration, the president lost some of his charisma and political legitimacy; The Handbook of Texas Online, “Court-Packing Plan of 1937,” Texas State Historical Association, <http://www.tshaonline.org/handbook/online/articles/jzc01>. (accessed September 15, 2013).

<sup>17</sup> Patrick J. Maney, “The Rise and Fall of the New Deal Congress, 1933-1945,” *OAH Magazine of History* 12, no. 4 (Summer 1998): 16.

<sup>18</sup> Gregory A. Caldeira, “Public Opinion and the U.S. Supreme Court: FDR’s Court-Packing Plan,” *The American Political Science Review* 81, no. 4 (December 1987): 1146.

because the Supreme Court did not agree with the centralized planning of Roosevelt's New Deal proposals and laws. The national economy was moving in new directions as it had a more international face; but that did not mean all understood the trend. The Supreme Court may not have realized how globalism affected the federal, state, and local authorities. The Supreme Court was further divided about whether the expanded role of government in regulating the American national economy should be allowed. The Judicial Reform Act was, in this sense, a short term failure in its reform of the court, but it had other consequences.

Although the Judicial Reform Act of 1937 did not pass Congress, the Supreme Court became more liberal in its decision-making.<sup>19</sup> The Court became more supportive of federal government acts and policies. It began to understand that government agencies had to play a dynamic role in providing benefits and services to the American citizens, especially in times of great need. More to the point, the Federal judiciary revised its interpretation of Executive powers and the Commerce clause. In 1935, it found the National Labor Relations Act, among other legislation, constitutional.

The NIRA was the first peacetime measure to apply centralized planning mechanisms to the national economy.<sup>20</sup> The law was written to reduce competition and alter the system of laissez-faire government, which many felt no longer worked. Roosevelt was convinced that the NIRA mitigated the negative effects of overproduction, which had

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<sup>19</sup> Stamford Parker, *The Words that Reshaped America*, 114-115; Howard F. Bremer, ed., *Franklin Delano Roosevelt*, 139-145; Thomas E. Vadney, *The Wayward Liberal: The Political Biography of Donald Richberg* (Lexington: The University Press of Kentucky, 1970), 186; William H. Chafe, ed., *The Achievements of American Liberalism: The New Deal and its Legacies* (New York: Columbia University Press, 2003), 63-93. Chafe argued that although the court packing bill did not pass, Roosevelt, throughout his administrations, was able to appoint nine new Supreme Court Justices after 1935. He lost the battle to have this bill approved by the American people, but he won the Judicial war to have a more liberalism and pro-active Supreme Court; William E. Leuchtenburg, *The Supreme Court Reborn*, 103; John E. Semonche, "The U.S. Supreme Court and Roosevelt's New Deal," <http://www.dit.nessm.edu/lmtm/docs/newdeal/script.pdf>. (accessed September 29, 2013).

<sup>20</sup> Sidney M. Milkis and Jerome M. Mileu, *The New Deal and the Triumph of Liberalism* (Amherst: University of Massachusetts Press, 2002), 174.

reduced wages as employers sought to lower labor costs, and thus to prevent corporate bankruptcies from weakening the American private sector.<sup>21</sup> In 1933, many Congressional members felt that the bill was a necessity, because it would have strengthened the industrial sector. Throughout the NIRA, policymakers, such as General Hugh Samuel Johnson and Donald Richberg, defended the practices of the NRA; but the NRA remained a controversial government agency. Under the NIRA, wages seem to have increased and work hours decreased. Child labor was curtailed throughout American corporations. The measure had been put in place to reduce cut-throat pricing in the crisis economy, but doubts remained.<sup>22</sup>

This dissertation argues that both Hoover and Roosevelt were responsible for the economic turnaround of the national economy during the 1930s. Hoover took on a macro approach in his decision-making processes, because of his wartime experiences in Belgium during the First World War. He examined the international system and attempted to produce intergovernmental reforms. He also created one of the most important agencies—the Reconstruction Finance Corporation (RFC)—in bringing about some recovery.<sup>23</sup> Roosevelt looked at domestic conditions and sought to create national laws that applied to the American crisis. In the end, the policies of both presidents helped to moderate the effects of the Great Depression.

There were many lessons that can be drawn from the NIRA. First of all, the purchasing power of the American people was an important factor to address in the crisis. In the consumer-based economy, goods were developed and produced for the American

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<sup>21</sup> Ibid, 169-170.

<sup>22</sup> Leonard Silk, "The United States and the World Economy," 476.

<sup>23</sup> R.G. Tugwell, "The Protagonists: Roosevelt and Hoover," *The Antioch Review* 13, no. 4 (Winter 1953): 419-420.

public. A predominantly agricultural economy had been replaced by a powerful manufacturing nation-state. Now, with new government mechanisms, the consumer economy was put back on trade.

Second, most nations, by the 1930s, witnessed the coming of powerful global conditions that contributed to policies that affected all nations collectively. Collective security within such institutions as the League of Nations and later the United Nations began to promote united efforts at regulating global conditions. Both Hoover and Roosevelt were important political figures to the changing global role of the United States, because they realized that the world was becoming a smaller place with global citizens that interacted globally. The domestic character of the early New Deal should not obscure that Roosevelt also saw the importance of the domestic recovery for the global economy.

