

Herbert Hoover Responds to the Great Depression

How did President Hoover respond to the Great Depression?

When Herbert Hoover became the U.S. president in 1929, the United States was enjoying great economic prosperity. However, within eight months of Hoover taking office, the stock market crashed, signaling the economic crisis called the [Great Depression](#).

A Hands-Off Approach

Like his immediate predecessors, Warren G. Harding and Calvin Coolidge, the Republican businessman Herbert Hoover believed in a [laissez-faire](#), or hands-off, approach to economic policy. Hoover feared that providing direct aid to people in need would cause them to lose their incentive to work hard toward financial success. Because of this, Hoover did not think the federal government should give financial aid to the unemployed. Although President Hoover favored a hands-off approach, he realized that he could not simply stand by and do nothing as the economic system worsened. Shortly after the stock-market crash, Hoover began to take action.

Promoting Sound Business Practices

Hoover was a multimillionaire who made his fortune through business ventures. He believed that following sound business practices would pull the country out of the Depression. On November 21, 1929, President Hoover met with business owners, industry giants, and farm leaders to discuss a plan for recovering from the stock-market crash. Hoover convinced these leaders to keep wages stable and end any ongoing strikes and demands from unions. Many companies agreed to cooperate. For example, Henry Ford raised factory workers' wages from \$6 to \$7 per day. Despite the cooperation of industrialists and farm leaders, Hoover's plan did not go far enough to restore the economy. In fact, the economy continued to get worse as unemployment soared. The efforts of industrialists and union leaders were a temporary bandage. They did little to fix the fundamental problems of the U.S. economy, such as unstable banks and the lack of stock-market regulation. As a result, in spite of industry's initial cooperation, wage cuts came, especially for unskilled workers.

Encouraging Volunteerism

Hoover supported volunteerism, or individual voluntary efforts to assist others. Rather than using the government's powers, Hoover relied on his persuasive abilities to appeal to people's patriotism, generosity, and concern for each other. The president himself did not keep his salary. Instead, he gave it away to charity. During the Great Depression, the president gave \$25,000 each year to help those suffering. He also encouraged other wealthy individuals to donate their money,

clothing, or food to charity. Volunteer organizations, such as Volunteers of America, provided relief to millions of Americans during the Depression. These groups set up soup kitchens, assisted the unemployed, and provided wood for heating homes. Volunteers of America established “Penny Pantries,” which sold food items for one cent to people in need.

Volunteerism helped many individuals in small or temporary ways. However, the Great Depression was caused by fundamental and systematic economic problems. Addressing these problems would require large-scale action.

Increasing Public Works and Lowering Taxes

One of President Hoover’s goals was to get people back to work. At his November 21 meeting with business leaders, Hoover was able to get utility companies to agree to \$1.8 billion in new construction projects. He also got promises of more construction projects from railroad owners. Completing these projects would require laborers. These programs would help those who had lost their jobs to find employment.

Hoover also decided to help citizens by instituting tax cuts. He asked Congress to cut taxes by \$160 million. In his December 1929 State of the Union Address, Hoover said:

We must coincidentally bear in mind the burden of taxes and strive to find relief through some tax reduction. Every dollar so returned fertilizes the soil of prosperity.

—Herbert Hoover

Congress passed Hoover’s proposed tax cut in 1929. However, the tax cut had little effect on the economy. One reason is that the millions of unemployed people were already paying no taxes. The tax cut’s clearest effect was a decrease in government revenue. Soon, it was apparent to many people in the country, including Hoover himself, that a hands-off approach would not be enough to resolve the economic problems. Business owners and farmers began acting in their best interest by laying off workers and producing food only for their families. It was clear that the government needed to take more action.

A More Hands-On Approach

Why did President Hoover take a more active approach to the Great Depression? After his initial attempts of “rugged individualism” and volunteerism failed to end the Depression, Herbert Hoover reluctantly began to increase the federal government’s involvement in the economy. For example, he supported the establishment of the Federal Home Loan Bank Board, which provided support for

institutions known as building-and-loans. These businesses were devoted to lending money to help Americans purchase of buildings and homes. He also supported additional funding for public works projects such as Boulder Dam (name later changed to Hoover Dam), which when completed was the world's largest single producer of electricity. But individual projects only created a fraction of the jobs needed to slow the unemployment crisis created by the Depression.

President Hoover also persuaded banks to join the National Credit Corporation (NCC). Its purpose was to lend money to struggling banks. However, all NCC actions were voluntary, and the organization had little effect. When creating the NCC, Hoover had promised to take federal action if the voluntary efforts of the NCC did not work. The larger banks did not want to help out smaller, struggling banks. Making loans to struggling banks was risky. The large banks preferred to see those banks fail. Then, the large banks could pick up the failed banks' customers.

In 1932, after the failure of the NCC, Hoover supported Congress's creation of the Reconstruction Finance Corporation (RFC). This agency was created to lend money to businesses, banks, and insurance companies to help them avoid bankruptcy. The RFC was formed on the theory that policies that supported the health and well-being of business organizations and banks would eventually improve conditions for individual citizens as well. This idea was consistent with Hoover's opposition to providing direct government aid to individuals and families.

Critics of the RFC argued that the benefits of government aid to large corporations would not "trickle down" to the millions of ordinary citizens who were suffering during the Depression. In addition, under Hoover's leadership, the RFC proved to be too cautious to address the growing economic crisis. It was reluctant to make loans to struggling businesses, and in 1932 used less than half of the money it received from Congress for that purpose. The American public grew increasingly impatient with Hoover's approach to dealing with the Depression.

The Bonus Army

How did the Bonus Army affect Hoover's presidency?

In 1924, the U.S. government promised to pay veterans of World War I a bonus for their service to the country. The payments of about \$1,000 were to be distributed in 1945. When the [Great Depression](#) struck, many unemployed veterans decided they could not wait for their bonuses. They demanded immediate payment.

Although the House of Representative passed a bill to grant immediate payment of bonuses, President Hoover opposed the measure. He argued that it was not financially sound. In 1932, the bill to grant the bonuses immediately went before the Senate.

In an attempt to pressure the Senate to pass the bill, about 15,000 veterans from across the nation marched on Washington, DC. This group came to be called the Bonus Army. In the nation's capital, the veterans set up tents and shacks to live in. According to one source, President Hoover secretly authorized tents, food, and medical care to be provided to the protesters. Although the veterans had an insufficient food supply and housing, the Bonus Army demonstrated around the Capitol and lobbied senators. Despite these efforts, the Senate defeated the bonus bill.

After the Senate rejected the bonus bill, most of the veterans went home. However, between 2,000 and 5,000 of them stayed in Washington, unwilling to give up. President Hoover ordered the U.S. Army to drive out the protesters. One veteran was killed, and hundreds were wounded. Defying Hoover's instructions, troops burned the Bonus Army camp to the ground. Congress reacted by granting a payment of \$100,000 to the veterans, which convinced them to return home.

The incident with the Bonus Army was a devastating blow to Hoover's presidency. Afterward, many people viewed Hoover as a heartless and cruel man. In addition, many people thought he did not do enough to stop the Depression. As a result, President Hoover became a symbol of the government's failure to deal with the Depression.