Discuss the Republican domestic program from 1921-1933 and briefly compare it with the decades from the 1870's - 1901. In your discussion explain how the Republicans domestic program from 1921-1933 led to the Great Depression.

1. **Concept number one**: Compare the time period from 1921- 1933 with the time period from the 1870's- 1901.

   A. Both periods were dominated by the ultraconservative businessmen and the philosophies of social Darwinism and laissez-faire.

   B. During both periods the Republican party was in control.
      1. Warren G. Harding called for a return to normalcy or the days of John D. Rockefeller.
      2. Calvin Coolidge announced that the business of the United States is business.
      3. Herbert Hoover insisted that American system was a product of rugged individualism (Confusion of Ethics).

   C. Both periods experienced rapid industrial expansion. Output per worker increased by 45% between 1919-1945.

   D. Both periods led to an uneven distribution of wealth as a result of the rapid industrial expansion and the Republican governmental policies.

   E. Both periods led to a prolonged depression.
11. **Concept number two**: Discuss the two phases of the Republican domestic program from 1921-1933 and explain the “trickle down” and “grass roots” theories of government economic policies.

   A. The “**trickle down**” and “**grass roots**” theories.
      1. The Republican administrations used the power of the federal government to aid business enterprises--trickle down.

      2. The Democratic administrations used the power of the federal government to aid the common man--grass roots.

      1. Reduced the maximum tax rates on personal income taxes from 65% to 20%. Also cut the inheritance tax by half, and eliminated the gift tax.

      2. This aid to the wealthy increased the marked inequality in wealth which was **one** of the **seven** major causes of the crash and depression in 1929.

      3. In 1929, 5% of the population with the highest incomes received about 1/3 of all personal income. Thus the lower classes had no purchasing power--**uneven distribution of wealth**.

      4. This highly uneven income distribution meant that the economy was dependent on a high level of investment (**overproduction/ over speculation**)--second of the **seven** major causes of the depression) or on a high level of luxury consumer spending.
5. The rapid industrial expansion which helped produce the **uneven distribution of wealth** also led to the **third** of the **seven** causes of the depression--**over positive and over negative mental attitudes**.

As a result of artificial profits that were made because of the Republican domestic program, the American public was overconfident in the economy. This led to a great deal of unsound economic practices.

C. **The External Tax Structure--The Tariff Policy: 1922-1932.**

1. At the conclusion of World War 1 American infant industries (chemicals, dyes, hardware) want protection from cheaper European manufacturing goods--European labor was cheaper after the War. Thus American businessmen felt that they could not compete with this cheaper labor.

2. Wilson vetoed Congress’s attempt to pass a protective tariff. Reason

“If there ever was a time when America had anything to fear from foreign competition, that time has passed. If we wish to have Europe settle her debts, governmental or commercial, we must be prepared to buy from her.” Wilson was right.

3. Partly because of the **continued economic prosperity** the Congress and the incoming Republican Presidents ignored Wilson. Instead they passed **two laws** that made up the Republican External Tax Structure. The External Tax Policy was the **fourth** reason out of the **seven** for the depression--**an unhealthy trade balance**. The two external tax laws were:
1. The Fordney-McCumber tariff passed in 1922 by the Harding administration. Increased rates higher than ever before--up to 400% tax on some products.

2. The Howley-Smoot tariff was passed over the protest of 1,000 economists in June of 1930.

3. The result of the Howley-Smoot tariff was 25 countries retaliated with tariffs against American products and trade dropped from $9 billion in 1929 to $3 billion in 1932. Thus American goods were not selling, which led to overproduction and high unemployment.

111. **Concept number three**: Explain how the Republican domestic program from 1921-1932, led to the Great Depression. Discuss the seven reasons for the depression.

1. Uneven distribution of wealth.

2. Overproduction/over speculation.

3. Over positive and over negative mental attitude.

4. The external tax policy led to an unhealthy trade balance.

5. Another weakness was the **poor state economic intelligence**. The economic philosophy of Hoover and the other Republican presidents of the 1920's as well as a huge section of the Democratic party greatly inhibited Hoover’s attack on the depression and caused the economy to reach its unstable state during the 1920's.
6. Another effect of the Republican domestic program was that it fostered large-scale corporate combinations, which led to an unstable corporate structure. The holding company was the most common device for concentrating economic control. In 1929 94 out of the biggest 100 companies were holding companies. Twenty-one were purely holding companies that did not produce anything themselves.

7. The final weakness was the unsound banking structure—there were a large number of small independent banks. The banks also held stock in the holding company pyramids—when the pyramid collapsed, the banking system was threatened. When income, employment, and stock values fell as the result of the depression, bank failures could quickly become epidemic.

IV. Concept number four: Discuss the Hoover Administration and the Depression.

A. Hoover’s attempts to deal with the depression can be broken down into three phases.

1. First phase—Hoover felt the economy was sound and just needed confidence. Thus, government should not interfere with business.

2. Second phase—As the depression got worse, Hoover was determined to keep government small and relief at the local level.

3. Third phase—Hoover endorsed a compromise relief program with the establishment of the RFC or Reconstruction Finance Corporation. The RFC lent money to business or gave relief loans (trickle down) and started public works programs (grass roots).
B. As the depression deepened, the view grew among voters that Hoover was a do-nothing President. The impression of Hoover as a do-nothing President is a false one; he did more than any previous administration, Republican or Democratic. Hoover’s attack on the depression was greatly inhibited by: (1) economic philosophy which was based on the Big 6 Values and (2) his view of the role of government.

C. Hence, the foundation was laid for FDR and the New Deal--Roosevelt continued some of Hoover’s policies and added many of his own.
1. During bad times: Spend money to take care of people, cut taxes to create jobs.

2. During good times gradually raise taxes as the economy improves to lower debt.

3. Bush 1990 Budget Agreement and Clinton in 1993 both raised taxes and cut spending to lower debt -- led to the longest economic recovery in 20th century.