Roosevelt sought to devise strategies that enabled Americans to move forward, but he could not govern this country without taking into consideration the policies of other nations, especially its allies. The NIRA was a step in the right direction toward recovery. Many of the provisions of the NRA were thought-provoking and remain in use in contemporary American society, such as child labor laws, collective bargaining between businesses and trade unions, and higher wages and benefits, and work hour limitations. The questions that scholars had to ask is whether they were a better off, because of the NIRA or whether, because the private sector reasserted itself after it was declared unconstitutional?

The NIRA had its pros and cons, but overall, the law had the interests of the American people at heart. The NIRA continues to be seen as a controversial law, but it was developed during a time in which Americans had been “grasping for air.” One question that

scholars will have to ask is, if the NIRA was detrimental to the American economy, what could have replaced it? Were there any pieces of legislation that could have supplanted the NIRA and promoted economic change? But if economic revitalization, in terms of Gross Domestic Product growth, occurred with the emergence of the Second World War, does this mean that both Hoover and Roosevelt were wrong in their political assertions?<sup>24</sup> We may never know. But to ask these sorts of questions opens the political debate in this country and throughout the world. Hopefully, this dissertation will start a new discussion.

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<sup>24</sup> Leonard Silk, "The United States and the World Economy," 463; Eric Rauchway, "New Deal Denialism," *Dissent* 57, no. 1 (Winter 2010): 68.

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**ECONOMIC REVOLUTION FROM WITHIN: HERBERT HOOVER, FRANKLIN DELANO ROOSEVELT AND THE EMERGENCE OF THE NATIONAL INDUSTRIAL RECOVERY ACT OF 1933**

by

**ANGELLA LANETTE SMITH**

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**Advisor:** Dr. Elizabeth Faue

**Major:** History

**Degree:** Doctor of Philosophy

This dissertation seeks to place the National Recovery Administration (NRA), a central agency of Franklin D. Roosevelt's New Deal, in historical context. It explores the NRA's origins in the political agendas and ideological arguments of presidents Herbert Hoover and Franklin Delano Roosevelt as they reshaped the federal government's role in bringing about an end to the Great Depression of the 1930s. The dissertation most closely focuses on Roosevelt's enactment of the National Industrial Recovery Act of 1933, the response of the Ford Motor Company and General Motors Corporation in the automobile sector, and the petroleum industry to the NRA's passage. The approval and implementation of industrial codes established minimum price levels and production controls for petroleum commodities that reformed the oil sector; but they also generated opposition to the New Deal.

Following recent studies, this dissertation argues that, through the New Deal, President Roosevelt sought to expand the roles that federal government played vis-à-vis everyday citizens. Roosevelt realized that Americans required financial assistance of the federal government when there was an economic downturn or collapse that was beyond their control. Similarly, this dissertation argues that, with the emergence of the NIRA and section 7(a), collective bargaining and trade unionism came to the forefront and provided American workers with more tangible rights and benefits. If President



Roosevelt had not restructured the economy by providing relief to ordinary Americans and promoting industrial reforms, then the United States might not have recovered or recovered as robustly from the Great Depression. Certainly, the nation's economic and political structures were altered by the "bold experiment" of the NRA and the New Deal as a whole. Finally, the NRA did, in fact, have an impact on ordinary citizens through the slow decline of unemployment and an increase in hourly wage rates. From the corporate perspective, the power of the regulatory state, as embodied in the National Recovery Administration, had to be resisted; still, the NRA was but one example of the further intervention of government power in the private market.

In step with other studies, the dissertation contextualizes the New Deal by contrasting Roosevelt's approach from that of his predecessor, Herbert Hoover's steadfast belief in American Individualism and self-help as the foundation of his approach to the economic crisis. He believed that everyday Americans could pull themselves up by the bootstraps and become economically viable without federal intervention. Hoover promoted private charities and local relief, not public sector involvement to address the problems of deprivation and destitution among ordinary Americans. In the end, even as he created the Reconstruction Finance Corporation (RFC), which was a first step toward the New Deal, Hoover became a severe critic of Roosevelt's policies. In contrast, Roosevelt's NRA experiment, despite opposition and its dismantling in the wake of Supreme Court decisions, became a milestone in the growth of presidential power in the twentieth century and furthered the integration of federal government agencies into the private sector.

**AUTOBIOGRAPHICAL STATEMENT**

Angella LaNette Smith was born and raised in Detroit, Michigan. Currently, she is a resident of Van Buren Township, Michigan, where she has lived since 2008. In 1994, Smith graduated with a Bachelor's of Arts in Political Science and African-American and African Studies from the University of Michigan—Ann Arbor. In 2003, she obtained a Masters of Arts in History from Wayne State University; her master's essay addressed the Breton Woods Agreement. During the Bretton Woods conference of 1943-44, Harry Dexter White and John Maynard Keynes established a metallic standard that all nations utilized until the 1970s and the International Monetary Fund and World Bank, both of which still exist today. As an Adjunct Instructor, she has taught at St. Clair County Community College in Port Huron and at Oakland Community College in Royal Oak and Southfield, Michigan.